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AMERICAN LEISURE HOLDINGS INC  
Form 10QSB  
August 19, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-QSB

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

For the quarter ended June 30, 2003  
or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 333-48312

AMERICAN LEISURE HOLDINGS, INC.

-----  
(Exact name of registrant as specified in its charter)

FREEWILLPC.COM, INC.

-----  
(Former name of registrant)

Nevada

75-2877111

-----  
(State or other jurisdiction  
of incorporation or organization)

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

Park 80 Plaza East  
Saddlebrook, New Jersey 07663

-----  
(Address of principal executive offices) (Zip Code)

(201) 226-2060

(Registrant's telephone number, including area code)

Check whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

As of July 31, 2003, there were 6,638,983 shares of the Registrant's common stock, par value \$0.001 issued and outstanding.

AMERICAN LEISURE HOLDINGS, INC. AND SUBSIDIARIES  
JUNE 30, 2003 QUARTERLY REPORT ON FORM 10-QSB  
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#### Special Note Regarding Forward Looking Information

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

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in the forward-looking statements made in this Quarterly Report on Form 10-QSB. Any statements about our beliefs, plans, objectives, expectations, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "will likely", "are expected to", "should", "is anticipated", "estimated", "intends", "plans", "projection" and "outlook". Any forward-looking statements are qualified in their entirety by reference to various factors discussed throughout this Quarterly Report and discussed from time to time in our filings with the Securities and Exchange Commission. Among the significant factors that could cause our actual results to differ materially from those expressed in the forward-looking statements are:

- o the potential risk of delay in implementing our business plan;
- o the market for our travel and leisure services; and
- o the need for additional financing.

Because the factors referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements, persons should not place undue reliance on any of these forward-looking statements. In addition, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which the statement is made, to reflect the occurrence of unanticipated events or otherwise. New factors emerge from time to time, and it is not possible for us to predict which will arise or to assess with any precision the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially

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from those contained in any forward-looking statements.

### AMERICAN LEISURE HOLDINGS, INC. AND SUBSIDIARIES

#### (A DEVELOPMENT STAGE COMPANY) CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30, 2003	Six Months Ended June 30, 2003
	----- Unaudited	----- Unaudited
REVENUES	\$ 35,190	\$ 35,190
COST OF SALES	-	-
Gross margin	----- 35,190	----- 35,190
EXPENSES:		
Depreciation and amortization	99,198	175,288
Impairment loss	-	-
General and administrative expenses	549,801	743,547
TOTAL OPERATING EXPENSES	----- 648,999	----- 918,835
LOSS FROM OPERATIONS BEFORE MINORITY INTERESTS	(613,809)	(883,645)
Minority interests	-	-
NET LOSS BEFORE INCOME TAXES	----- (613,809)	----- (883,645)
PROVISIONS FOR INCOME TAXES	-	-
NET LOSS	----- \$ (613,809)	----- \$ (883,645)
NET LOSS PER SHARE:		
BASIC AND DILUTED	\$ (0.12)	\$ (0.13)
WEIGHTED AVERAGE SHARES OUTSTANDING		
BASIC AND DILUTED	----- 6,537,510	----- 6,620,718

AMERICAN LEISURE HOLDINGS, INC. AND SUBSIDIARIES

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(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2003 AND DECEMBER 31, 2002

## ASSETS

	June 30, 2003	De
	2003	
	-----	-----
	Unaudited	
<b>CURRENT ASSETS:</b>		
Cash	\$ 688,378	\$
Accounts receivable	22,849	
Advances receivable	63,536	
Prepaid expenses and other ..	6,438	
	-----	-----
Total Current Assets	781,201	
	-----	-----
 PROPERTY, PLANT AND EQUIPMENT, NET	 3,425,569	
	-----	-----
 ASSETS HELD FOR SALE	 --	
	-----	-----
 LAND HELD FOR DEVELOPMENT	 13,147,440	1
	-----	-----
 OTHER ASSETS		
Investment	635,886	
1913 Mercedes Benz	500,000	
Other	88,759	
	-----	-----
Total Other Assets ..	1,224,645	
	-----	-----
 TOTAL ASSETS	 \$ 18,578,855	\$ 1
	=====	=====

## LIABILITIES AND STOCKHOLDERS' EQUITY

<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt and notes payable	\$ 624,937	\$
Current maturities of notes payable-related parties	591,761	
Accounts payable and accrued expenses	709,015	
Shareholder advances	791,684	
	-----	-----
Total Current Liabilities	2,717,397	
 Long-term debt and notes payable	 7,804,619	
Notes payable-related parties	947,772	
Mandatorily Redeemable Preferred stock; 28,000 shares authorized; \$.01 par value; 27,189 Series "C" shares issued and outstanding at June 30, 2003 and 0 at December 31, 2002	2,718,900	
	-----	-----
Total liabilities	14,188,688	
	-----	-----

