

AMERICAN LEISURE HOLDINGS, INC.
Form 10QSB
May 21, 2007

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2007

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

For the transition period from _____ to _____

Commission file number 333-48312

AMERICAN LEISURE HOLDINGS, INC.

(Exact name of small business issuer as specified in its charter)

Nevada 75-2877111
(State of (I.R.S.
organization) Employer
Identification
No.)

2460 Sand Lake Road, Orlando, FL 32809
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: **(407) 251-2240**

Check whether the registrant (1) has 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 .

As of May 21, 2007, 10,877,974 shares of Common Stock of the issuer were outstanding ("Common Stock").

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

Traditional Small Business Disclosure Format (Check One): Yes No .

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****AMERICAN LEISURE HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

As of March 31, 2007 and December 31, 2006

	March 31, 2007	December 31, 2006
	Unaudited	
ASSETS		
CURRENT ASSETS:		
Cash	\$ 898,890	\$ 1,110,000
Cash - restricted	1,042,423	1,030,921
Accounts receivable, net	2,547,791	3,148,730
Other receivable	188,044	217,233
Prepaid expenses and other	1,827,728	1,775,614
Total Current Assets	6,504,876	7,282,498
PROPERTY AND EQUIPMENT, NET	8,907,089	9,170,540
LAND HELD FOR DEVELOPMENT	92,551,890	71,930,263
OTHER ASSETS		
Cash - restricted	9,862,344	10,364,681
Prepaid sales commissions	9,921,577	9,804,036
Prepaid sales commissions - affiliated entity	3,518,351	3,443,851
Goodwill	4,559,134	4,559,134
Trademark	943,750	950,000
Other	2,136,467	2,638,475
Total Other Assets	30,941,623	31,760,177
TOTAL ASSETS	\$ 138,905,478	\$ 120,143,478
LIABILITIES AND STOCKHOLDERS'		
EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Current maturities of long-term debt and notes payable	\$ 30,052,353	\$ 35,681,931
Current maturities of notes payable-related parties	8,045,166	7,480,395
Accounts payable and accrued expenses	5,226,856	4,518,175
Accounts payable - related party	11,466,820	3,739,042
Accrued expenses - officers	3,014,000	2,795,000
Other	2,010,057	2,417,214
Total Current Liabilities	59,815,252	56,631,757
Long-term debt and notes payable	38,362,233	21,583,106
Notes payable - related parties	3,353,252	3,353,252
Put liability	985,000	985,000
Deposits on unit pre-sales	37,409,312	37,465,685
Total liabilities	139,925,049	120,018,800
Commitments and contingencies		
STOCKHOLDERS' EQUITY (DEFICIT):		

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Preferred stock; 1,000,000 shares authorized; \$.001 par value; 1,000,000 Series "A" shares issued and outstanding at March 31, 2007 and December 31, 2006	10,000	10,000
Preferred stock; 100,000 shares authorized; \$.01 par value; 2,825 Series "B" shares issued and outstanding at March 31, 2007 and December 31, 2006	28	28
Preferred stock; 28,000 shares authorized; \$.01 par value 27,189 Series "C" shares issued and outstanding at March 31, 2007 and December 31, 2006	272	272
Preferred stock; 50,000 shares authorized; \$.001 par value; 32,249 Series "E" shares issued and outstanding at March 31, 2007 and outstanding at December 31, 2006	32	32
Preferred stock; 150,000 shares authorized; \$.01 par value; 0 Series "F" shares issued and outstanding at March 31, 2007 and December 31, 2006	-	-
Common stock, \$.001 par value; 100,000,000 shares authorized; 10,877,974 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively	10,878	10,878
Additional paid-in capital	21,966,470	21,710,830
Accumulated deficit	(23,007,251)	(21,607,362)
Total stockholders' equity (deficit)	(1,019,571)	124,678
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 138,905,478	120,143,478

See accompanying notes to financial statements.

AMERICAN LEISURE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended March 31, 2007 and 2006

	Three Months Ended March 31, 2007 Unaudited		Three Months Ended March 31, 2006 Unaudited
Revenue			
Service revenues	6,497,139	\$	1,662,295
Undeveloped land sales	-		13,129,246
Total revenue	6,497,139		14,791,541
Cost of service revenues	(5,763,350)		(1,465,171)
Cost of undeveloped land sales	-		(9,796,634)
Total costs	(5,763,350)		(11,261,805)
Gross margin	733,789		3,529,736
Operating expenses:			
Depreciation and amortization	(233,250)		(342,358)
General and administrative expenses	(875,760)		(867,788)
Total operating expenses	(1,109,010)		(1,210,146)
Income (loss) from operations	(375,221)		2,319,590
Interest expense	(1,020,769)		(1,240,148)
Equity in operations of unconsolidated affiliate	-		64,484
Income (loss) from operations before income taxes	(1,395,990)		1,143,926
Provision for income taxes	(3,899)		(1,399)
Net income (loss)	\$ (1,399,889)	\$	1,142,527
Net income (loss) per share:			
Basic and diluted	\$ (0.16)	\$	0.07
Weighted average shares outstanding			
Basic and diluted	10,877,974		10,620,530

See accompanying notes to financial statements.

AMERICAN LEISURE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended March 31, 2007 and 2006

	Three Months Ended March 31, 2007 Unaudited	Three Months Ended March 31, 2006 Unaudited	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ (1,399,889)	\$ 1,142,527	
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	306,041	415,372	
Non-cash interest expense	635,354	1,240,148	
Non-cash warrant compensation	115,544	110,253	
Changes in assets and liabilities:			
Increase (decrease) in restricted cash	502,337	(8,074,004)	
Increase (decrease) in accounts receivable and other receivables	600,939	962,729	
Decrease (increase) in prepaid expenses and other	(9,925)	1,348,704	
Increase in prepaid sales commissions	(192,041)	(925,413)	
Increase in land held for development	(20,621,627)	(1,230,762)	
Increase (decrease) in shareholder advances & notes payable	-	(172,560)	
Decrease (increase) in deposits on unit pre-sales	(56,373)	401,666	
Increase in accounts payable and accrued expenses	520,524	153,841	
Increase in accounts payable - related party	7,727,778	-	
Net cash used by operating activities	(11,871,338)	(4,627,499)	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of fixed assets	(42,590)	(30,176)	
Increase in restricted cash	(11,502)	-	
Net cash used by investing activities	(54,092)	(30,176)	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of notes payable and long-term debt	(995,340)	(129,181)	
Proceeds from notes payable and long-term debt	12,144,889	4,896,909	
Proceeds from exercise of warrants	-	308	
Proceeds from notes payable - related parties	566,137	-	
Payments of notes payable - related parties	(1,366)	-	
Net cash provided by financing activities	11,714,320	4,768,036	

