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AMERICAN STONE INDUSTRIES INC  
Form 10KSB  
March 23, 2004

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-KSB

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER 0-22375

AMERICAN STONE INDUSTRIES, INC.  
(Name of Small Business Issuer in Its Charter)

DELAWARE  
(State or Other Jurisdiction of  
Incorporation or Organization)

13-3704099  
(I.R.S. Employer  
Identification No.)

230 W. MAIN STREET, SOUTH AMHERST, OHIO  
(Address of Principal Executive Offices)

44001  
(Zip Code)

(440) 986-4501  
(Issuer's Telephone Number, Including Area Code)

SECURITIES REGISTERED UNDER SECTION 12(b) OF THE EXCHANGE ACT:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
N/A	N/A

SECURITIES REGISTERED UNDER SECTION 12(g) OF THE EXCHANGE ACT:

COMMON STOCK, \$.001 PAR VALUE PER SHARE  
(Title of Class)

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

Yes  No

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Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

Issuer's revenues for its most recent fiscal year: \$2,228,170

The aggregate market value of the Common Stock held by non-affiliates of the Registrant as of February 28, 2004 was approximately \$8,084,000 computed on the basis of the last reported sale price per share of such stock on the OTC Bulletin Board (\$9.00 reported January 27, 2004). For purposes of this information, shares of Common Stock that were owned beneficially by executive officers, Directors and persons who may be deemed to own 10% or more of the outstanding Common Stock were deemed to be held by affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of the Registrant's Common Stock outstanding as of March 10, 2004 was 1,939,169.

DOCUMENTS INCORPORATED BY REFERENCE

FORM 10-KSB REFERENCE

DOCUMENTS

Part III (Items 9, 10, 11, 12 and 14)

Portions of the Registrant's Definitive Proxy Statement to be used in connection with its Annual Meeting of Stockholders to be held on April 21, 2004.

Except as otherwise stated, the information contained in this Form 10-KSB is as of December 31, 2003.

Transitional Small Business Disclosure Format (check one)?

Yes [ ] No [X]

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PART I

ITEM 1. DESCRIPTION OF BUSINESS.

General.

American Stone Industries, Inc. ("ASI" or the "Company") is a holding company that conducts its business through its wholly-owned subsidiary, American Stone Corporation ("ASC"). The Company quarries and sells stone for use in the building construction industry. The Company produces two types of natural stone: (1) dimensional stone, which is natural stone that is cut to size as specified in architectural designs and is primarily used as architectural accents to buildings, although dimensional stone is also used for funeral monuments, landscape and ornamental objects; and (2) construction stone, which is natural stone primarily used for road base, back fill and erosion control.

The Company was incorporated in the State of Delaware on November 11, 1992. The Company acquired the operating assets of Cleveland Quarries, L.P. in February 1996, and thereafter began operating the 145-year old quarry situated

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near Amherst, Ohio known as the "Cleveland Sandstone Quarries" (the "Cleveland Quarries"). The Cleveland Quarries consist of estimated recoverable reserve deposits in excess of 300 million cubic feet located on 975 acres of property. Management of the Company ("Management") believes, based upon various industry reports and surveys since the initial discovery in 1853, that the Cleveland Quarries are among the world's largest sandstone quarries.

In January of 2001, the Company created Amherst Stone at Cleveland Quarries, Inc. ("Amherst Stone"), a wholly-owned subsidiary, to act as a distributor directly to northern Ohio builders and landscapers. The Company intended Amherst Stone to act as a full-time supplier of Cleveland Quarries sandstone and other natural stone products. In December 2002, the Company decided to consolidate the activities of Amherst Stone into ASC.

Unless the context requires otherwise, references in this report to the "Company" refer to the Company and its wholly-owned subsidiaries.

### The Business.

The Company quarries and markets sandstone and manages the operation of the Cleveland Quarries. The Cleveland Quarries produce a type of sandstone that is known in the industry as "Berea Sandstone." For more than 100 years, sandstone from the Cleveland Quarries has been utilized widely in the United States and Canada in such projects as the following:

FACILITY/BUILDING -----	LOCATION -----	DATE -----
The John Hancock Building	Boston, Mass. (U.S.A.)	1948
U.S. Post Office	Cleveland, Ohio (U.S.A.)	1934
Parliament Building	Ottawa, Ontario (Canada)	1865
		(rebuilt 1917)
City Hall	Buffalo, New York (U.S.A.)	1930
U.S. Bankruptcy Court	Little Rock, Ark. (U.S.A.)	1918
Oberlin College Campus	Oberlin, Ohio (U.S.A.)	1885-1943
Osgoode Hall -- Law courts of Upper Canada	Toronto, Ontario (Canada)	1857
NHL Hockey Hall of Fame	Toronto, Ontario (Canada)	1885
County Courthouse	Savannah, Ga. (U.S.A.)	1889

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FACILITY/BUILDING -----	LOCATION -----	DATE -----
St. James Cathedral	Toronto, Ontario (Canada)	1853
University of Pennsylvania	Philadelphia, Penn. (U.S.A.)	1874-1910
Oberlin College Science Building	Oberlin, Ohio (U.S.A.)	2001

Berea Sandstone has been used in the construction of numerous additional facilities over the past 100 years, including government buildings, banks, churches and prestigious private residential dwellings throughout the United States and Canada. One of the most current personal residences of note is that of Mr. William Gates in Seattle, Washington.

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### Industry Structure.

All natural stone products go through several stages prior to final use. The various stages can be defined as follows: (1) quarrying, which is the extraction of large blocks of stone; (2) primary processing, which involves sawing the large blocks into smaller blocks or large slabs; (3) secondary processing, which is the conversion of smaller blocks or slabs into finished product; and (4) installation, which involves assembling and installing finished product. The Company owns and operates its own quarries. The Company is also a primary processor, as it owns and operates its own slabbing mills. In addition, the Company has its own secondary processing mill. All three processes are performed at the Company's South Amherst location in Ohio.

#### BLOCKS ARE TURNED INTO SLABS TO MAKE

-----

Table Tops  
Tile  
Patio Stone  
Garden Stone  
Sills  
Step Treads  
House Ashlar

#### BLOCKS ARE TURNED INTO SMALLER BLOCKS TO MAKE

-----

Coping  
Cut Stone  
Grindstones  
Curbing  
Building Stone  
Breakwater  
Laboratory Samples  
Landscape Pieces

Companies operate in diverse ways within the natural stone industry. They are usually involved in more than one of these disciplines. Companies operating at the ends of the process (i.e., the quarrying and installation) tend to locate geographically. Quarry operations locate where the raw material is found, and installers operate in the area in which the finished product is to be installed. Primary processors often locate at or near the quarries. For this reason, the same company is often involved in both the quarry and primary processing segment. Similarly, secondary processors locate at or near the installers' premises. Therefore, companies that do installation are also usually capable of secondary processing. Management believes that few companies operate in all segments of the industry.

The primary and secondary processing segments are the most mechanized and therefore the most capital intensive. The machinery can be very sophisticated and very expensive. There have been major advancements in quarry technology, and these operations are also becoming very capital

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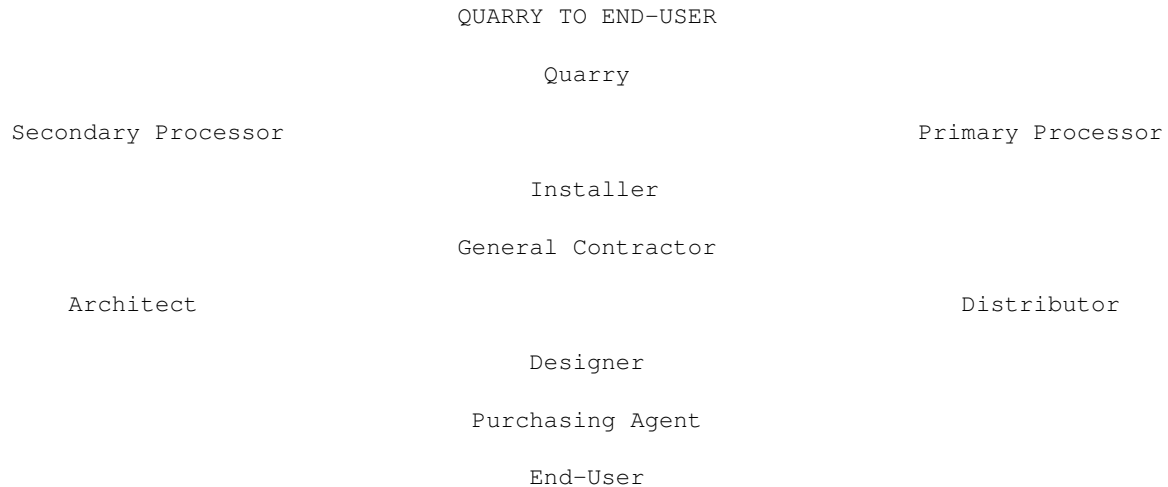
intensive. These expenses have been a barrier to entry into these segments of the industry for many and, for those that have failed to keep up, it has been a factor creating adverse consequences.