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### Commitments and contingencies

#### STOCKHOLDERS' EQUITY:

Preferred stock; 1,000,000 shares authorized; \$.001 par value; 880,000 Series "A" shares issued and outstanding at June 30, 2003 and December 31, 2002	8,800	
Preferred stock; 100,000 shares authorized; \$.01 par value; 2,500 Series "B" shares issued and outstanding at June 30, 2003 and December 31, 2002	25	
Common stock; 100,000,000 shares authorized; \$.001 par value; 6,638,983 and 6,524,983 shares issued and outstanding at June 30, 2003 and December 31, 2002	6,639	
Additional paid-in capital	5,869,838	
Deficit accumulated during the development stage	(1,495,135)	
Total Stockholders' Equity	4,390,167	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 18,578,855	\$ 1

### AMERICAN LEISURE HOLDINGS, INC.

#### (A DEVELOPMENT STAGE COMPANY) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2003	
	Unaudited	U
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (883,645)	\$
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	76,160	
Impairment loss	-	
Common stock issued for services	-	
Changes in assets and liabilities:		
Decrease in receivables	(22,849)	
(Increase) in advances receivable	(63,536)	
(Increase) in prepaid and other assets	24,655	
(Increase) in deposits	(56,993)	
Increase in accounts payable and accrued expenses	(113,217)	

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Net cash used in operating activities	(1,039,425)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capitalization of real estate carrying costs	(1,082,797)
Acquisition of fixed assets	(346,698)
Net cash used in investing activities	(1,429,495)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from notes payable	3,781,802
Proceeds from notes payable-related parties	(596,655)
Proceeds from shareholder advances	(78,348)
Net cash provided by financing activities	3,106,799
Net Increase in Cash	637,879
CASH AT BEGINNING PERIOD	50,499
CASH AT END OF PERIOD	688,378
SUPPLEMENTAL CASH FLOW INFORMATION:	
Cash paid for interest	180,000
Cash paid for income taxes	-
NON-CASH TRANSACTION	
Stock issued in exchange for assets	2,850,000

AMERICAN LEISURE HOLDINGS, INC.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS  
June 30, 2003

Note 1 - Presentation

-----  
The condensed balance sheets of the Company as of June 30, 2003, the related condensed consolidated statements of operations for the six months ended June 30, 2003 and inception through June 30, 2003, and the condensed consolidated statements of cash flows for the six months ended June 30, 2003 and inception through June 30, 2003, included in the condensed financial statements include all adjustments (consisting of normal, recurring adjustments) necessary to summarize fairly the Company's financial position and results of operations. The results of operations for the six months ended June 30, 2003 are not necessarily indicative of the results of operations for the full year or any other interim period. The information included in this Form 10-QSB should be read in conjunction with Management's Discussion and Analysis and Financial Statements

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and notes thereto included in the Company's December 31, 2002 Form 10-KSB.

### Note 2 - Accounting Change

On May 15, 2003, the FASB issued Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (FAS 150). This Statement establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. Immediately American Leisure adopted FAS 150 and reclassified its Series C preferred stock to liabilities. There was no cumulative effect of this accounting change. The accounting change did not have an effect on revenue and quarterly earnings during 2002.

### Note 3 - Assets Held for Sale

American Leisure's management determined certain property's best use was for its commercial development and has reclassified it to land held for development as the land is no longer for sale.

### Note 4 - Long-term Debt and Notes Payable

	Collateral	Maturity Date	Interest rate	June 30, 2003	December 31, 2002
Mortgage Company	1st lien on 13.5 acres commercial property	6/1/03	16%	\$ 600,000	\$ 600,000
Third party entity	3rd lien on 13.5 acres	5/1/03	10%	-	172,031
Third party entities	Equipment	3/31/05	12%	67,301	-
Individual	2nd lien on 163 acres of undeveloped land	3/31/05	12%	-	947,575
Individual	2nd lien on 163 acres of undeveloped land	3/31/05	12%	-	1,777,576
Financial institution	1st lien on 163 acres of undeveloped land	4/1/05	12%	6,000,000	-
Individual	3rd lien on 163 acres of undeveloped land	3/31/05	12%	1,762,255	1,898,344

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	8,429,556	5,395,526
Less: current portion	(624,937)	(1,719,606)
	-----	-----
Long-term debt	\$7,804,619	\$3,675,920
	=====	=====

Principal repayments for each of the next five years are as follows:

	Amount
	-----
2003	\$ 624,937
2004	42,364
2005	7,762,255
	-----
	\$ 8,429,556

Note 5 - Notes Payable - Related Parties

	Collateral	Maturity Date	Interest rate	June 30, 2003	December 2002
	-----	-----	-----	-----	-----
Affiliated entity	2nd lien on 13.5 acres	5/1/07	4.75%	\$ 200,000	\$ 200,000
Shareholder	3rd lien on 163 acres of undeveloped land	3/31/04	18%	591,761	476,772
Shareholder	3rd lien on 163 acres of undeveloped land	3/31/05	12%	747,772	711,772
				-----	-----
				1,539,533	1,388,544
Less: current portion of long-term debt				(591,761)	(476,772)
Long-term debt				\$ 947,772	\$ 911,772
				=====	=====

Principal repayments for each of the next five years are as follows:

	Amount
	-----
2003	\$ 591,761
2004	-
2005	747,772
2006	-
2007	200,000
	-----
	\$ 1,539,533



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### Note 6 - Preferred Stock

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

	Total Series Authorized -----	Stated Value -----	Voting -----	Annual Dividends per Share -----	Conv R -----
Series A	1,000,000	\$ 10.00	Yes	\$ 0.12	10
Series B	2,500	100.00	Yes	0.12	20
Series C	28,000	100.00	Yes	0.04	20

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

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

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

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

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

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

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

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

#### Series C Preferred Stock

**Voting Rights.** Each holder of outstanding shares of Series C Preferred Stock shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which the shares of Series C Preferred Stock held by such holder are convertible.

**Redemption.** If, on or after the date five (5) years after the Original Issue Date, any shares of Series C Preferred Stock shall be then outstanding, American Leisure shall have the right to redeem.

**Mandatory Redemption.** If, on or after the date five (5) years after the Original Issue Date, any shares of Series C Preferred Stock shall be then outstanding, one or more holders of the then-outstanding shares of Series C Preferred Stock ("Electing Holders") shall have the right to require American Leisure to redeem all (but not less than all) such outstanding shares held by such holder; provided, however, that in the event that less than 4,770 shares of Series C Preferred Stock shall have been converted into Common Stock prior to the date that is five (5) years from the Original Issue Date that such right to require the redemption of the Series C Preferred Stock shall arise on and after the date that is six (6) years from the Original Issue Date.

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

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Financial Statements and Notes thereto appearing elsewhere in this Quarterly Report. Certain statements in this Quarterly Report, which are not statements of historical fact, are forward-looking statements. See "Special Note Regarding Forward-Looking Information" on Page 2.

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

#### General

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

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

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

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

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

#### Introduction

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The character and holdings of the Company has changed substantially since the preceding fiscal year as set forth below. During the second quarter of the Companies previous fiscal year it acquired certain companies to enter into the travel and tourism and vacation resort industry. The readers of the current un-audited quarterly statements are referred to the Company's last Form 10Q-SB as filed and any subsequent Form 8-K(s) for a more in-depth view of the Company's financial position, results of operations, changes in cash flows and new businesses. Accordingly, management's discussion as set forth below focuses primarily on the period from June 14, 2002 to June 30, 2003.

### General

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

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

### Acquisitions

In June 2002, we acquired control of several travel related and vacation resort companies, described below:

#### American Leisure, Inc. ("ALI")

-----

ALI will package holidays and vacations and sell these within the trade and to the travel club membership bases.

#### Sunstone Golf Resort, Inc. ("SGR")

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SGR is currently in the final planning stage as a 960-unit vacation destination resort in Orlando, Florida. Development is scheduled to commence in winter of 2003 with the first vacation investment properties estimated to be delivered in the summer of 2004. It is expected that the horizontal construction finance and resort amenities will be funded via a CDD bond placement. AMLH intends to provide development, guarantees and financing support for the development of the resort so that it will become one of many fine vacation destinations to be owned by AMLH.

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

-----

We believe that ATMG will generate significant travel business through the creation of clubs comprised of affinity-based travelers. ATMG has developed a travel club system and travel incentive strategy that creates and fulfills the travel and incentive needs of corporations, organizations and associations with significant member bases. AMTG is poised to secure a significant market share of

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the affinity-travel marketing segment. As the proprietor and manager of clubs it creates, ATMG anticipates substantial revenue from annual membership fees and commissions earned on the sale of travel services once the infrastructure has been finalized to communicate and sell to its affinity-based club databases. The value added to ATMG programs by being a part of the AMLH family includes the sales opportunities to HTS corporate clients, the fulfillment capacity of the bulk buying power of HTS and the hotel/resort assets to be provided by AMLH through its resort division.