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Net increase (decrease) in cash		(211,110)		110,361
CASH AT BEGINNING PERIOD		1,110,000		225,055
CASH AT END OF PERIOD	\$	898,890	\$	335,416
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	\$	-	\$	636,065
Cash paid for income taxes	\$	-	\$	-

See accompanying notes to financial statements.

AMERICAN LEISURE HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007
(Unaudited)

Note A - Presentation

The consolidated balance sheets of the Company as of March 31, 2007 and December 31, 2006, the related consolidated statements of operations and the consolidated statements of cash flows for the three months ended March 31, 2007 and 2006, (the 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 three months ended March 31, 2007 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 and notes thereto included in the Company's December 31, 2006, Form 10-KSB and the Company's Forms 8-K and 8-K/A filings.

Note B - Land held for development

The Company's active developments as of March 31, 2007 include the Tierra del Sol Resort ("TDSR") and the Reedy Creek Development ("RCD"). The TDSR development is a 972-unit resort in Orlando, Florida on 122 acres of undeveloped land. Pre-construction sales commenced in February 2004. The RCD development is 40.68 acres of undeveloped land in Osceola County, Florida located 1.5 miles west of Walt Disney World Orlando Maingate Entrance. The property will be used in the development of vacation second homes with resort amenities.

As of March 31, 2007, Xpress, Ltd., a related party, see Note D, has pre-sold approximately 600 vacation homes in a combination of contracts on town homes and reservations on condominiums for a total sales volume of approximately \$230 million for the TDSR development. In connection with the sales, the Company has received deposits totaling approximately \$37,409,000 and has prepaid sales commissions and advances to various brokers and agents of approximately \$9,922,000 and has prepaid sales commissions of approximately \$3,518,000 to Xpress, Ltd., a related party.

During the three months ended March 31, 2007, the Company capitalized approximately \$19,450,000 on the TDSR development. The majority of these costs were incurred with American Leisure Real Estate Group, Inc., see Note D – Related party transactions, for approximately \$17,101,000. The Company also capitalized interest costs of approximately \$458,000 and building permits and licenses of approximately \$991,000 and various other closing costs and real estate taxes.

During the three months ended March 31, 2007, the Company capitalized approximately \$1,095,000 on the RCD development of which \$807,000 was interest.

The Boulevard Hotel property located in Miami Beach, Florida is undergoing remodeling and refurbishing to convert the property into a timeshare facility. As of March 31, 2007, approximately \$3,763,000 has been incurred in the remodeling and refurbishment and, as of December 31, 2006, approximately \$3,405,000 has been incurred. The Company capitalized \$300,000 in interest costs for the three months ended March 31, 2007.

The land held for development was financed with additional long-term debt of approximately \$12,145,000 and an increase in accounts payable – related party to ALRG, see Note D, of \$7,727,778.

On January 11, 2006, the Company sold 42 acres in the Sonesta Resort for \$9,090,130 to the District and an additional \$4,039,116 in connection with reimbursements for site improvements. The land sold to the District will be used for public infrastructure for the Sonesta Resort, including the creation of roads and for water collection.

Note C - Notes payable - related parties

The current maturities of notes payable - related parties is as follows:

West Villas, Inc, Orlando Tennis Village, Inc.	
and Main Gate, Inc.	\$ 6,298,937
Roger Maddock	3,353,252
Express Holdings	122,390
Officer of American Leisure	536,842
Officers of Hickory Travel Services	886,997
Shareholders of Hickory Travel Services	180,000
Others	20,000
Notes payable - related parties	11,398,418
Less: current maturities	(8,045,166)
	\$ 3,353,252

Note D - Related party transactions

The Company accrues salaries payable to Malcolm Wright in the amount of \$800,000 per year (and \$550,000 per year in 2002 and 2003) with interest at 12%. In June 2006, Malcolm Wright was paid \$1,540,500 of the accrued salaries that consisted of accrued salaries of \$1,275,000 and accrued interest of \$265,500. As of March 31, 2007, the amount of salaries payable accrued to Mr. Wright amounts to \$2,425,000 plus accrued interest on those salaries of \$519,000.

The Company accrued director fees to each of its four (4) directors in an amount of \$18,000 per year for their services as directors of the Company. No payments of director fees were paid during the current quarter and the balance of accrued director fees as of the end of the quarter covered by this report amounts to \$278,500.

The Company's active developments as of March 31, 2007 include the Tierra del Sol Resort ("TDSR") and the Reedy Creek Development ("RCD").

Malcolm Wright is the majority shareholder of American Leisure Real Estate Group, Inc. (ALRG). On November 3, 2003, Tierra Del Sol Resort ("TDSR") entered into an exclusive Development Agreement with ALRG to provide development services for the development of the Tierra Del Sol Resort. Pursuant to the Development Agreement ALRG is responsible for all development logistics and TDSR is obligated to reimburse ALRG for all of ALRG's costs and to pay ALRG a development fee in the amount of 4% of the total costs of the project paid by ALRG. During the period from inception through March 31, 2007 the total costs plus fees amounted to \$53,590,991. In addition, through March 31, 2007, the total costs plus fees for the Reedy Creek development amounted to \$80,987. The combined total amounts to \$53,671,979. Included on other liabilities are amounts due ALRG of \$11,466,818 at March 31, 2007.