This change is evidenced by the decline in the number of full-service (primary and secondary) competitors in the domestic market. Most new capital investment has occurred in Europe, India and China, with little occurring in North America. The Company believes that its investment in high-tech equipment will enable it to compete domestically with both domestic and foreign competitors.

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Marketing Structure.

The market for dimensional stone products is served by many more companies than those involved in production and installation. They include government agencies, distributors, marketing agencies, architectural and engineering firms and designers. The company that has the closest contact with the final consumer is often most responsible for the sale of stone products. These other companies are often more important to the stone producer than the stone itself. The illustration below indicates how many layers are potentially between the end-user and the companies involved in the four levels of the stone industry. The additional layers between end-user and producer require a sophisticated marketing department capable of dealing with these companies. The marketing department may use in-house employees for estimating and drafting functions or form strategic alliances with outside companies that perform these functions.



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For the period from 1999 to 2003, the Company's annual production of natural stone was as follows:

RAW STONE:	(TONS)
-----	
1999	13,662
2000	12,699
2001	16,855
2002	13,196
2003	11,588

Management currently intends to target the following segments:

Building Stone:

- Slabs
- Sills
- Steps

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- Ashlar
- Patio Stone
- Wallstone
- Landscaping
- Tile
- Cutstone
- Swimming Pool Construction
- Restoration (Cut Stone)

### Specialty Products:

- Cores (Oil & Gas Research)
- Breakwater Stone
- Grindstones
- Ornamental

### Employees.

The Company has approximately 26 full-time employees, of which about 19 are hourly. The average hourly wage of the quarry personnel is approximately \$10.86 per hour. The quarries are situated in a geographic region that has a large labor pool, and Management does not believe that securing additional labor will be difficult or expensive. In Management's opinion, the Company has a positive relationship with its employees.

### Competition.

The Company competes in the natural dimensional stone market. More specifically, the Company competes against limestones and other sandstones. The Company's two biggest competitors consist of Briar Hill Stone Co. (Glenmont, OH -- about 50 employees) and Indiana Limestone Company (Bedford, IN -- about 200 employees). When submitting proposals to provide Berea Sandstone to larger commercial sites, the Company competes with quarries throughout the United States and abroad.

The Company intends to compete within this environment utilizing a strategy that embodies the following:

- Ownership of what Management believes to be one of the largest sandstone reserves in the world, which provides the Company with access to the raw material;

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- Access to a large supply of fresh water which is required to utilize diamond saw technology;
- A strategic geographic location from which the Company can serve about 66% of the domestic United States market within a

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500 mile radius from the quarries;

- Low cost of raw materials; and
- High quality, attributed to the skilled labor pool, and the higher level of capital investment in equipment.

### Marketing.

The marketing of the Company's products from Ohio is primarily done through an in-house sales staff and outside sales representatives. In addition, the Company is represented by distributors in the United States and Canada who deal directly with the end user by purchasing products from the Company at discounted rates and selling them to the end user at a markup.

The Company's historical market has been the United States and Canada. Within the United States, the Midwest and Northeast regions have traditionally accounted for more than 80% of the Company's sales in the United States. In Canada, the Company's sales have occurred almost exclusively in the Provinces of Ontario, Quebec and British Columbia.

### Business Strategy.

The Company intends to expand its current market and financial base through a business strategy that focuses on:

- Dedication to its core business, i.e., the Cleveland Quarries;
- Development of ancillary assets, i.e., the sale, lease or joint venture of surplus or nonessential lands.

### Backlog.

As of December 31, 2003, the Company's backlog of orders was \$250,000 as compared to a backlog of \$400,000 at December 31, 2002.

### Seasonality.

The Company's sales are cyclical in nature. Historically, the Company's sales have been highest during the second and third quarters, which usually account for more than 60% of the fiscal year's sales. The first quarter typically has the lowest sales due to inclement weather in the Northern Ohio region and the difficulty of operating a quarry in such an environment.

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### Intellectual Property/Proprietary Rights.

The Company holds copyrights in marketing materials and owns various trademarks. The Company does not believe that intellectual property is material to the operation of its business.

### Regulation.

The Company's operations are subject to a variety of statutes, rules and regulations, which are applicable to any business operating in the United States. These statutes, rules and regulations range from record keeping (e.g., the duty to maintain tax-related records for specific time periods as required by the Internal Revenue Code of 1986, as amended) to employment (e.g., the duty to comply with the Equal Employment Opportunity Act of 1972).

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Due to its quarry operations, the Company is also subject to certain more specific statutes, rules and regulations, the most significant of which include:

- Mines Safety and Health Act ("MSHA"), which mandates certain safety rules and regulations governing mining operations.
- Occupational Safety and Health Act of 1970 ("OSHA"), which generally requires that the Company provide its employees with a safe workplace.
- Resource Conservation and Recovery Act of 1976 ("RCRA"), which prohibits the transportation and/or disposal of "hazardous waste" except pursuant to certain standards.
- Regulations of the Department of Transportation, which governs the safe transportation of goods over interstate highways.

In the opinion of Management, the Company is in compliance with all applicable regulations. Material changes in these regulations in all material respects or the adoption of new regulations could have a material impact on the operations of the Company.

Research and Development.

In the fiscal years ended December 31, 2003 and 2002, the Company did not make any research and development expenditures.

Methods of Distribution and Costs of Transportation.

All of the Company's stone is shipped via flatbed truck paid F.O.B. at South Amherst.

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### ITEM 2. DESCRIPTION OF PROPERTY.

General.

The Company owns three separate parcels of land in the Counties of Lorain and Erie, Ohio. These properties contain stone with a variety of colors and properties. The Company holds permits for the two parcels that are used as quarries and both permits are in good standing.

The parcel in Erie County is in Birmingham Township, consists of approximately 186 acres, and contains the only Company quarry currently operating. Stone from this quarry is suitable to all end purposes of the Company's products and has a higher compressive strength than the stone quarried from the other Company quarries. Stone from this quarry is suitable not only for new projects but also for renovation, restoration or expansion of existing buildings. The Birmingham property also contains a supply of natural gas, which is leased to a local utility. There are no processing facilities on the Birmingham property.

The Company's main parcel is in Amherst Township (Lorain County), consists of approximately 979 acres, and is the site of six quarries, the mills and offices. The main parcel fronts the Ohio State Turnpike approximately twenty minutes west of downtown Cleveland. All of the quarries on the Lorain County land are currently unused and dormant.



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In December 2002, the Company purchased approximately 150 acres of land in Lorain County, Ohio adjoining the Company's Lorain County parcel for \$500,000. The promissory note issued by the Company for the purchase price also provides for a contingent payment described below under the caption "Encumbrances." The 150 acre parcel was purchased in order to control all contiguous properties.

In the opinion of management, all properties are adequately covered by insurance.

### Reserve Information.

From approximately 1960 to 1992 the reserves of Cleveland Quarries were estimated by the then owner (Stancorp), which drilled samples of Berea Sandstone on the Company-owned properties. The reserve estimates were then calculated using the deposit area and observations of depth from the existing quarries. On the basis of the reserve estimates obtained by the previous owner, Management has estimated that dimensional stone reserves for the Birmingham property are 126 million recoverable cubic feet based on a deposit of at least 30 acres indicated by topographic studies and that the Lorain County property contains 210 million recoverable cubic feet of dimensional stone and 21 million recoverable cubic feet of construction stone. There are no reserves on the parcel of property purchased in December 2002. In summary, Management believes that the properties have a total estimated recoverable reserve in excess of 300 million cubic feet.

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Usage for the past three years is as follows:

YEAR	EXTRACTED CU. FT.	SOLD CU. FT.
----	-----	-----
2001	240,000	97,800
2002	272,000	111,000
2003	165,708	89,787

Differences between cubic feet extracted and cubic feet sold are primarily the result of waste. The percentages of waste vary from year to year primarily because of differences in product mix. At current usage rates, the reserves far exceed any reasonable expectation of depletion.