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

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

ALMT has acquired the assets of a sophisticated, state of the art communications center. The communications center facilities are as up to date as can be imagined, with all technology linked to the Internet. This allows the Customer Service representative to respond to the individual consumer with accuracy, speed and knowledge, thus providing the consumer with relevant and immediate information that is extraordinarily recent. This technological capacity allows American Leisure Marketing & Technology, Inc. to market the products and services of HTS, AMLH, and American Travel & Marketing, as well as third parties, in a cost effective, all encompassing way. This resource will be offered to the 3,000 HTS affiliated travel agencies, providing an unsurpassed service to the hundreds of major corporate clients, in real time telephony and web based applications via the upgrade of equipment to IP technology.

In July 2002, the Company entered into a option to acquire a controlling interest of HTS Holdings, Inc. (HTS), the parent to, among other companies, Hickory Travel Services, Inc. which will focus on the fulfillment of all of our companies' travel needs. We anticipate completing the acquisition in the Summer of 2003.

### Strategy

Our business model is based on four basic premises:

#### Club Creation and Administration.

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

#### Vacation Resort Real Estate.

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

Such resorts assets will likely include the following:

- o Resort properties suitable for conversion, for use for vacation club ownership, such as suites, one bedroom and two bedroom units;

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- o Resort properties with contiguous vacant land suitable for further expansion;
- o Resort properties that have consistently sustained at least break-even occupancy;
- o For developable land- acreage suitable for hotel, vacation resort and/or vacation club development in prime locations with room for a substantial amenity packages; and
- o Locations that have appeal throughout the year rather than limited "seasonal" attraction.

### Vacation Ownership.

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

### Travel Services.

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

### Cash Flow Requirements

We will require substantial capital to adequately finance our proposed acquisitions, meet our obligations under our business model, and provide for our working capital. We anticipate that we will require approximately \$9.5 million over the next twelve months to fully implement our business model. We anticipate that we will use such funds as follows:

Program Development and Implementation Costs	\$ 5,500,000
Payoff Debt	\$ 2,000,000
Working Capital	\$ 2,000,000

### LIQUIDITY

During the three months ended June 30, 2003, the Company's working capital decreased. This was due to administrative and financing costs incurred as carrying costs of the Company's assets and to maintain its operations. The Company does not currently have sufficient capital in its accounts, nor sufficient firm commitments for capital to assure its ability to meet its current obligations or to continue its planned operations. The Company is continuing to pursue working capital and additional revenue through the seeking of the capital it needs to carry on its planned operations. There is no assurance that any of the planned activities will be successful.

### CAPITAL RESOURCES

As a result of its limited liquidity, the Company has limited access to additional capital resources. The Company does not have the capital to totally

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fund the obligations that have matured to its shareholders. The shareholders have agreed to roll over their loans until the company has stronger liquidity and take security for their loans.

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

Additionally, the Company refinanced its subsidiaries ' Orlando property in March of 2003 and repaid loans that it had borrowed since February 2000 at high rates of interest. It obtained a \$6,000,000 loan that the Company believes will enable it to further develop the property by finalizing its revised planning, engineering and permitting for an increase from 799 to 960 vacation properties.

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

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

### OPERATIONS

Until the Company obtains the capital required to developed it properties and businesses and obtain the revenues needed from its operations to meet its obligations, the Company will be dependent upon sources other than operating revenues to meet its operating and capital needs. Operating revenues may never satisfy these needs.

The Company, in the quarter ended June 30, 2003, opened up a new call center in Tamarac, South Florida, which it believes after ninety days will be a profitable operation and will provide the required cash flow to fund its own expansion and operations. However, due to the nature of the industry the Company is currently operating in, and the do not call legislation which has recently been enacted, the management cannot predict that it will necessarily achieve the level of operations needed to provide the cash flow it requires to expand its operations.

Until the capital is obtained to enter into its planned operations discussed above, the Company will need additional capital.

### ITEM 3. CONTROLS AND PROCEDURES

Based on the evaluation by Mr. Wright, the chief financial officer of the company, the effectiveness of the company's disclosure controls and procedures conducted as of a date within 90 days of the filing date of this quarterly report, Mr. Wright concluded that, as of the evaluation date, (i) there were no significant deficiencies or material weaknesses of the company's disclosure controls and procedures, (ii) there were no significant changes in the internal controls or in other factors that could significantly affect internal controls subsequent to the evaluation date, and (iii) no corrective actions were required to be taken.

### PART II - OTHER INFORMATION

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### ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of its business, the Company may from time to time become subject to claims or proceedings relating to the purchase, subdivision, sale and/or financing of its real estate. The Company believes that the litigation proceeding discussed below is incidental to its business.