A trust for the natural heirs of Malcolm Wright is the majority shareholder of Xpress Ltd. ("Xpress"). On November 3, 2003, TDSR entered into an exclusive sales and marketing agreement with Xpress to sell the units being developed by TDSR. This agreement provides for a sales fee in the amount of 3% of the total sales prices received by TDSR payable in two installments: one-half of the fee is paid when the rescission period has elapsed in a unit sales agreement and one-half is paid upon the conveyance of the unit. The agreement also provides for a marketing fee of 1.5% of the total sales prices received by TDSR. The marketing fee is paid when the first segment of the sales fee is paid. During the period since the contract was entered into and ended March 31, 2007 the total sales amounted to approximately \$234,556,743. As a result of the sales, TDSR was obligated to pay Xpress a fee of \$7,036,702 consisting of one-half of the sales fee and the full amount of the marketing fee. As of March 31, 2007, \$6,914,312 has been paid to Xpress. Based on the sales contracts as of March 31, 2007, TDSR will be obligated to pay Xpress \$3,518,351, the other half of the sales fee, upon the conveyance of the units.

Effective June 30, 2006, pursuant to Stock Purchase Agreement between the Company and Stanford International Bank Limited (a minority shareholder and creditor of the Company), the Call Center operations (Caribbean Leisure Marketing, Ltd.) was sold. Promissory notes in the amounts of \$1,250,000 and \$2,100,000 were forgiven along with \$2,313,175 of fees and accrued interest for a total consideration of \$5,663,175. This sale resulted in a gain of \$2,988,082 attributable to the recapture of depreciation and interest expenses of prior periods. The Stock Purchase Agreement also addressed the equity conversion feature that was to expire on April 30, 2007, of an outstanding loan with Stanford International Bank Limited. This feature was replaced with 355,000 warrants at an exercise price of \$10.00 expiring on April 30, 2007.

On August 16, 2006, pursuant to Purchase Agreement between the Company and Stanford International Bank Limited (a minority shareholder and creditor of the Company), a promissory note in the principal amount of \$750,000 made by Scott Roix in favor of Stanford International Bank Limited was purchased for 235,000 shares of common stock of the Company and a five year warrant to purchase 235,000 share of the Company's stock at an exercise price of \$20 per share. \$250,000 of the note has been repaid. In addition, on August 16, 2006, a Marketing Services Agreement has been executed with Scott Roix whereby he will assist American Leisure Homes, Inc. (ALHI) in marketing residential real estate developed by the Company and its subsidiaries as well as residential real estate owned by third parties. Scott Roix's compensation is based in three parts a) a Cash Bonus Program that entitles him to 19% of the lesser of i) after-tax net income of ALHI or, ii) net cash flow of ALHI; b) a Stock Bonus Plan that entitles him to earn up to 500,000 shares of common stock of the Company; and c) an Earn Out Program that entitles him to earn up to 1,500,000 shares of common stock of the Company.

In August 2006, Tierra del Sol Resorts, Inc. entered into a guaranteed minimum price construction contract with Resorts Construction, LLP ("Resorts Construction") to construct and develop part of the Sonesta Resort and its town home properties. Resorts Construction is 50% owned by Malcolm J. Wright, the Company's Chief Executive Officer and Chairman. Pursuant to the contract with Resorts Construction, we agreed to pay Resorts Construction a contractor's fee equal to 5% of the total cost of the construction performed by Resorts Construction and 7.5% for general conditions. Any payments owed under the Resorts Construction contract which are not paid when due bear interest at the rate of 12% per annum. We provided Resorts Construction a payment of \$4,000,000 upon our entry into the construction agreement with Resorts Construction, which funds Resorts Construction will use to begin construction of Phase 1 of the Tierra del Sol.

Note E - Net income (loss) per share

Dividends have not been declared on the Company's cumulative preferred stock. The accumulated dividends are deducted from Net Loss to arrive at Net income (loss) per share as follows:

Description	Three months ended 3/31/2007	Three months ended 3/31/2006
Net income (loss), (as reported)	\$ (1,399,889)	\$ 1,142,527
Undeclared preferred stock dividend	(355,005)	(355,005)
Net loss after preferred stock dividend	\$ (1,754,894)	\$ 787,522
Net income (loss) per share Basic and diluted	\$ (0.16)	\$ 0.07

Note F - Shares for services

We have recorded approximately \$115,000 and \$110,000 as stock based compensation under the fair value method for the three months ended March 31, 2007 and 2006, respectively.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: risk free rate of 3.5%; volatility of 171% for 2007 and 131% for 2006 with no assumed dividend yield; and expected lives of five years.

During the three months ended March 31, 2007, the Company issued 325,000 warrants to Malcolm Wright (150,000) Resort Funding, LLC (87,500) and Stanford International Bank (87,500). The warrants were issued on a pro-rata basis (warrants for 35 shares per \$1,000.00 funding) with the advances of funds from the loans from Stanford International Bank and Resorts Funding, LLC.

NOTE G - OPERATING SEGMENTS

The Company has adopted the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". As of March 31, 2007, the Company's two business units have separate management teams and infrastructures that offer different products and services. The business units have been aggregated into three reportable segments.

Tierra Del Sol, Inc. represents the Company's Real Estate segment, and is planning to construct a 972-unit resort in Orlando, Florida on 122 acres of undeveloped land. Vertical development on the townhomes and amenities commenced in the first quarter of 2007. Presales commenced in February 2004.

Through June 30, 2006, American Leisure operated a call center where revenues were recognized upon the completion of the earning process from the completion of the travel of the customer, the trip to the properties for the potential purchase, or the appropriate event based on the agreement with American Leisure's client as to the ability to be paid for the service.

Travel Unit ("Travel") provides travel related services. On and effective as of August 1, 2006, the Management Agreement and the License Agreement with Around the World, Inc. was terminated.

For the three months ending March 31, 2007:

In (000's)	Real Estate	Call Center *	Travel	Hospitality	Elim.	Consol.
Revenue						
Services	579	0	6,021	436	(539)	6,497
Undeveloped land	0	0	0	0	0	0
S e g m e n t						
income (loss)	(1,656)	0	500	206	(450)	(1,400)
Total income (loss)	(1,656)	0	500	206	(450)	(1,400)
Total Assets	129,529	0	7,661	13,087	(11,372)	138,905
C a p i t a l						
expenditures	0	0	0	0	0	0
Depreciation	(183)	0	(79)	(50)	0	(312)

* Call center was sold as of June 30, 2006.