### Buildings.

The following is a list of the main buildings on the Lorain County property:

BUILDING	SIZE S.F.	YEAR BUILT	CURRENT USE	FUTURE USE
-----	-----	-----	-----	-----
Mill No. 3	18,175	1946	Processing	Processing
Mill No. 6	45,000	1923	Vacant	Vacant
Mill No. 8	44,165	1926	Gang Sawing	Gang Sawing
Office & Showroom	11,305	1900	Office & Showroom	Office & Showroom

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Encumbrances.

The Company's main parcel and the parcel in Erie County are subject to mortgages between the Company and Madison/Route 20 LLC in a loan amount of \$900,000.

In connection with the purchase of 150 acres of land in December 2002, the Company granted a mortgage to the seller securing a promissory note due November 21, 2007 in the original principal amount of \$500,000 plus fifty percent (50%) of the difference between the fair market value of the property and the purchase price of \$500,000.

Equipment.

The Company's equipment consists of saws, cranes, trucks, tow motors, grinders, stone cutting equipment and haul tools. Older equipment is in the process of being overhauled, upgraded and replaced with new equipment.

ITEM 3. LEGAL PROCEEDINGS.

None.

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

None.

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PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Market Information

The Company's Common Stock is currently traded in the over-the-counter market via the "Bulletin Board" maintained through the National Association of Securities Dealers, Inc. The trading symbol of the Common Stock is AMST. The following table shows the high and low daily closing prices for the Company's Common Stock for each quarter of 2003 and 2002. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

YEAR ENDED DECEMBER 31, 2002	HIGH	LOW
-----	----	---
First Quarter.....	\$ 8.50	\$ 5.00
Second Quarter.....	9.00	5.00
Third Quarter.....	9.00	6.90
Fourth Quarter.....	9.50	2.00

YEAR ENDED DECEMBER 31, 2003	HIGH	LOW
-----	----	---

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First Quarter.....	\$ 7.25	\$ 3.40
Second Quarter.....	8.00	3.35
Third Quarter.....	8.00	4.80
Fourth Quarter.....	9.50	5.25

### Holdings and Dividends

As of March 10, 2004, there were 85 holders of record of the Common Stock of the Company. The Company has paid no dividends on the Common Stock and it is the Company's present intention to reinvest earnings internally to finance the expansion of its business. The Company's ability to pay dividends is limited by the Company's credit facility and is directly related to the Company's future profitability and need for capital to support its growth.

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### Securities Authorized for Issuance Under Equity Compensation Plans

The following table shows information with respect to each equity compensation plan under which the Company's Common Stock is authorized for issuance as of the end of fiscal year 2003.

#### EQUITY COMPENSATION PLAN INFORMATION

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (a)	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (b)	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (a)) (c)
=====			
Equity compensation plans approved by security holders	182,904	\$4.75	392,550
=====			
Equity compensation plans not approved by security holders	-0-	-0-	-0-
=====			
TOTAL	182,904	\$4.75	392,550
=====			

### Recent Sales of Unregistered Securities

As previously disclosed, during the second quarter of 2003 the Company issued Convertible Subordinated Promissory Notes totaling \$220,000 to assist in its cash flow needs. The notes were issued without general solicitation in a private placement (in reliance on Section 4(2) of the Securities Act of 1933) to

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individuals and entities, including Board members and entities affiliated with Board Members. No underwriter was involved in the private placement, and no underwriting discounts or commissions were charged. The notes bear interest at a rate of 5% per annum and are convertible (at any time prior to payment of the notes) into Common Stock of the Company at a conversion price of \$3.50 per share, subject to adjustment for certain dilutive events.

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

#### RESULTS OF OPERATIONS

(all amounts in thousands)

Following is a discussion of the principal factors that affected the Company's results of operations during each of the two most recent fiscal periods. This discussion should be read in conjunction with the Company's Consolidated Financial Statements included elsewhere in this report.

#### Company Overview and Outlook

American Stone Industries, Inc. is a holding company that mines and sells stone primarily for the building stone market through its wholly-owned subsidiary, American Stone Corporation. American Stone Corporation owns and operates the Cleveland Quarries in Amherst, Ohio. We produce dimensional stone which is cut to size as specified in architectural designs and primarily used as architectural accents to buildings. We also produce construction stone which is primarily used for road base, back fill and erosion control.

In January 2001, we created Amherst Stone at Cleveland Quarries, Inc., a wholly-owned subsidiary, to distribute our stone and other natural stone products directly to northern Ohio builders and landscapers. In December 2002 we decided to close Amherst Stone and consolidate the remaining activities into American Stone Corporation.

Looking forward, our immediate challenge is to increase our sales base and continue to improve our operating efficiencies while controlling costs so we can generate profitability and positive cash flow and strengthen our balance sheet. Cash remains tight, but as a result of new credit disciplines we have significantly reduced bad debt write-offs. 2004 started slowly due to the weather, which prevented us from quarrying stone all winter. However, we have ample saleable inventory on hand -- more than we have had in several years going into the spring season. We also judiciously invested in new equipment for the quarry in 2003 that we expect will improve productivity and reduce operating costs. The market continues to be soft, but we are cautiously optimistic. With some new marketing materials and a new sales team, we are now positioned to more actively pursue new business. If architectural project opportunities materialize as anticipated, we believe we can increase sales 25-30% over 2003 levels. We are confident we could handle such an increase in volume without adding to staff, assuming the workflow is reasonably spread out. At these higher volumes, we should be able to produce a profit in 2004.

#### 2003 compared to 2002

Sales decreased \$2,254, or 50%, from 2002 due to the closure of the Amherst Stone distribution business, unusually cold weather in early 2003 which adversely impacted our ability to pull stone from the quarry for most of the first quarter of 2003, being more selective in choosing jobs with higher profit potential and focusing on selling products that we produce from our own raw

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materials as opposed to reselling stone quarried by others.

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Gross profit, as a percentage of sales, improved from a negative 10.9% in 2002 to a positive 22.1% in 2003 due choosing jobs with higher profit potential combined with cost reduction and productivity improvement programs. Also included in 2002 cost of goods sold was a \$437 inventory write down.

Selling and administrative expenses decreased \$715, or 58% in 2003 from 2002. Included in 2003 selling and administrative expense was a \$223 benefit from forgiveness of debt from notes payable. Before this benefit, selling and administrative expenses decreased \$492, or 40%, primarily due to cost reduction actions, the elimination of non-value added activities and the closure of our Amherst Stone operation in December 2002.

Interest expense increased \$22, or 17% in 2003 compared to 2002 due primarily to increased average borrowing levels in 2003.

We did not record a benefit for income taxes in 2003. We have \$6,500 of unused net operating loss carryforwards that may be applied against future taxable income. These carryforwards expire in various amounts from 2007 through 2023. Our ability to use the carryforwards will depend upon generating taxable income in the future. There are no assurances that we will be profitable in the future, and as a result we did not reflect a tax benefit in 2003 from the net loss.

The net loss in 2003 of \$186 was significantly less than the net loss in 2002 of \$1,860. The main drivers were significantly improved gross profit margins combined with significantly lower selling and administrative expenses, as previously discussed.

2002 compared to 2001

Sales increased \$696, or 18% from 2001 due primarily from increased sales from Amherst Stone.

Gross profit, as a percentage of sales, decreased from 12.1% in 2001 to a negative 10.9% in 2002 due to under-pricing several restoration and architectural projects, inefficient operating procedures and the negative effect on operations of previously deferred maintenance. In addition, during the third quarter of 2002 we determined that approximately \$445 of inventory was scrap and as a result we established a reserve of \$437 for this inventory.

Selling and administrative expenses increased \$252, or 25% due primarily to increased overhead related to Amherst Stone, including additional sales personnel, promotional materials and showroom expenses.

Interest expense declined by \$7, or 5% due primarily to a decline in the prime interest rate on our line of credit.

We did not record a benefit for income taxes in 2002 due to having significant unused net operating loss carryforwards, as previously discussed.

The net loss in 2002 of \$1,860 was significantly more than the net loss in 2001 of \$665. The main drivers were lower gross profit margins combined with higher selling and administrative expenses, as previously discussed.