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

### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

#### Issuance of Senior Securities

On June 14, 2002, in connection with the closing of the acquisition of American Leisure Corporation (formerly American Leisure Holdings, Inc.) ("ALC"), we authorized the issuance of 10,000,000 Preferred shares that could be split into different classes of Preferred shares. AMLH has created three new series of its preferred stock and issued shares of Series A & B in 2002 and Series C of these Series of shares in 2003. For the full details of the rights and designations of each class of Preferred Stock the investor is advised to read the appropriate 8K or the attachments to our 10K, which gives full disclosure. In June 2002, we authorized the issuance of 1,000,000 Series A Preferred Shares of which 880,000 were issued to certain debt holders of ALC. Our Series A Preferred Stock has the following rights, privileges and preferences:

#### Series A Preferred Stock.

AMLH has designated 1,000,000 shares of Series A convertible preferred stock, par value \$0.01 per share. As of June 30, 2003, 880,000 shares of Series A preferred stock were issued and outstanding.

Ranking. The Series A preferred stock ranks senior to the common stock as to dividends and liquidation preference.

Dividends. If declared by the board of directors of AMLH, dividends on each share of the Series A preferred stock will be paid annually at an annual rate of 12% of the liquidation preference per share. Dividends will be payable in preference and priority to any payment of any cash dividend on Common Stock or any other shares of capital stock of the Company junior in priority to the Series A Preferred Stock (such Common Stock and other inferior stock being collectively referred to as "Junior Stock"), Any unpaid dividends accrue and are cumulative.

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Liquidation Preference. Upon liquidation, dissolution or winding up of AMLH, before payment of any amount due to any Junior Stock, each share of Series A preferred stock will be entitled to be paid out of assets available for distribution \$10 per share plus all accrued unpaid dividends, calculated through the date of liquidation.

Voting Rights. Each holder of outstanding shares of Series A Preferred Stock shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which the shares of Series A Preferred Stock held by such holder are convertible (as adjusted from time to time) at each meeting of stockholders of the Company (and written actions of stockholders in lieu of meetings) with respect to any and all matters presented to the stockholders of the Company for their action or consideration. Except as provided by law, or by the provisions of Subsection 3(b) of the certificate of designation of Series A, or by the provisions establishing any other series of Preferred Stock, holders of Series A Preferred Stock and of any other outstanding Series of Preferred Stock shall vote together with the holders of Common Stock as a single class.

Redemption. AMLH has the right to redeem all or part of the outstanding Series A preferred stock at any time after five years from the date of issue. The redemption price per share will be \$10 per share plus all accrued unpaid dividends, calculated through the date of redemption.

Conversion. Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, into ten (10) fully paid and non-assessable shares of Common Stock (the "Conversion Rate"). Such initial Conversion Rate, and the rate at which shares of Series A Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below. In the event of a liquidation of the Company, the Conversion Rights shall terminate at the close of business on the first full day preceding the date fixed for the payment of any amounts distributable on liquidation to the holders of Series A Preferred Stock.

Adjustment for Common Stock Price Below \$1.00. In the event that the average Market Price of the Common Stock for any thirty (30) consecutive Trading Days is below \$1.00 and the Market Price of the Common Stock remains below \$1.00 through the Trading Day immediately prior to the Conversion Date, then the Conversion Rate shall be the lower of (i) the Liquidation Value divided by the average Market Price of the Common Stock for the ten (10) consecutive Trading Days immediately prior to the Conversion Date, and (ii) the Conversion Price as determined under Section 4, excluding this Section 4(k) of the certificate of Designation of the Series A stock.

No fractional shares of Common Stock shall be issued upon conversion of the Series A Preferred Stock. In lieu of fractional shares, the Company shall pay cash equal to such fraction multiplied by the quotient of the Liquidation Value divided by the Conversion Rate.

In August we authorized the issuance of 100,000 Series B Preferred Shares of which 2,500 were issued to purchase certain call center equipment.

### Series B Preferred Stock

AMLH has designated 100,000 shares of Series B preferred stock, par value \$0.01 per share. During August, 2002, 2,500 shares of Series B preferred stock were issued to acquire certain call center equipment.

Ranking. The Series B Preferred Stock ranks senior to the common stock as to



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dividends and liquidation preference but after and subject to the payment in full of all amounts required to be distributed to the holders of any other class or series of stock of the Company ranking on liquidation or dividend prior and in preference to the Series B Preferred Stock (collectively referred to as "Senior Preferred Stock"), but before any payment shall be made to the holders of Junior Stock by reason of their ownership thereof,

Dividends. Dividends on the Series B preferred stock, if declared by the board of directors of AMLH, will be paid annually at an annual rate of 12% of liquidation preference per share. Dividends will be payable in preference and priority to any payment of any cash dividend on Common Stock or any other shares of capital stock of the Company junior in priority to the Series B Preferred Stock (such Common Stock and other inferior stock being collectively referred to as "Junior Stock"), Any unpaid dividends accrue and are cumulative.