** Depreciation is included in cost of operating revenues.

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For the three months ending March 31, 2006:

In (000's)	Real Estate	Call Center*	Travel	Hospitality	Elim.	Consol.
Revenue						
Services	427		1,285	0	(50)	1,662
Undeveloped land	13,129			0		13,129
Segment income (loss)	2,009		(262)	0	(668)	1,267
Equity in operations of unconsolidated subsidiary		(64)				(64)
Total income (loss)	2,009	(64)	(262)	0	(668)	1,143
Total Assets	100,907	2,755	11,488	0	(5,071)	110,080
Capital expenditures	0	0	0	0	0	0
Depreciation	(180)	(162)	(73)	0	0	(415)

** Depreciation is included in cost of operating revenues.

NOTE H - Reclassifications and Restatements

Certain amounts in the 2006 financial statements have been reclassified to conform to the 2007 financial statement presentation.

The Company recorded in general and administrative expenses the cost of operating revenues for the three months ended March 31, 2006. The Company is now showing the cost of operating revenues. The Company has restated the three months ended March 31, 2006. There is no change to the net income for the three months ended March 31, 2006. The restatement for the three months ended March 31, 2006 is as follows:

	As originally filed	Adjustment	As restated
Revenue:			
Operating revenues	\$ 1,662,295	\$ -	\$ 1,662,295
Undeveloped land sales	13,129,246	-	13,129,246
Total revenue	14,791,541	-	14,791,541
Cost of operating revenues	-	(1,465,171)	(1,465,171)
Cost of undeveloped land sales	(9,796,634)	-	(9,796,634)
Total Costs	(9,796,634)	(1,465,171)	(11,261,805)
Gross margin	4,994,907	(1,465,171)	3,529,736
Operating expenses:			
Depreciation and amortization	(415,372)	73,014	(342,358)
General and administrative	(2,259,945)	1,392,157	(867,788)

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Total operating expenses	(2,675,317)	1,465,171	(1,210,146)
Income (loss) from operations	2,319,590		2,319,590
Interest expense	(1,240,148)		(1,240,148)
Equity in operations of unconsolidated subsidiary	64,484		64,484
Income (loss) before income taxes	1,143,926	0	1,143,926
Provision for income taxes	(1,399)		(1,399)
Net income	\$ 1,142,527		\$ 1,142,527

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NOTE I - Contingencies

In the ordinary course of its business, the Company may from time to time become subject to claims or proceedings relating to the purchase, subdivision, sale and/or financing of its real estate or its operations. We are a party in an action that was filed in Orange County, Florida and styled as Rock Investment Trust, P.L.C. and RIT, L.L.C. vs. Malcolm J. Wright, American Vacation Resorts, Inc., American Leisure, Inc., Inversora Tetuan, S.A., Sunstone Golf Resort, Inc., and Sun Gate Resort Villas, Inc., Case No. CIO-01-4874, Ninth Judicial Circuit, Orange County, Florida. In June, 2001, after almost 2 years from receiving notice from Malcolm Wright that one Mr. Roger Smee, doing business under the names Rock Investment Trust, PLC (a British limited company) and RIT, LLC (a Florida limited liability company) (collectively, the Smee Entities) had defaulted under various agreements to loan or to joint venture or to fund investment into various real estate enterprises founded by Mr. Wright, the Smee Entities brought the Lawsuit against Mr. Wright, American Leisure, Inc. (ALI) and several other entities. The gravamen of the initial complaint is that the Smee Entities made financial advances to Wright with some expectation of participation in a Wright real estate enterprise. In general, the suit requests either a return of the Smee Entities alleged advances of \$500,000 or an undefined ownership interest in one or more of the defendant entities. Mr. Wright, American Leisure, Inc., and Inversora Tetuan, S.A., have filed a counterclaim and cross complaint against the Smee Entities and Mr. Smee denying the claims and such damages in the amount of \$10 million for the tortuous acts of the Smee entities. In the unlikely event the matter ever proceeds to trial and the court rules that Mr. Wright is liable under his guarantee of the American Leisure, Inc. obligation to Smee, it is believed that such a ruling would not directly affect American Leisure Holdings, Inc. The litigation has been in abeyance, with no activity by the Smee entities for one year, and is not currently set for trial. We intend to vigorously defend the lawsuit.

In March 2004, Manuel Sanchez and Luis Vanegas as plaintiffs filed a lawsuit against American Leisure Holdings, Inc. American Access Corporation, Hickory Travel Systems, Inc., Malcolm J. Wright and L. William Chiles, et al., seeking a claim for securities fraud, violation of Florida Securities and Investor Protection Act, breach of their employment contracts, and claims for fraudulent inducement. All defendants have denied all claims and have a counterclaim against Manuel Sanchez and Luis Vanegas for damages. The litigation commenced in March 2004. No material activity has occurred in this case, and we do not expect any activity in the near future. The claims are without merit and the claims are not material to us. We intend to vigorously defend the lawsuit.