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### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates, judgments and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements. We evaluate the accounting policies and estimates we use to prepare financial statements on an ongoing basis. We base our estimates on historical experience and assumptions believed to be reasonable under the relevant circumstances. In preparing these financial statements, we have made our best estimates and judgments of certain amounts included in the financial statements related to the accounting policies and estimates described in the text that follows. The application of these critical accounting policies involves the exercise of judgment and the use of assumptions as to future uncertainties, and as a result, actual results could differ from these estimates. For additional information regarding our accounting policies, see Note 1 to the Consolidated Financial Statements for the fiscal year ended December 31, 2003.

#### Goodwill

As of December 31, 2003, we had \$26,661 of goodwill resulting from the acquisition of businesses. Effective January 1, 2002, we adopted SFAS No. 142 "Goodwill and Other Intangible Assets," under which goodwill is no longer amortized but is tested for impairment annually (we have selected November 15), or more often, if an event or circumstance indicates that an impairment loss may have occurred. In making goodwill impairment assessments, we compare the fair value of the company with the company's carrying value. If the fair value of the company exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value of the company exceeds its fair value, an impairment loss is measured and recognized.

As of the close of business on November 15, our common stock's latest closing value was \$6.00 per share and we had 1,939,169 shares outstanding. Therefore, our total market value, or fair value, was \$11,635,014. The carrying value of the company, represented by stockholders' equity, at September 30, 2003 (the last information as filed under form 10-QSB) was \$612,992. Since the fair value exceeded the carrying value, we determined that goodwill was not impaired.

#### Land Depletion

Our estimate of land depletion is based on our estimate of remaining sandstone as determined from current and historical information. We evaluated the key factors and assumptions used to develop the land depletion estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

#### Contingencies

We are subject to various investigations, claims, and legal and administrative proceedings covering a wide range of matters that arise in the ordinary course of business activities. Any liability that may result from these proceedings, and any liability that is judged to be probable

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and estimable, has been accrued. Any potential liability not accrued is not currently expected to have a material adverse effect on our future financial position, results of operations or cash flows.

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### CASH FLOWS

(all amounts in thousands)

Cash flows provided (used by):	2003	2002
Operating activities	\$ (148)	\$ (206)
Investing activities	(50)	(113)
Financing activities	477	296

Cash used by operating activities in 2003 was \$148. The net loss of \$186 included a non-cash gain on forgiveness of bank debt of \$223, depreciation and amortization of \$418 and a loss on the sale of equipment of \$58. Major uses of cash were a \$188 increase in inventory and a \$306 decrease in payables and accrued liabilities. Major sources of cash were a \$228 decrease in accounts receivable and a \$44 decrease in prepaid expenses.

Cash used by operating activities in 2002 was \$206. The net loss of \$1,860 included depreciation and amortization of \$434. Major sources of cash were a \$270 decrease in accounts receivable, a \$672 decrease in inventory, a \$32 decrease in prepaid expenses and a \$236 increase in payables and accrued liabilities.

Cash used by investing activities in 2003 was \$50, which included \$62 to purchase equipment primarily to improve productivity.

Cash used by investing activities in 2002 was \$113 to purchase equipment to improve productivity and maintain current equipment.

Cash provided by financing activities in 2003 was \$477. Cash was provided by long term debt totaling \$1,495 while \$1,018 of cash was used to repay long term debt and borrowings under the line of credit. Borrowings in 2003 included the following:

- \$220 unsecured notes payable to directors and officers of the company
- \$200 unsecured note payable to bank
- \$900 mortgage refinance loan payable to Madison/Route 20, LLC
- \$175 drawn on an unsecured note payable to Roulston Venture Capital L.P., a significant shareholder

Cash provided by financing activities in 2002 was \$296. Cash was provided by long term debt totaling \$661 while \$364 of cash was used to repay long term debt and borrowings under line of credit arrangements. Borrowings in 2002 included the following:

- \$500 loan from an individual investor
- \$150 unsecured note payable to Roulston Venture Capital L.P., a significant shareholder

More information about Long Term Debt can be found in Note 4 to the Consolidated Financial Statements.

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### LIQUIDITY AND CAPITAL RESOURCES (all amounts in thousands)

As of December 31, 2003 we had cash and cash equivalents totaling \$284. During 2003 we had a line of credit with maximum borrowings of \$500. This line of credit was paid off and closed before December 31, 2003.

As of December 31, 2003 our current portion of long-term debt was \$1,506, which represents the principal portion of our debt that is due to be repaid by December 31, 2004. These debt maturities will need to be extended or refinanced during 2004 in order for us to be able to continue to fund operations and meet our obligations. Profitable operations in 2004 will be an important factor in helping us to extend or refinance these obligations.

Capital spending in 2004 is currently estimated at between \$50 and \$100, primarily for equipment needed to maintain operations.

At December 31, 2002 we were in violation of certain covenants of our bank line of credit agreement, but we had obtained waivers from the bank. However, at December 31, 2003 none of our borrowing arrangements contained covenants, and we do not believe we were in default with respect to any other financial arrangement, nor were we subject to any unsatisfied judgments, liens or settlement obligations.

We have experienced significant operating losses over the previous three years. As a result, we have had cash flow and liquidity problems. We have taken steps to reduce administrative overhead, employment levels and other expenses, have instituted strict controls over granting credit to customers and have put new sales policies and procedures into place. There can be no assurances that these measures will enable us to become profitable or achieve positive cash flow in the foreseeable future. We are also currently exploring additional long term funding sources, including debt placement, stock issuance and other alternatives.

The following table summarizes our obligations related to long-term debt and operating leases as of December 31, 2003:

	Long Term Debt	Operating Leases	Total
	-----	-----	-----
Due in less than 1 year	\$1,506	\$ 13	\$1,519
1-3 years	1,300	4	1,304
	-----	-----	-----
Total	\$2,806	\$ 17	\$2,823
	=====	=====	=====

### CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

In this annual report, statements that are not reported financial results or other historical information are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. They are based on management's expectations that involve a number of business risks and uncertainties, any of



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which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. You can identify these statements by the fact that they do not relate strictly to historic or current facts. Words are used such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and other words and terms of similar meaning in connection with the discussion of future operating or financial performance. In particular, these include statements relating to future actions; prospective changes in manufacturing costs, product pricing or product demand; future performance or results of current and anticipated market conditions and market strategies; sales efforts; expenses; the outcome of contingencies such as legal proceedings; and financial results.

Factors that could cause actual results to differ materially include, but are not limited to: (1) general economic, business and market conditions, (2) actions by competitors, (3) the success of advertising or promotional efforts, (d) trends within the building construction industry, (5) the existence or absence of adverse publicity, (6) changes in relationships with the Company's major customers or in the financial condition of those customers, (7) equipment and operational problems, and (8) the adequacy of the Company's financial resources and the availability and terms of any additional capital.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our Form 10-QSB, 8-K and 10-KSB reports to the Securities and Exchange Commission. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

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### ITEM 7. FINANCIAL STATEMENTS.

The following pages contain the Financial Statements and Supplementary Data as specified by Item 7 of Form 10-KSB.

HOBE & LUCAS  
CERTIFIED PUBLIC ACCOUNTANTS, INC.

4807 Rockside Road  
Suite 510  
Independence, Ohio 44131  
Tel: (216) 524-8900  
Fax: (216) 524-8777

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders  
of American Stone Industries, Inc. and Subsidiaries

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Amherst, Ohio

We have audited the consolidated balance sheets of American Stone Industries, Inc. and Subsidiaries as of December 31, 2003 and 2002, and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Stone Industries, Inc. and Subsidiaries as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

/s/ Hobe & Lucas  
Certified Public Accountants, Inc.

Independence, Ohio  
February 16, 2004

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### AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2003 AND 2002

	2003	2002
	-----	-----
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 284,238	\$ 5,697
Accounts receivable, net of allowance for doubtful accounts of \$20,000 - 2003 and \$209,000 - 2002	160,303	388,206
Prepaid expenses	2,700	46,942
Inventory	837,438	649,913
	-----	-----
Total Current Assets	1,284,679	1,090,758
	-----	-----
Property, Plant and Equipment, Net	3,243,693	3,670,003
	-----	-----
Other Assets		
Intangible assets	9,043	9,043
Goodwill	26,661	26,661

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Restricted cash	7,521	13,504
Deposits	1,000	1,000
	-----	-----
	44,225	50,208
	-----	-----
	\$ 4,572,597	\$ 4,810,969
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Bank line of credit	\$ -0-	\$ 500,000
Current portion of notes payable	1,505,850	872,010
Accounts payable	516,345	695,749
Accrued and withheld payroll and payroll taxes	44,991	53,639
Accrued liabilities	143,324	261,560
	-----	-----
Total Current Liabilities	2,210,510	2,382,958
	-----	-----
Long Term Liabilities		
Notes payable	1,300,000	1,180,066
	-----	-----
Stockholders' equity		
Common stock, \$.001 par value 20 million shares authorized, 1,939,169 shares issued and outstanding	1,939	1,939
Additional paid-in capital	4,829,708	4,829,708
Accumulated deficit	(3,769,560)	(3,583,702)
	-----	-----
	1,062,087	1,247,945
	-----	-----
	\$ 4,572,597	\$ 4,810,969
	=====	=====

See notes to consolidated financial statements.