Liquidation Preference. Upon liquidation, dissolution or winding up of AMLH, and after payment of any amount due to any Series A or C Preferred Stock holder of AMLH, but before any Junior Stock holder, each share of Series B preferred stock will be entitled to be paid out of the assets available for distribution, \$100 per share, plus all accrued unpaid dividends calculated through the date of liquidation.

Voting Rights. Each holder of outstanding shares of Series B Preferred Stock shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which the shares of Series B Preferred Stock held by such holder are convertible (as adjusted from time to time) at each meeting of stockholders of the Company (and written actions of stockholders in lieu of meetings) with respect to any and all matters presented to the stockholders of the Company for their action or consideration. Except as provided by law, or by the provisions of Subsection 3(b) of the certificate of designation of Series B, or by the provisions establishing any other series of Preferred Stock, Holders of Series B Preferred Stock and of any other outstanding series of Preferred Stock shall vote together with the holders of Common Stock as a single class.

Redemption. AMLH has the right to redeem all or part of the outstanding Series B preferred stock at any time after five years from the date of issue. The Series B preferred stock will be redeemed at a price per share equal to \$100 per share, plus all accrued unpaid dividends, calculated through the date of redemption.

Conversion. Each share of Series B Preferred Stock shall be convertible, at the option of the holder thereof, at one time, into such number of paid and non-assessable shares of Common Stock (the "Conversion Rate") calculated by dividing the Liquidation Value by the Market Price (as defined herein) but such Conversion Rate shall not be greater than twenty (20) (the "High Conversion Rate") and not less than twelve and one-half (12.5) (the Low Conversion rate").

The term "Market Price" shall mean, with respect to a share of Common Stock on any date, either: (1) if there shall not then be a public market for the Common Stock, the fair market value per share of Common Stock as determined by the Board of Directors in good faith exercising its fiduciary duties; or (2) if there shall then be a public market for the Common Stock, the average of the Daily Market Prices (as defined below) for the ten (10) consecutive Trading Days immediately prior to the Conversion Date.

No fractional shares of Common Stock shall be issued upon conversion of the Series B Preferred Stock. In lieu of fractional shares, the Company shall pay cash equal to such fraction multiplied by the quotient of the Liquidation Value divided by the Conversion Rate.

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Mandatory Conversion. Each share of Series B Preferred Stock shall be automatically converted into such number of paid and non-assessable shares of Common Stock on the date six (6) months after the Company has listed its Common Stock for trading on the American Stock Exchange (the "Automatic Conversion Date") at the Conversion Rate determined on the Automatic Conversion Date.

### Series C Preferred Stock

AMLH has designated 28,000 shares of Series C convertible preferred stock, par value \$0.01 per share. No shares of Series C convertible preferred stock were outstanding on December 31, 2002. 27,189 of these shares were issued on January 29, 2003 and are outstanding at June 30, 2003.

Ranking. The Series C Preferred Stock ranks on parity with Series A Preferred Stock and senior to common stock and any other series of preferred stock except Series A as to dividends and liquidation preference.

Dividends. If declared by the board of directors of AMLH, dividends on each share of the Series C preferred stock will be paid annually at an annual rate of 4% of the liquidation preference per share. Dividends will be payable in preference and priority to any payment of any cash dividend on Common Stock or any other shares of capital stock of the Company junior in priority to the Series C Preferred Stock (such Common Stock and other inferior stock being collectively referred to as "Junior Stock"), Any unpaid dividends will accrue and are cumulative.

Liquidation Preference. Upon liquidation, dissolution or winding up of AMLH, and before payment of any amount due to any Junior Stock, each share of Series C preferred stock will be entitled to be paid out of assets available for distribution \$100, plus all accrued unpaid dividends calculated through the date of liquidation.

Voting Rights. Each holder of outstanding shares of Series C Preferred Stock shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which the shares of Series C Preferred Stock held by such holder are convertible (as adjusted from time to time) at each meeting of stockholders of the Company (and written actions of stockholders in lieu of meetings) with respect to any and all matters presented to the stockholders of the Company for their action or consideration. Except as provided by law, or by the provisions of Subsection 3(b) of the certificate of designation of Series C, or by the provisions establishing any other series of Preferred Stock, holders of Series C Preferred Stock and of any other outstanding series of Preferred Stock shall vote together with the holders of Common Stock as a single class.

Redemption. If, on or after the date five (5) years after the Original Issue Date, any shares of Series C Preferred Stock shall be then outstanding, the Company shall have the right to redeem (unless otherwise prevented by law) all (but not less than all) such outstanding shares at an amount per share equal to the Liquidation Value plus an amount equal to accrued but unpaid dividends, if any, to the date of redemption on such share.