In early May 2004, Around The World Travel, Inc. substantially all of the assets of which we purchased, filed a lawsuit in the Miami-Dade Florida Circuit Court against Seamless Technologies, Inc. and e-TravelLeaders, Inc. alleging breach of contract and seeking relief that includes monetary damages and termination of the contracts. They were granted leave to intervene as plaintiffs in the original lawsuits against Seamless and e-TravelLeaders. On June 28, 2004, the above named defendants brought suit against Around The World Travel and American Leisure Holdings, Inc. in an action styled Seamless Technologies, Inc. et al. v. Keith St. Clair et al. This suit alleges that Around The World Travel has breached the contracts and also that American Leisure Holdings, Inc. and Around The World Travel's Chief Executive Officer were complicit with certain officers and directors of Around The World Travel in securing ownership of certain assets for American Leisure Holdings, Inc. that were alleged to have been a business opportunity for Around The World Travel. This lawsuit involves allegations of fraud against Malcolm J. Wright. The lawsuit filed by Seamless has been abated and consolidated with the original lawsuit filed by Around The World Travel. In a related matter, Seamless attorneys brought another action entitled Peter Hairston v. Keith St. Clair et al. This suit mimics the misappropriation of business opportunity claim, but it is framed within a shareholder derivative action. The relief sought against American Leisure Holdings, Inc. includes monetary damages and litigation costs. We intend to vigorously support the original litigation filed against Seamless and defend the counterclaim and allegations against us. On February 9, 2007, the court heard AMLH, ALEC, and Mr. Wright's motion to dismiss the various counts of the complaint. The court dismissed with prejudice the E-TravelLeaders / Seamless claims for rescission, constructive trust, and civil conspiracy. It dismissed without prejudice the claims for tortuous interference and priority as against TravelLeaders, and allowed the breach of contract claims to continue. We believe that with further

discovery, the court will dismiss or grant to AMLH, ALEC, and Mr. Wright summary judgment on all remaining or repleaded counts.

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On May 4, 2005, Simon Hassine, along with members of his family, filed a lawsuit against us and Around The World Travel in the Circuit Court of Dade County, Florida, Civil Division, Case Number 05-09137CA. The plaintiffs are the former majority shareholders of Around The World Travel and former owners of the assets of TraveLeaders. The plaintiffs allege that they have not been paid for i) a subordinated promissory note in the principal amount of \$3,550,000 plus interest on such note which they allege was issued to them by Around The World Travel in connection with their sale of 88% of the common stock of Around The World Travel; and ii) subordinated undistributed retained earnings and accrued bonuses in an aggregate amount of \$1,108,806 which they allege were due to them as part of the sale. The plaintiffs allege that the note was issued to them net of \$450,000 of preferred stock of Around The World Travel that they further allege they never received. The plaintiffs also allege that in December 2004 they entered into a settlement agreement with the Company regarding these matters. The plaintiffs are pursuing a claim of breach of the alleged settlement agreement with damages in excess of \$1,000,000, interest and costs as well as performance under the alleged settlement agreement or, in the alternative, a declaratory judgment that the promissory note, undistributed retained earnings and accrued bonuses are not subordinated to the Galileo Debt and full payment of the promissory note, undistributed retained earnings and accrued bonuses plus prejudgment interest, stated interest on the note, costs and reasonable attorneys fees. The plaintiffs are also pursuing a claim for breach of contract regarding the preferred stock of Around The World Travel and seeking \$450,000 plus interest, costs and reasonable attorneys fees. The plaintiffs are also pursuing claims of fraudulent transfer regarding our acquisition of interests in the debt and equity of Around The World Travel and seeking unspecified amounts. Our counsel filed various motions including a motion to dismiss the complaint in its entirety as against us and Malcolm J. Wright due to the failure by the plaintiffs to comply with a provision in the underlying document that grants exclusive jurisdiction to the courts located in Cook County, Illinois. The parties are currently in discussions regarding a cessation of the litigation while the plaintiffs seek relief from unrelated parties. We intend to vigorously defend the lawsuit.

On August 10, 2006, Patsy Berman and Berman Mortgage Corporation served a complaint against Tierra del Sol Resort, Inc., Malcolm Wright, our Chief Executive Officer and Chairman, and a non-existent entity, Vantage Circa 39 Condotel Limited Partnership ("Vantage"), in the 11th Judicial Circuit in and for Miami-Dade County, Florida. The complaint alleges that Tierra del Sol and Vantage sought loans, that the plaintiffs offered to make loans, that Mr. Wright guaranteed the loans, that valid contracts were formed, and that because such loans did not close, the plaintiffs claim \$3,550,000 in damages, representing funding fees, brokerage fees, and interest. We have concluded that the plaintiffs' complaint is wholly frivolous. We filed a Motion to Dismiss and a Motion for sanctions against the plaintiffs of the lawsuit, for failure to state a good faith claim in law or fact and the court granted the motion to dismiss without prejudice. Berman filed an amended complaint, and we responded with another motion to dismiss and motion to strike the request for a jury trial. The motions will be heard by the court in May 2007. We intend to vigorously defend the lawsuit.

Lufthansa City Center, et al (“LCC”) v. Hickory Travel Systems, Inc. LCC has sued for Breach of Contract or, alternatively, Breach of a Settlement Agreement. Hickory and LCC entered an agreement whereby LCC would exclusively use Hickory’s hotel program and Hickory would pay \$110,000 per year to LCC. LCC did not bring the promised value to the deal. Additionally, LCC entered an agreement with a competitor for hotel services prior to termination of the agreement. Hickory vigorously disputes the allegations in the complaint and intends to counterclaim to recoup the damages from LCC’s breach of the agreement.

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

We are not aware of any proceeding to which any of our directors, officers, affiliates or security holders are a party adverse to us or have a material interest adverse to us.

NOTE J - Subsequent Events

During April and through May 17, 2007, the Company has drawn an additional \$7,095,000 on the Resorts Funding LLC credit facility and an additional \$7,050,000 on the Stanford credit facility.