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AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
	-----	-----
Sales	\$ 2,228,170	\$ 4,482,511
Cost of goods sold	1,735,270	4,970,967
	-----	-----
Gross profit (loss)	492,900	(488,456)
	-----	-----
Selling and administrative expenses	526,750	1,241,574

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(Loss) from operations	(33,850)	(1,730,030)
Other Income/(Expense)		
Interest income	36	204
Interest expense	(152,044)	(129,903)
	(152,008)	(129,699)
(Loss) before provision for income taxes	(185,858)	(1,859,729)
Provision for income taxes	-0-	-0-
Net (loss)	\$ (185,858)	\$ (1,859,729)
Net (Loss)/Income per Common Share		
Basic	\$ (.10)	\$ (.96)
Diluted	\$ (.10)	\$ (.96)

See notes to consolidated financial statements.

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AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Common Stock				
	Issued Shares	Par Value	Paid-In Capital	Accumulated Deficit	St
Balance, January 1, 2002	1,936,364	\$ 1,936	\$ 4,819,738	\$ (1,723,973)	\$
Shares issued in stock option exercise	2,805	3	9,970	-0-	
Net Loss	-0-	-0-	-0-	(1,859,729)	
Balance, December 31, 2002	1,939,169	1,939	4,829,708	(3,583,702)	
Net Loss	-0-	-0-	-0-	(185,858)	
Balance, December 31, 2003	1,939,169	\$ 1,939	\$ 4,829,708	\$ (3,769,560)	\$

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See notes to consolidated financial statements.

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AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
	-----	-----
Net Loss	\$ (185,858)	\$ (1,859,729)
Gain on forgiveness of bank debt	(223,049)	
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, amortization and depletion	417,917	433,957
Loss on sale of equipment	58,328	-0-
Non-cash option expense		9,973
Changes in assets and liabilities:		
Decrease in accounts receivable	227,903	270,116
(Increase) decrease in inventory	(187,525)	671,815
Decrease in prepaid expenses	44,242	31,869
(Decrease) increase in payables and accrued liabilities	(306,288)	236,265
Other, net	5,983	85
	-----	-----
Net Cash Used in Operating Activities	(148,347)	(205,649)
	-----	-----
Cash Flows from Investing Activities:		
Proceeds from sale of equipment	11,800	-0-
Purchase of property, plant and equipment	(61,735)	(112,611)
	-----	-----
Net Cash Used in Investing Activities	(49,935)	(112,611)
	-----	-----
Cash Flows from Financing Activities:		
Net (payments) borrowings under line of credit arrangements	(500,000)	(194,245)
Proceeds from long term debt	1,495,000	660,850
Repayment of long term debt	(518,177)	(170,381)
	-----	-----
Net Cash Provided by Financing Activities	476,823	296,224
	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	278,541	(22,036)
Cash and Cash Equivalents at Beginning of Year	5,697	27,733
	-----	-----
Cash and Cash Equivalents at End of Year	\$ 284,238	\$ 5,697
	=====	=====

See notes to consolidated financial statements.

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
 FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
	-----	-----
Supplemental Disclosure of Cash Flows Information:		
Interest paid	\$ 150,000	\$ 130,000
	=====	=====
Taxes paid	\$ -0-	\$ -0-
	=====	=====

Supplemental disclosures of non-cash financing activities:

During 2003, the Company recognized \$223,049 as forgiveness of debt from notes payable.

During the year ended December 31, 2002 the Company purchased land from a related party for \$500,000 in exchange for a note payable.

In 2002, the Company issued 2,805 shares of common stock in exchange for the exercise of 4,546 directors stock options.

See notes to consolidated financial statements.

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2003 AND 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of American Stone Industries, Inc. and Subsidiaries, (hereinafter "ASI" or the "Company") is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

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### Business Activity

American Stone Industries, Inc. (a Delaware corporation) is a publicly-held company whose stock is traded on the OTC Bulletin Board. American Stone Industries, Inc. ("ASI") is a holding company that mines and sells stone predominantly for the building stone market through its wholly owned subsidiary, American Stone Corporation ("ASC"). ASC owns and operates the Cleveland Quarries in Amherst, Ohio.

In January of 2001, the Company created a wholly-owned subsidiary, known as Amherst Stone at Cleveland Quarries, Inc. (Amherst Stone) to act as a distributor directly to northern Ohio builders and landscapers. The Company intended Amherst Stone to act as a full-time supplier of Cleveland Quarries sandstone and other natural stone products. In December 2002, the Company decided to consolidate the activities of Amherst Stone into its ASC operations.

### Cash and Cash Equivalents

For purposes of financial reporting, the Company considers all highly-liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

### Accounts Receivable

Credit is granted to only qualified domestic customers. The allowance for doubtful accounts is calculated using the Company's prior bad debt experience and current estimates of uncollectible accounts.

### Revenue Recognition

Revenues are recorded when products are shipped to customers or, in instances where products are configured to customer requirements, upon the successful completion of the Company's final test procedures. The Company is generally not contractually obligated to accept returns, except for defective product. An allowance for such returns is reflected as a reduction to accounts receivable when the Company expects to grant credits for such items; otherwise it is reflected as a liability.

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AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2003 AND 2002

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Property, Plant and Equipment - At Cost

Property, plant and equipment at December 31, 2003 and 2002 consisted of:

	2003	2002
	-----	-----
Land	\$ 938,680	\$ 939,979
Buildings and improvements	1,477,350	1,477,350
Equipment	2,793,440	2,838,808
Computers	62,175	62,175
Vehicle	10,650	38,837

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	-----	-----
	5,282,295	5,357,149
Less: Accumulated depreciation	2,038,602	1,687,146
	-----	-----
Net property, plant and equipment	\$ 3,243,693	\$ 3,670,003
	=====	=====

Depletion is being calculated based on management's estimate of sandstone reserves. There is no engineer's estimate available for such reserves. Depletion amounted to \$1,299 and \$2,131 for the years ended December 31, 2003 and 2002, respectively.

The cost of depreciable property is being depreciated over the estimated useful lives of the assets using the straight-line method for financial reporting. Depreciation expense was \$416,618 and \$431,826 for the years ended December 31, 2003 and 2002, respectively.

Routine maintenance and repairs are charged to operations when incurred. Expenditures which materially increase value or extend lives are capitalized.

Principles of Consolidation

The accompanying financial statements include the accounts of American Stone Industries, Inc. and its wholly-owned subsidiary American Stone Corporation for the year ended December 31, 2003. For the year ended December 31, 2002, the financial statements include the accounts of American Stone Industries, Inc. and its wholly-owned subsidiaries American Stone Corporation and Amherst Stone at Cleveland Quarries, Inc. As mentioned in Note 1 Business Activity, in 2002 the Company decided to consolidate the activities of Amherst Stone into ASC operations. All significant intercompany transactions have been eliminated in consolidation.

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AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2003 AND 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill and Other Intangibles

The Company adopted the provisions of FASB Statement 142, Goodwill and Other Intangible Assets, as of January 1, 2002. The standard provides that goodwill and intangible assets with indefinite lives no longer be amortized. The standards provide that goodwill be tested for impairment annually on November 15th. The Company recognized no impairment in 2003 or 2002.

The following is a summary of intangibles:

	2003	2002
	-----	-----
Intangibles not subject to amortization		
Trademarks	9,043	9,043
Goodwill	26,661	26,661



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\$ 35,704	\$ 35,704
-----------	-----------

Stock Options

The Company uses the intrinsic-value method of accounting for stock-based awards granted to employees and, accordingly, does not currently recognize compensation expense for its stock-based awards to employees in the Consolidated Statements of Income.