Mandatory Redemption. If, on or after the date five (5) years after the Original Issue Date, any shares of Series C Preferred Stock shall be then outstanding, one or more holders of the then-outstanding shares of Series C Preferred Stock ("Electing Holders") shall have the right to require the Company to redeem all (but not less than all) such outstanding shares held by such holder; provided, however, that in the event that less than 4,770 shares of Series C Preferred Stock shall have been converted into Common Stock prior to the date that is five

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(5) years from the Original Issue Date that such right to require the redemption of the Series C Preferred Stock shall arise on and after the date that is six (6) years from the Original Issue Date.

Conversion. Each share of Series C Preferred Stock shall be convertible, at the option of the holder thereof, in amounts of not less than 1000 share increments, into such number of paid and non-assessable shares of Common Stock (the "Conversion Rate") calculated by dividing the Liquidation Value by the Market Price but such Conversion Rate shall not be greater than twenty (20) (the "High Conversion Rate") and not less than twelve and one-half (12.5) (the "Low Conversion Rate"). The term "Market Price" shall mean, with respect to a share of Common Stock on any date, either: (1) if there shall not then be a public market for the Common Stock, the fair market value per share of Common Stock as determined by the Board of Directors in good faith exercising its fiduciary duties; or (2) if there shall then be a public market for the Common Stock, the average of the Daily Market Prices (as defined below) for the ten (10) consecutive Trading Days immediately prior to the Conversion Date.

No fractional shares of Common Stock shall be issued upon conversion of the Series C Preferred Stock. In lieu of fractional shares, the Company shall pay cash equal to such fraction multiplied by the quotient of the Liquidation Value divided by the Conversion Rate.

Sales of Our Equity Securities Not Registered Under the Securities Act of 1933.

On May 15, 2002, our Board of Directors authorized the issuance of 20,000 shares of our common stock to Tripoint Capital in connection with its compensation for advisory services provided to us. These securities were sold under the exemptions from registration provided by Section 4(2) of the Act and Regulation D promulgated under the Act. Neither we nor any person acting on our behalf, offered or sold the securities by means of any form of general solicitation or general advertising. Tripoint Capital represented in writing that it acquired the securities for its own account. A legend was placed on the certificates stating that the securities have not been registered under the Securities Act and cannot be sold or otherwise transferred without an effective registration or an applicable exemption.

On May 20, 2002, our Board of Directors authorized the issuance of up to 3,000,000 shares of our common stock pursuant to a private placement at the purchase price of \$1.50 per share. We sold 36,009 shares in such private placement. These securities were sold under the exemptions from registration provided by Regulation S promulgated under the Securities Act (the "Act").

Neither we, nor any person acting on our, behalf offered or sold the securities by means of any form of general solicitation or general advertising. Each investor represented in writing that he or she acquired the securities for his or her own account. A legend was placed on the certificates stating that the securities have not been registered under the Securities Act and cannot be sold or otherwise transferred without an effective registration or an applicable exemption.

On May 20, 2002, our Board of Directors authorized the issuance of 5,000 shares of our common stock to James Leaderer in connection with his compensation for serving as our president and chief executive officer. These securities were sold under the exemptions from registration provided by Section 4(2) of the Act and Regulation D promulgated under the Act. Neither we, nor any person acting on our behalf offered or sold the securities by means of any form of general solicitation or general advertising. Mr. Leaderer represented in writing that he

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acquired the securities for his own account. A legend was placed on the certificates stating that the securities have not been registered under the Securities Act and cannot be sold or otherwise transferred without an effective registration or an applicable exemption.

On June 14, 2002, we completed the acquisition of American Leisure Corporation (formerly American Leisure Holdings, Inc.) ("ALC"). The acquisition was completed by the purchase of 99% of the outstanding capital stock of ALC. As consideration, we issued 880,000 shares of our Series A Preferred Stock and 4,819,665 shares of our common stock. These securities were sold under the exemptions from registration provided by Section 4(2) of the Act and Regulation D and Regulation S promulgated under the Act. Neither we, nor any person acting on our behalf offered or sold the securities by means of any form of general solicitation or general advertising. Each purchaser represented in writing that he or she acquired the securities for his or her own account. A legend was placed on the certificates stating that the securities have not been registered under the Securities Act and cannot be sold or otherwise transferred without an effective registration or an applicable exemption.