Kennedy Loan Funding

On April 20, 2007, certain of our wholly owned subsidiaries which are engaged in the construction and development of the Sonesta Resort, including Costa Blanca Real Estate II, LLC, Costa Blanca III Real Estate, LLC, TDS Town Homes (Phase 1), LLC, and TDS Town Homes (Phase 2), LLC (the “Borrowers”), entered into a Loan and Security Agreement with Kennedy Funding, Inc. as agent for certain lenders (collectively “Kennedy” and the “Loan Agreement”). Pursuant to the Loan Agreement, Kennedy agreed to make a loan to the Borrowers of up to \$24,900,000. The Loan Agreement provides that the Borrowers will receive an advance equal to \$22,000,000 for repayment of the KeyBank loan, closing costs and fees, and construction of the Sonesta Resort; additionally, another \$2,900,000 will be held back from the initial loan funds and will be disbursed to the Borrowers from time to time to construct one of the swimming pools in the Sonesta Resort, subject to the Borrowers complying with the representations and warranties described in the Loan Agreement, and subject to the loan to value ratio of amounts loaned by Kennedy, in connection with the Sonesta Resort not exceeding 60%. Additionally, approximately \$1,786,000 of the amount loaned by Kennedy was immediately paid by the Borrowers in connection with closing costs and to pay Kennedy’s commitment and loan fees, and an additional \$2,196,000 of the amount loaned was paid to Kennedy as an interest reserve, which amount is to be credited against the amount of monthly interest due under the loan, as such interest payments become due and payable, as described below. We used approximately \$15,285,000 of the funds raised through the Loan Agreement to repay all amounts owed under and to satisfy our Land Loan with KeyBank, National Association, which we entered into in December 2005, and plan to use the remaining funds received by the Borrowers from the Loan Agreement to continue the construction of the Sonesta Resort. Events of default under the Loan Agreement include, among other things, if one or more judgments are entered against any Borrower or guarantor of the Loan Agreement, in excess of \$25,000, which are not fully paid or covered by insurance, and which have not been discharged, stayed or bonded pending appeal within ninety days of the entry thereof.

In connection with the Loan Agreement, the Borrowers provided Kennedy a Promissory Note in the amount of \$24,900,000 (the "Kennedy Note"). The Kennedy Note, and any accrued and unpaid interest is due and payable on April 20, 2010. The Kennedy Note does not contain a pre-payment penalty. The Kennedy Note bears interest at varying rates of interest over the course of the note term, which interest is due and payable monthly, in arrears, including:

- (a) 12% per annum for the first month that the Kennedy Note is outstanding;
- (b) The greater of 12% or the Prime Rate then in effect plus 3 and 3/4% per annum during the period from May 2007 through April 2008;
- (c) The greater of 16% or the Prime Rate then in effect plus 7 and 3/4% per annum during the period from May 2008 through April 2009; and
- (d) The greater of 18% or the Prime Rate then in effect plus 9 and 3/4% per annum during the period from May 2009, through the maturity date of the Kennedy Note.

Any amounts not paid under the Kennedy Note when due bear interest at the rate of 24% per annum until paid in full.

The outstanding balance of the Kennedy Note was secured by a security interest granted to Kennedy by the Borrowers in substantially all of their personal property and assets. As additional security, American Leisure Holdings, Inc., TDS Amenities, Inc., a Florida corporation, which is owned by Tierra del Sol Resort, Inc., and Malcolm J. Wright, our Chief Executive Officer and Chairman entered into a Guaranty Agreement in favor of Kennedy, which guaranteed the repayment of the Kennedy Note. Furthermore, the Borrowers agreed to assign their rights to various of our licenses, leases, permits and approvals to Kennedy to secure the repayment of the Kennedy Note and in connection with the security agreement provided to Kennedy. Mr. Wright earned a fee equal to 747,000 warrants to purchase shares of our common stock at an exercise price of \$1.02 in connection with his guaranty of the Kennedy Note.

In addition to guarantying the repayment of the Kennedy Note, the Borrowers and TDS Amenities, Inc. granted Kennedy a Mortgage Agreement encumbering approximately 38 acres of property in our Sonesta Resort which the Borrowers own, to secure the repayment of the Kennedy Note. American Leisure Holdings, Inc. the Borrowers, and Mr. Wright also guarantied that all of the property secured by the Mortgage Agreement fully complies with all environmental laws and agreed to indemnify Kennedy against any damages in connection with the violation of any environmental hazardous waste disposal laws or regulations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

CERTAIN STATEMENTS IN THIS QUARTERLY REPORT ON FORM 10-QSB (THIS "FORM 10-QSB"), CONSTITUTE "FORWARD LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1934, AS AMENDED, AND THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 (COLLECTIVELY, THE "REFORM ACT"). CERTAIN, BUT NOT NECESSARILY ALL, OF SUCH FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "BELIEVES", "EXPECTS", "MAY", "SHOULD", OR "ANTICIPATES", OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY, OR BY DISCUSSIONS OF STRATEGY THAT INVOLVE RISKS AND UNCERTAINTIES. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF AMERICAN LEISURE HOLDINGS, INC. TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. REFERENCES IN THIS FORM 10-QSB, UNLESS ANOTHER DATE IS STATED, ARE TO MARCH 31, 2007. ALL REFERENCES IN THIS REPORT ON FORM 10-QSB TO "THE COMPANY," "WE," "US," "OUR" OR WORDS OF SIMILAR MEANING INCLUDE THE OPERATIONS OF AMERICAN LEISURE HOLDINGS, INC. AND SUBSIDIARIES.

Business Development

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

On June 14, 2002, we entered into a stock purchase agreement with the former stockholders of American Leisure Corporation, in connection with the acquisition of American Leisure Corporation, pursuant to which we issued the former stockholders of American Leisure Corporation 4,893,974 shares of our common stock and 880,000 shares of our Series A preferred stock having 10 votes per share. As part of this transaction, Vyrtext Limited, a UK company, which owned 3,830,000 shares of our common stock, surrendered 3,791,700 of the 3,830,000 shares owned by them. The transaction was treated as a reverse merger and a re-capitalization of American Leisure Corporation, which was considered the accounting acquirer. The operations of Freewillpc.com prior to the transaction were not carried over and were adjusted to \$0. Effective July 24, 2002, we changed our name to American Leisure Holdings, Inc.

In addition to the Company's establishment and continuing operation of a Travel Division, we have established a Resort Properties Division and related leisure and travel support operations. Through our various subsidiaries, we: manage and distribute travel services; develop, sell and will manage travel destination resorts and vacation home properties; and develop and operate affinity-based travel clubs. Further, we owned and operated a call center in Antigua-Barbuda, which call center business was sold effective June 30, 2006. Our businesses are intended to complement each other and to enhance Company revenues by exploiting consumer cross-marketing opportunities. We intend to take advantage of the synergies between the distribution of travel services and the creation, marketing, sale and management of vacation home ownership and travel destination resorts. In connection with our development of vacation homes we will also buy and sell parcels of undeveloped land.