The Company maintains the 1998 Management Stock Option Plan (management plan). Options granted under the management plan may be either incentive stock options or non-statutory stock options. The options expire on the fifth anniversary of the date of grant with remaining terms to be determined by the sole discretion of a committee of members of the Company's Board of Directors. The management plan provides that the Company may grant options (generally at fair market value at the date of grant) for not more than 300,000 shares of common stock to management employees. Options granted are generally exercisable beginning one year after the date of grant. At December 31, 2003 and 2002, 70,000 and 10,000 options, respectively, with exercise prices ranging from \$3.35 to \$5.00 were outstanding. At December 31, 2003 and 2002, -0- and 10,000 options, respectively, were exercisable.

Additionally, the Company maintains the 1998 Non-Employee Director Stock Option Plan (director plan). The director plan provides for the granting of stock options to members of the Board of Directors who are not employees of the Company. There are 300,000 shares available for grant under the plan. Each option is exercisable one year after the date of grant and expires five years after the date of grant. Each eligible director receives an option to purchase 1,500 shares (3,000 shares for the Board's Chairman) of common stock on the date of the annual meeting and 150 shares (300 shares for the Board's Chairman) of common stock for each Director or Committee meeting attended. Each option shall be at fair market value on the date of the grant. At December 31, 2003, 112,904 shares with exercise prices ranging from \$2.37 to \$9.50 (\$5.62 weighted average) were outstanding, 96,554 of which were exercisable. At December 31, 2002, 110,954 shares with exercise prices ranging from \$2.37 to \$9.50 (\$5.77 weighted average) were outstanding, 88,200 of which were exercisable.

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AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2003 AND 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock Options (Continued)

A summary of option activity under the plans follows:

	Number of Shares Under Option -----	Weighted Average Exercise Price -----
Outstanding at January 1, 2002	108,200	\$ 4.85

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Granted	27,300	8.48
Exercised	(4,546)	3.58
Cancelled	(10,000)	5.00
	-----	
Outstanding at December 31, 2002	120,954	5.59
Granted	86,350	3.61
Exercised	-0-	0.00
Cancelled	(24,400)	4.76
	-----	-----
Outstanding at December 31, 2003	182,904	4.75
	=====	=====
Options exercisable at December 31, 2003	96,554	6.58
	=====	=====
Options exercisable at December 31, 2002	98,200	\$ 4.78
	=====	=====

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APBO No. 25), and related interpretations, in accounting for its stock options because, as discussed below, the alternative fair value accounting provided for under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), requires use of highly subjective assumptions in option valuation models. Under APBO No. 25, because the exercise price of the Company's stock option granted is not less than fair market price of the shares at the date of grant, no compensation is recognized in the financial statements.

Pro forma information regarding net income and earnings per share, determined as if the Company had accounted for its employee stock options under the fair value method of SFAS No. 123, is required by that statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions for all options granted: a risk free interest rate of 1.02% and 1.24% for 2003 and 2002, respectively, expected life of the options of five years, no expected dividend yield and a volatility factor of 10%. Additionally, a marketability discount of 50% has been assumed for 2003 and 2002, respectively.

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AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2003 AND 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock Options (Continued)

	2003	2002
	-----	-----
Net income (loss), as reported	(185,858)	(1,859,729)
Deduct: (Loss), Total stock-based employee compensation expense determined under fair value based method for all		

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awards, net of tax effects	(45,675)	(50,479)
	-----	-----
Pro forma net income (loss)	\$ (231,533)	\$ (1,910,208)
	=====	=====
Earnings per share:		
Basic - as reported	\$ (.10)	\$ (.96)
	=====	=====
Basic - pro forma	\$ (.12)	\$ (.99)
	=====	=====
Diluted - as reported	\$ (.10)	\$ (.96)
	=====	=====
Diluted - pro forma	\$ (.12)	\$ (.99)
	=====	=====

Reclassifications

Certain reclassifications have been made in the 2002 financial statements to conform to the 2003 presentation.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, principally consist of accounts receivable. The Company's policies do not require collateral to support customer accounts receivables. No concentrations existed for the years ended December 31, 2003 and 2002.

Income Per Common Share

Income per common share is based on the weighted average number of shares outstanding which was 1,939,169 and 1,937,050 for the years ended December 31, 2003 and 2002, respectively.

The Company has various notes payable that include conversion rights to common stock. Total potential convertible shares were approximately 252,900 shares at December 31, 2003. Additionally, the Company has outstanding stock options of 182,904 shares at December 31, 2003. As a result, the Company has the potential of issuing approximately 435,804 of additional shares of common stock at December 31, 2003.

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AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2003 AND 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

The inventories which consist of sandstone are stated at the lower of first-in, first-out (FIFO) cost or market.

Restricted Cash

The Company's certificate of deposit is assigned to the Ohio Department of Natural Resources Division of Reclamation. The Ohio Department of Natural

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Resources requires all companies engaged in mining activities in the state to maintain an interest bearing certificate of deposit to qualify for a mining permit.

### Shipping and Handling Costs

The Company includes the cost of shipping and handling in its cost of goods sold.

### Accounting Standards

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS 142). SFAS 142 addresses the financial accounting and reporting for acquired goodwill and other intangible assets. As a result of adopting SFAS 142, goodwill and the Company's intangible assets are no longer amortized. Pursuant to SFAS 142, goodwill and other intangible assets must be tested for impairment on an annual basis. As of November 15, 2003, the Company updated its impairment review, which indicated that there was no impairment.

### NOTE 2 - RELATED PARTIES

On October 1, 1999, the Company signed an interest-only note with Roulston Ventures Limited Partnership (RVLP), a significant shareholder, for \$150,000. Repayment of principal is to be made on October 1, 2004. At any time up to the maturity date, RVLP had the right to convert the debt into shares of common stock at \$5.00 per share.

On October 1, 2002, the Company signed an additional interest only note with Roulston Venture Capital L.P. (RVCLP), a significant shareholder, for \$300,000, of which \$300,000 was drawn at December 31, 2003. Repayment of the principal is to be made on October 1, 2005. At anytime up to the maturity date, RVCLP has to right to convert the debt into shares of common stock at \$5.00 per share.

In 2003, the Company signed unsecured notes payable to directors and officers of the Company totaling \$220,000. Interest only is payable quarterly at 5% per year. Principal is due between March 31, 2004 and May 15, 2004. At any time up to the due dates, note holders have the right to convert the notes into common stock at \$3.50 per share.

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## AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2003 AND 2002

### NOTE 2 - RELATED PARTIES (CONTINUED)

In 2002, the Company entered into a \$500,000 note payable - Amherst Quarry, Inc. (a related party). Principal and interest of 4.5% is due November 21, 2007 and is secured by land. The note was for the purchase of a 150-acre piece of land adjacent to Company-owned parcels from Amherst Quarries, Inc. Amherst Quarries is owned 20% by Enzo Costantino and 80% by Glen Gasparini, both of whom are directors of the Company and both abstained from the vote by the Board of Directors. The sale agreement contains terms that may call for certain contingent payments as follows. If during the life of the five-year loan, the property is sold for an amount in excess of \$500,000, the previous owner is entitled to payment of one half the difference of the selling price and \$500,000. If at the end of the loan period, the property has not been sold, the

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fair market value will be determined by an independent appraisal. The previous owner will be entitled to one-half the excess of the appraised value greater than \$500,000.

### NOTE 3 - LINE OF CREDIT

During 2003, the Company had a line of credit with maximum borrowings of \$500,000. The Company paid off and closed the line of credit prior to December 31, 2003. The note provided for borrowing with interest payable monthly at a rate equivalent to the bank's prime lending rate of 4.25% at December 31, 2002. The debt was secured by substantially all real estate, inventory, and equipment of the Company. The outstanding balance at December 31, 2003 and 2002 was \$0 and \$500,000, respectively.