On August 6, 2002 we completed the acquisition of various call enter equipment. As consideration, we issued 2,500 shares of our Series B Preferred Stock. These securities were sold under the exemptions from registration provided by Section 4(2) of the Act and Regulation D and Regulation S promulgated under the Act. Neither we, nor any person acting on our behalf offered or sold the securities by means of any form of general solicitation or general advertising. Each purchaser represented in writing that he or she acquired the securities for his or her own account. A legend was placed on the certificates stating that the securities have not been registered under the Securities Act and cannot be sold or otherwise transferred without an effective registration or an applicable exemption.

On January 29, 2003 we completed the acquisition of various call center equipment. As consideration, we issued 27,189 shares of our Series C Preferred Stock and 114,000 Common shares. These securities were sold under the exemptions from registration provided by Section 4(2) of the Act and Regulation D and Regulation S promulgated under the Act. Neither we, nor any person acting on our behalf offered or sold the securities by means of any form of general solicitation or general advertising. Each purchaser represented in writing that he or she acquired the securities of his or her own account. A legend was placed on the certificates stating that the securities have not been registered under the Securities Act and cannot be sold or otherwise transferred without an effective registration or an applicable exemption.

### ITEM 3. DEFAULTS IN SENIOR SECURITIES

None.

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

On May 11, 2002, a shareholder owning a majority of our outstanding common stock, acting by written consent, appointed James Leaderer to serve as our sole director.

On May 11, 2002, our sole director authorized the adoption of the Amended and Restated Articles of Incorporation and Amended and Restated Bylaws and recommended that holders of record of our common stock as of May 13, 2002, approve, by written consent, such adoption. On May 13, 2002, a shareholder owning a majority of our outstanding common stock, acting by written consent, approved the adoption of the Amended and Restated Articles of Incorporation and Amended and Restated Bylaws, copies of which were annexed to a prior Form 10-QSB as exhibits.

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On June 8, 2002, our sole director authorized the adoption of the amendment to our Amended and Restated Articles of Incorporation and recommended that holders of record of our common stock as of June 9, 2002, approve, by written consent, such adoption. On June 9, 2002, shareholders owning a majority of our outstanding voting stock, acting by written consent, approved the adoption of the amendment to our Amended and Restated Articles of Incorporation, a copy of which is annexed to this Form 10-QSB as an exhibit.

### ITEM 5. OTHER INFORMATION

#### Form 8-K; Item 4; Changes in Registrant's Certifying Accountants

On August 12, 2002, we appointed the accounting firm of Marc Lumer & Company of San Francisco, California, as the principal independent accountants for the quarters ended June 30, 2002 and September 30, 2002 and for the fiscal year ended December 31, 2002 to replace J.S. Osborn, P.C. who was dismissed as the principal independent accountants effective with such appointment. The decision to change the principal independent accountants was not approved by our Board of Directors. In November, we appointed Malone & Bailey, PLLC to be our principal auditors for the quarter ended September 30, 2002, to restate the June 30, 2002 financials and audit the fiscal year ended December 31, 2002 financial statements.

During the two most recent fiscal years and interim period subsequent through the quarter ended March 31, 2002, there have been no disagreements with J.S. Osborn, P.C. or Marc Lumer & Company, on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure or any other reportable events.

J.S. Osborn, P.C.'s report on the financial statements for each of the past two years contained a qualification about our ability to continue as a going concern. Except for the foregoing going concern qualification, J.S. Osborn, P.C.'s report on the financial statements for each of the last two years contained no adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles.

We have provided J.S. Osborn, P.C. with a copy of this disclosure, and requested that J.S. Osborn, P.C. furnish a letter to the Commission stating whether it agrees with the above statements. (A copy of that letter was filed as Exhibit 16.1 to Form 8-K on May 23, 2003).

#### Form 8-K; Item 9; Regulation FD Disclosure

In accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, our Chief Executive Officer and Chief Financial Officer executed the following written statements which statements accompanied the filing with the Securities and Exchange Commission of this Quarterly Report on Form 10-QSB:

Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of The Sarbanes-Oxley Act of 2002

I, L. William Chiles, Chief Executive Officer of American Leisure Holdings, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- o the Company's Quarterly Report on Form 10-QSB for the fiscal quarter ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the

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requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- o the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company for the periods presented therein.

Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of The Sarbanes-Oxley Act of 2002

I, Malcolm J. Wright, Chief Financial Officer of American Leisure Holdings, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- o the Company's Quarterly Report on Form 10-QSB for the fiscal quarter ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- o the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company for the periods presented therein.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits. None
- (b) Reports on Form 8-K. None

### 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 LEISURE HOLDINGS, INC.

Dated: August 7, 2003      By:    /s/ L. William Chiles  
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L. William Chiles  
Chief Executive Officer

Dated: August 7, 2003      By:    /s/ Malcolm J. Wright  
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Malcolm J. Wright  
Chief Financial Officer