On October 1, 2003, we acquired a 50.83% majority interest in Hickory Travel Systems, Inc. ("Hickory" or "HTS") as the key element of our Travel Division. Hickory is a travel management service organization that serves its network/consortium of approximately 160 well-established travel agency members, comprised of over 3,000 travel

agents worldwide serving corporate and leisure travelers. We intend to complement other Company businesses through the use of Hickory's 24-hour reservation services, international rate desk services, discount hotel programs, preferred supplier discounts, commission enhancement programs, marketing services, professional services, technologies, and information exchange.

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In December 2004, Caribbean Leisure Marketing, Ltd. ("Caribbean Leisure Marketing"), our former wholly owned subsidiary that was focused on telecommunications, entered into a joint venture with IMA Antigua, Ltd. to operate a call center in Antigua that Caribbean Leisure Marketing owns. The joint venture was operated through Caribbean Media Group, Ltd., an international business corporation formed under the laws of Barbados. On June 30, 2006, pursuant to a Stock Purchase Agreement (described in greater detail below), the call center operations and Caribbean Leisure Marketing were sold to Stanford International Bank Limited (a significant shareholder and creditor of the Company).

On December 31, 2004, American Leisure Equities Corporation ("ALEC"), one of our wholly owned subsidiaries, acquired substantially all of the assets of Around The World Travel, Inc. ("Around The World Travel" or "AWT") which included all of the tangible and intangible assets necessary to operate the business including the business name "TravelLeaders". We engaged Around The World Travel to manage the assets and granted Around The World Travel a license to use the name "TravelLeaders." TravelLeaders is a fully-integrated travel agency and travel services distribution business that provides its clients with a comprehensive range of business and vacation travel services including corporate travel management, leisure sales, special events and incentive planning. TravelLeaders is based in Coral Gables, Florida. On and effective on August 1, 2006, the Management Agreement and the License Agreement with AWT were terminated by ALEC which, effective on that date, began directly managing the travel business assets and operations of TravelLeaders.

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

Business Integration

Our mission is to remain focused on the development, sale and management of vacation travel destination resorts. As such we have completed the planning begun the initial stages of the construction of "The Sonesta Orlando Resort at Tierra Del Sol" (the "Sonesta Resort"), a planned 972-unit vacation home resort located just 10 miles from Walt Disney World, in Orlando, Florida. Additionally, we are in the planning stages of developing our Reedy Creek Property, which is situated in the northwest section of Osceola County, Florida about one mile from the "Maingate" entrance to Walt Disney World, Orlando and approximately one-half mile from the south entrance to "Disney's Animal Kingdom" theme park. The Reedy Creek Property consists of three parcels totaling over 40 gross acres with approximately 29 acres of buildable land. The Reedy Creek Property is currently planned to consist of approximately 522 residential units consisting of mid-rise condominium buildings.

Though "Developments of Regional Impact" (DRIs) are underway, we are seeking to maximize property development and sales by obtaining governmental approval for more housing units than was initially planned at our Tierra del Sol and Reedy Creek properties. Although there is no assurance of the additional density that may be achieved through the DRI process we believe that both Tierra del Sol and Reedy Creek may gain approval to develop as many as 859 additional units for Tierra del Sol Resort and 678 for Reedy Creek.

Subject to having sufficient capital and our determination of value to our shareholders, we intend to achieve growth through selected acquisitions of real property and business assets and interests. Although no agreements related to such future acquisitions have been concluded, we expect to negotiate and, subject to our final determination as to the merits of such acquisitions(s) and the availability of necessary capital, complete the acquisition of Florida destination resort property holdings proximate to our existing resort developments at initial entry prices for the developable land that may be materially below current appraised values. Growth may be realized through our continued creation of destination resorts, and through the prospective acquisition of qualified, existing destination resorts, thereby creating an extensive resort and vacation ownership network further supported by the Company's travel services division. Our goal through such expansion would be to further become an integrated, "one-stop" leisure services company, seeking to seamlessly provide for the development, sales, and management of and the ongoing generation of revenue from

destination resorts while offering vacation ownership and an extensive range of travel services to an expanding customer and client base. In connection with our development of vacation homes we will continue to buy and sell parcels of undeveloped land.

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During the year ended December 31, 2006, we worked to integrate the administrative operations of Hickory and TravelLeaders to distribute, fulfill and manage our travel services and our Resort Properties; however, the full integration of these two divisions has become substantially harder than we anticipated due to the different operating and system platforms of the two divisions, and as such, we have abandoned our previous plans to integrate the two divisions and are currently evaluating the synergies and cost/benefits of continuing to maintain the two separate divisions.

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

Sonesta Resort Financing

On December 29, 2005, certain affiliates of the Company closed two (2) credit facilities with Key Bank, National Association ("KeyBank") related to the Sonesta Resort. The credit facilities consisted of a \$40,000,000 revolving construction loan to be used to construct Phase 1 of the Sonesta Resort (the "Construction Loan") and a \$14,850,000 term loan on the Phase 2 land, the proceeds of which were contributed to the Phase 1 partnership as equity and used to repay existing debt on the property and finance part of the site work of the property for the Resort and to pay certain related costs (the "Land Loan"). To facilitate the financing for the Sonesta Resort, the Company has formed two limited partnerships, each of which will develop Phase 1 and Phase 2 of the Resort (the "Development Partnerships"). Each Development Partnership has several subsidiaries, which have been formed to develop different portions of the Sonesta Resort.

Phase 1 will also include construction of related amenities, including a swimming pool complex and sun decks, a lazy river, a poolside restaurant and other amenities typical of a resort of this kind. We have completed approximately 90% of the grading and underground infrastructure required for the Phase 1 construction to date and began vertical construction of the phase one town homes in January 2007. Phase 2 will include construction of 144 additional residential condominium units and 442 additional town home units, as well as a 126,000 square foot clubhouse (84,000 square feet under air). Construction of Phase 2, which has not begun yet, is expected to overlap with the construction of Phase 1. Additionally, the TDS plat has been recorded as of the filing of this report.