### NOTE 4 - LONG TERM DEBT

	2003 -----	2002 -----
Unsecured note payable to Roulston Ventures L.P. (a significant shareholder). Interest only payable quarterly at 6%. Balance due October 1, 2004. Convertible to common stock at note holders option on or before due date. Convertible at \$5.00 per share.	\$ 150,000	\$ 150,000
8.52%, note payable to bank. Secured by equipment payable in monthly installments of principal and interest of \$2,248. Final payment due March 1, 2005. This loan was paid in full during 2003.	-0-	76,361
8.00%, note payable to bank. Payable in monthly installments of \$18,297 which includes principal and interest. Final payment due June 1, 2006. Secured by blanket lien on all real estate, inventory, receivables and equipment of the Company. The loan was paid in full during 2003.	-0-	651,010

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AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2003 AND 2002

### NOTE 4 - LONG TERM DEBT (CONTINUED)

	2003 -----	2002 -----
Balance Forward	\$ 150,000	\$ 877,371
6.90%, note secured by equipment with payments of \$1,206 monthly which includes principal and interest. This loan was paid in full during 2003.	-0-	13,855

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Unsecured note payable to lender. Interest only payable quarterly at 6% per year. Balance due January 15, 2007. Convertible to common stock at note holders option on or before due date. Convertible at \$5.00 per share	500,000	500,000
Unsecured note payable to directors and officers of the Company. Interest only payable quarterly at 5% per year. Balance due between March 31, 2004 and May 15, 2004. Convertible to common stock at note holders option on or before due date. Convertible at \$3.50 per share.	220,000	-0-
Unsecured note payable to bank. Interest payable in monthly installments of prime plus 2%, 6% as of December 31, 2003. Final payment on January 5, 2004. As of this report, the bank has agreed to renew said note for 90 days.	200,000	-0-
10% fixed rate commercial real estate loan payable to Madison/Route 20, LLC. Interest only payable monthly. Balance payable on October 13, 2004. Secured by land.	900,000	-0-
Unsecured note payable to Roulston Venture Capital L.P. (a significant shareholder). Interest only payable quarterly at 6%. Balance is due October 1, 2005. Convertible to common stock at note holders option on or before due date. Convertible at \$5.00 per share.	300,000	125,000
Unsecured note payable to lender with interest at 5%	35,850	35,850

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AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2003 AND 2002

NOTE 4 - LONG TERM DEBT (CONTINUED)

Balance Forward	\$ 2,305,850	\$ 1,552,076
Note payable - Amherst Quarry, Inc. (a related party). Principal and interest of 4.5% due November 21, 2007. Secured by land. Note provides for certain additional contingent payments (Note 2).	500,000	500,000
	-----	-----
	2,805,850	2,052,076
Less: Current Portion	1,505,850	872,010
	-----	-----
	\$ 1,300,000	\$ 1,180,066
	=====	=====

Following is a summary of future maturities of long term debt as of December 31, 2003:

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2004	\$ 1,505,850
2005	300,000
2006	1,000,000
2007	-0-
2008	-0-
	-----
	\$ 2,805,850
	=====

NOTE 5 - FAIR VALUE OF FINANCIAL STATEMENTS

The carrying amounts of cash, accounts receivable, accounts payable, and long-term debt approximate the fair value reported in the balance sheet. The fair value of long-term debt is based on current rates at which the Company could borrow funds with similar remaining maturities.

NOTE 6 - FINANCIAL REPORTING FOR SEGMENTS OF THE COMPANY

The Company and its subsidiaries operated predominantly in one industry, the design, quarrying and cutting of sandstone primarily used in the construction and landscaping industries.

Following is the information regarding the Company's continuing operations by geographic location.

	2003	2002
	-----	-----
Net sales, including geographic transfers		
United States	\$ 2,006,164	\$ 3,744,567
Canada	222,006	737,944
	-----	-----
	\$ 2,228,170	\$ 4,482,511
	=====	=====

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AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2003 AND 2002

NOTE 6 - FINANCIAL REPORTING FOR SEGMENTS OF THE COMPANY (CONTINUED)

Income (Loss) from operations:		
United States	\$ (33,850)	\$ (1,730,030)
Canada	-0-	-0-
	-----	-----
Loss from operations:	(33,850)	(1,730,030)
Interest expense	(152,044)	(129,903)
Interest income	36	204
	-----	-----

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Loss from operations before income taxes	\$ (185,858)	\$ (1,859,729)
	=====	=====
Identifiable assets:		
United States	\$ 4,572,597	\$ 4,810,969
Canada	-0-	-0-
	-----	-----
	\$ 4,572,597	\$ 4,810,969
	=====	=====

NOTE 7 - LEASES

The Company has entered into operating lease agreements for trucks and equipment. Lease payments in 2003 and 2002 amounted to \$48,426 and \$85,002, respectively.

Below is a five-year schedule of minimum lease payments.

2004	\$ 12,631
2005	3,892
2006 and thereafter	-0-
	-----
	\$ 16,523
	=====

NOTE 8- INCOME TAXES

Income taxes on continuing operations include the following:

	2003	2002
	-----	-----
Currently payable	\$ -0-	\$ -0-
Deferred	-0-	-0-
	-----	-----
Total	\$ -0-	\$ -0-
	=====	=====

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AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2003 AND 2002

NOTE 8- INCOME TAXES (CONTINUED)

A reconciliation of the effective tax rate with the statutory U.S. income tax rate is as follows:



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	2003		2002	
	Income	% of Pretax Amount	Income	% of Pretax Amount
Income taxes per statement of income	\$ -0-	0%	\$ -0-	0%
Tax rate differences resulting from:				
Income (loss) for financial reporting purpose without tax expense or benefit. Utilization of loss carry-forward (unavailable for carryback against prior income taxes paid)	\$ (63,192)	(34)%	\$ (632,308)	(34)%
Income taxes at statutory rate	\$ (63,192)	(34)%	\$ (632,308)	(34)%

For United States tax purposes, the Company has available at December 31, 2003, unused operating loss carryforwards of approximately \$6,500,000 that may be applied against future taxable income and expires in various amounts from 2007 to 2023.

Utilization of the net operating loss carryforward is contingent upon the Company having sufficient taxable income in the future.

The Company's deferred tax assets and liabilities at December 31, 2003 and 2002 consist of:

	2003	2002
Deferred tax asset	\$ 2,217,000	\$ 2,687,000
Valuation allowance	(2,080,000)	(2,411,000)
Deferred tax liability	(137,000)	(276,000)
	\$ -0-	\$ -0-

Deferred taxes are provided for temporary differences in deducting expenses for financial statement and tax purposes. The principal source for deferred tax assets are different methods for recovering depreciation and net operating loss carryforwards. No deferred taxes are reflected in the balance sheet at December 31, 2003 and 2002 due to a valuation allowance. As of December 31, 2003, the Company recognized a \$331,000 decrease in the valuation allowance while the Company recognized a \$1,964,000 increase in 2002, respectively.

NOTE 9 - PROFIT SHARING PLAN

American Stone Corporation has a 401(k) profit-sharing plan (the Plan) offered to employees with more than one year of service. Contributions under the Plan are discretionary and are determined annually by the Company's Board of Directors. In addition, the Plan provides for a match of 50% of employee contributions to the Plan up to 6% of employee wages. Company contributions to the plan in 2003 and 2002 were \$11,112 and \$15,925, respectively.

PART III

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

None.

ITEM 8A. CONTROLS AND PROCEDURES

The Company's management, under the supervision and with the participation of the Company's President and Chief Executive Officer have concluded that the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a - 14) were, as of December 31, 2003, sufficiently effective to ensure that the information required to be disclosed by the Company in the reports it files under the Exchange Act is gathered, analyzed and disclosed with adequate timeliness, accuracy and completeness, based on an evaluation of such controls and procedures completed on February 14, 2004.

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation referred to above.

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

The information required by this Item 9 as to the Directors of the Company is incorporated herein by reference to the information set forth under the caption "Election of Directors" in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on April 21, 2004.

OFFICERS OF THE COMPANY.

Information required by this Item 9 as to the executive officers of the Company is set forth below:

The executive officers are elected each year and serve at the pleasure of the Board of Directors. The following is a list of the executive officers of the Company as of March 17, 2004.

NAME	AGE	POSITION
Enzo Costantino	42	Enzo Costantino has served as Treasurer of the Company and as a Director since 1996. Mr. Costantino has been Secretary and Treasurer of Terrazo, Mosaic & Tile Company, Ltd. ("TMT") since 1994. Prior to joining TMT, Mr. Costantino was the controller of Daicon Contractors, a general contractor located in Toronto, Ontario, from 1989 to 1994, and the cost accounting manager for Canada Packers, a meat processor located in Toronto, Ontario, from 1983 to 1989.

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Michael J. Meier	49	Michael J. Meier has served as Secretary of the Company and as a Director since 1996. He has been the Corporate Controller of PolyOne Corporation (NYSE: POL). PolyOne Corporation, with 2003 revenues of \$2 billion, is an international polymer services company with headquarters in Avon Lake, Ohio. From September 2002 until January 2004 he was the Director of PolyOne's Electronics and Performance Additives Group and from May 1999 until December 2002 he was the Director of Finance of PolyOne Specialty Resins and Formulators Group. Prior to that he was Vice President of Finance, Chief Financial Officer, Secretary and Treasurer of Defiance, Inc. (Nasdaq NM: DEFI) from 1990 until February 1999. Defiance, a supplier of products and services to the U.S. transportation industry, was purchased by General Chemical Group Inc. (NYSE: GCG) in February 1999.
Russell Ciphers, Sr.	66	Russell Ciphers, Sr. has served as President and Chief Executive Officer since October 23, 2002 and as Principal Financial Officer since March 19, 2003. Mr. Ciphers was previously the President and Chief Executive Officer of R. B. MFG. Co., a material handling manufacturer from February 1996 until October 1, 2001.

### AUDIT COMMITTEE FINANCIAL EXPERTS

The Board of Directors of the Company has determined that Michael J. Meier, who is a member of the audit committee of the Board of Directors of the Company, qualifies as an "audit committee financial expert" as defined in the applicable regulation of the Commission and is "independent" as that term is defined by listing standards of the Nasdaq.

### REPORTING OF BENEFICIAL OWNERSHIP

Information required by Item 405 of Regulation S-B is incorporated by reference to the information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on April 21, 2004.

### CODE OF ETHICS.

The Company has adopted a code of ethics applicable to its principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions (the "Code of Ethics"). A copy of the Code of Ethics is filed with this report as Exhibit 14.1.

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### ITEM 10. EXECUTIVE COMPENSATION.

The information required by this Item 10 is incorporated by reference to the information set forth under the caption "Executive Compensation" in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on April 21, 2004.

### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item 11 is incorporated by reference to the information set forth under the caption "Common Stock Ownership" in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to

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be held on April 21, 2004.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item 12 is incorporated by reference to the information set forth under the caption "Certain Relationships and Related Party Transactions" in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on April 21, 2004.

ITEM 13. EXHIBITS, LISTS AND REPORTS ON FORM 8-K.

(a) Exhibits

Reference is made to the Exhibit Index set forth herein beginning at page 39.

(b) Reports on Form 8-K.

None.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Certain information required by this Item 14 is incorporated by reference to the information set forth under the caption "Audited Related Fees" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on April 21, 2004.

The audit committee of the Company approves in advance all audit, audit-related and non-audit services provided by the independent auditors and reviews all significant fees related to their services. None of services provided by the independent accountants during fiscal year 2002 or fiscal year 2003 were approved after the fact pursuant to Rule 2.01(c) (7) (i) (C).

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SIGNATURES

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

AMERICAN STONE INDUSTRIES, INC.

By: /s/ Russell Ciphers, Sr.

-----  
Russell Ciphers, Sr., President  
and Chief Executive Officer  
Date: March 22, 2004

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

By: /s/ Russell Ciphers, Sr.

-----  
Russell Ciphers, Sr., President and  
Chief Executive Officer (Principal  
Executive Officer and Principal  
Financial Officer)  
Date: March 22, 2004

By: /s/ Enzo Costantino

-----  
Enzo Costantino, Treasurer  
and Director  
Date: March 22, 2004

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By: /s/ Thomas H. Roulston, II  
-----  
Thomas H. Roulston II, Chairman  
of the Board (Principal Accounting Officer)  
Date: March 22, 2004

By: /s/ Michael J. Meier  
-----  
Michael J. Meier, Secretary  
and Director  
Date: March 22, 2004

By: /s/ Glen Gasparini  
-----  
Glen Gasparini, Director  
Date: March 22, 2004

By: /s/ Timothy I. Panzica  
-----  
Timothy I. Panzica, Director  
Date: March 22, 2004

By: /s/ John R. Male  
-----  
John R. Male, Director  
Date: March 22, 2004

By: /s/ Louis Stokes  
-----  
Louis Stokes, Director  
Date: March 22, 2004

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EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT	
-----	-----	
3.1	Certificate of Incorporation of the Company, dated November 13, 1992, as amended March 9, 1993, December 14, 1993, May 31, 1994, August 1995, and June 24, 1998	
3.7	By-laws of the Company	(A)
10.1	Asset Purchase Agreement between American Stone Corporation and Cleveland Quarries L.P., dated February 1, 1996	(A)
10.2	Amendment to and Restatement of Asset Purchase Agreement of February, 1996, between American Stone Corporation and Cleveland Quarries L.P., dated December 20, 1996	(A)
*10.3	Share Purchase Agreement between David Tyrrell and the Company, dated May 22, 1996	(A)
10.4	Stock Purchase Agreement between Roulston Ventures Limited Partnership and the Company, dated August 27, 1996	(A)
10.5	Indemnification Agreement between Cleveland Quarries, L.P., Slate and Stone Corporation of America, and American Stone Corporation, dated December 20, 1996	(A)
10.6	Share Purchase Option Agreement among TMT Masonry, Ltd., Roulston Ventures Limited Partnership and the Company	(A)
10.7	Share Purchase Option Agreement among TMT Masonry, Ltd., Roulston Ventures Limited Partnership and the Company, dated November 22, 1996	(C)
*10.8	American Stone Industries, Inc. 1998 Management Stock Option Plan	(B)
*10.9	American Stone Industries, Inc. 1998 Non-Employee Director Stock Option Plan	(B)
10.10	FirstMerit Bank, N.A., Defined Contribution Master Plan and Trust Agreement	(E)

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- 10.11 Promissory Note payable by American Stone Industries, Inc. to Independence Bank dated January 5, 2004.
- 10.12 Convertible Subordinated Promissory Note Payable to Cost Controls, Inc. (G)

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EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT	
10.13	6.00% Convertible Subordinated Note Due October 1, 2004, issued by the Company to Roulston Ventures Limited Partnership	(H)
10.14	6.00% Convertible Subordinated Note Due October 1, 2005, issued by the Company to Roulston Venture Capital, L.P.	(H)
10.15	\$500,000 Promissory Note issued by the Company to Amherst Quarry, Inc.	(H)
10.16	Mortgage Deed granted by the Company to Amherst Quarry, Inc. in consideration of \$500,000 Promissory Note	(H)
10.17	Subordinated debenture issued to Fairport Finance Corp. on May 1, 2003	(I)
10.18	Subordinated debenture issued to Male Family Limited Partnership on May 1, 2003	(I)
10.19	Subordinated debenture issued to Michael J. Meier on April 1, 2003	(I)
10.20	Subordinated debenture issued to Timothy I. Panzica on April 1, 2003	(I)
10.21	Subordinated debenture issued to Louis B. Stokes on April 1, 2003	(I)
10.22	Subordinated debenture issued to Terrazzo Mosaic & Tile Co. on April 1, 2003	(I)
10.23	Promissory Note for Fixed Rate Commercial Real Estate Loan payable to Madison/Route 20, LLC	
14.1	Code of Ethics (February 2004)	
21.1	Subsidiaries of the Company	
23.1	Consent of Hobe & Lucas	
31.1	Rule 13a-14a/15d-14(a) Certification	
32.1	Section 1350 Certification	

\* Management contract or compensatory plan or arrangement.

(A) Incorporated herein by reference to the appropriate exhibit to the Company's registration statement on Form 10-SB filed on April 11, 1997.

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- (B) Incorporated herein by reference to the appropriate exhibit to the Company's quarterly report on Form 10-QSB for the period ended September 30, 1998.
- (C) Incorporated herein by reference to the appropriate exhibit to the amendment filed on July 30, 1997 to Company's registration statement on Form 10-SB filed on April 11, 1997.
- (D) Incorporated herein by reference to the appropriate exhibit to the Company's annual report on Form 10-KSB for the period ended December 31, 1997.
- (E) Incorporated herein by reference to the appropriate exhibit to the Company's annual report on Form 10-KSB for the period ended December 31, 1998.
- (F) Incorporated herein by reference to the appropriate exhibit to the Company's annual report on Form 10-KSB for the period ended December 31, 1999.
- (G) Incorporated herein by reference to the appropriate exhibit to the Company's annual report on Form 10-KSB for the period ended December 31, 2001.
- (H) Incorporated herein by reference to the appropriate exhibit to the Company's annual report on Form 10-KSB for the period ended December 31, 2002.
- (I) Incorporated herein by reference to exhibits 10.1 through 10.6 to the Company's quarterly report on Form 10-QSB for the period ended September 30, 2003.