The general partner of each Development Partnership is TDS Management LLC, a limited liability company controlled by Malcolm J. Wright, the Company's Chairman and Chief Executive Officer. The principal limited partner of each Development Partnership is Tierra Del Sol Resort, Inc., which owns a 99.9% interest in each Development Partnership. The Company owns 100% of Tierra Del Sol Resort, Inc.

On July 27, 2006, we, through one of our wholly owned subsidiary companies, formally notified KeyBank, that we elected not to open the \$40,000,000 revolving credit Construction Loan. We have however, established a relationship with GMAC Bank, through Millennium Capital Mortgage, to provide construction financing to the individual purchasers of the Sonesta Resort town homes, which funding we believe will enable all town homes and amenities at Tierra del Sol to be built through this program. Additionally, we are in the process of negotiating with several lenders for a construction loan on favorable terms for the condominiums and/or for the clubhouse and anticipate entering into final agreements regarding such funding in the second or third quarters of fiscal 2007; however, we can provide no

assurances that we will be able to finalize such funding, or that assuming such funding is available, that it will be on favorable terms.

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The borrowers under the Land Loan were Tierra Del Sol Resort (Phase 2), Ltd. (the "Phase 2 Partnership") and other entities that are owned by the Phase 2 Partnership. The Land Loan a \$14,850,000 term loan with a maturity date of June 28, 2007. The proceeds of the Land Loan were primarily used to repay existing debt of the property for the Sonesta Resort. The Land Loan previously accrued interest at LIBOR plus 3.10% per annum, equal to approximately 8.39% as of May 16, 2007, with the LIBOR equal to 5.29% as of that date. The Land Loan was repaid in full, along with accrued and unpaid interest and the required 4% exit fee, which totaled in aggregate \$15,285,000, in April 2007, in connection with our entry into the Kennedy funding, described below under "Kennedy Loan Funding."

Westridge Community Development District Bonds

The closing of the new credit facilities with KeyBank triggered the closing of the sale of \$25,825,000 in community development bonds issued by the Westridge Community Development District (the "District"). The proceeds of the bonds will be used, in part, to fund infrastructure at the Sonesta Resort and to acquire land for public purposes from Tierra Del Sol Resort (Phase 1), Ltd. The debt service and retirement of these bonds will be funded by a special district tax upon the property owners in the District at an interest rate of 5.8% over a 30-year amortization period. Grading and infrastructure for the District are more than 90% complete as of May 2007.

SIBL Credit Facility

On December 29, 2005, Stanford International Bank, Ltd. ("SIBL") provided Tierra Del Sol with financial assistance to facilitate the closings of the Land Loan and the Construction Loan. The financial assistance consisted of a loan to Tierra Del Sol of \$2,100,000 (the "SIBL Tierra Del Sol Loan"), and the establishment of letters of credit in favor of KeyBank in the amount of \$4,000,000 and \$2,000,000, respectively (the "Letters of Credit"), which Letters of Credit were subsequently cancelled, effective June 30, 2006. The financial assistance provided by SIBL was evidenced by a Credit Agreement dated as of December 29, 2005 between SIBL, Tierra Del Sol Resort, Inc. and the Company (the "SIBL Credit Agreement"). As consideration for the purchase of the Antiguan call center including our subsidiary Caribbean Leisure Marketing, Inc. (described below), SIBL exchanged the \$2,100,000 loan, as well as the accrued interest on such loan in the amount of \$85,867.

We estimate that the cost to complete the construction of Phase I of the Sonesta Resort will be \$136,500,000 of which \$9,000,000 will be for resort amenities, \$64,000,000 will be for vertical construction on 294 units and \$49,500,000 will be for other costs such as contingencies, closing costs and soft costs such as architectural, engineering, and legal costs. An additional approximate amount of \$14,000,000 will be expended for horizontal construction costs which include all of Phase I requirements plus most of the infrastructure requirements for the entire Project. The \$14,000,000 will be funded by the bonds proceeds held by the Westridge Development District and from equity reserves held by Key Bank. A Land Loan was also funded by Key Bank which was described above in the amount of \$14,850,000, of which approximately \$14,153,033 had been borrowed as of March 31, 2007, which amount has been repaid to date. We previously had entered into the \$40,000,000 Construction Loan with KeyBank, which loan we decided not to open in favor of alternate, anticipated financing arrangements which we believe will be beneficial to the timely completion of the Sonesta Resort project. We are in the process of negotiating with several lenders for a construction loan for the condominiums and clubhouse and anticipate, although we cannot provide any assurances, that such loan will be evidenced by a firm commitment during the second or third quarters of 2007. Assuming we are able to enter into a subsequent funding arrangement, we believe that we have sufficient funds to provide for the completion of Phase 1, assuming there are no material cost overruns, delays or further increases in material costs. Phase 2 will be financed separately. It is anticipated that Phase 2 construction will commence by the second or third quarters of 2007, although we cannot provide any assurances that we will have adequate funding to begin construction at that time, if ever.

In November 2003, we entered into an exclusive sales and marketing agreement with Xpress Ltd. ("Xpress") to sell the vacation homes in the Sonesta Resort. Malcolm J. Wright, one of our founders and our Chief Executive Officer and Chairman, and members of his family are the majority shareholders of Xpress. As of March 31, 2007, Xpress had pre-sold approximately 600 vacation homes in a combination of contracts on town homes and reservations on condominiums for total sales volume of approximately \$230 million.

REEDY CREEK ACQUISITION COMPANY, LLC TRANSACTIONS

Background

In July 2005, the Company and Stanford Financial Group Company ("SFG") formed a new limited liability company named Reedy Creek Acquisition Company LLC ("Reedy Creek Acquisition Company") for the purpose of acquiring a parcel of approximately 40 acres of land located adjacent to the Animal Kingdom Theme Park at Walt Disney World, in Orlando, Florida (the "Reedy Creek Property"). The Reedy Creek Property is described in greater detail below under "Development Plans for Reedy Creek Property."

Reedy Creek Acquisition Company acquired the Reedy Creek Property in July 2005 for a purchase price of \$12,400,000. Reedy Creek Acquisition Company paid \$8,000,000 of the purchase price in cash and paid the \$4,400,000 balance pursuant to the terms of a promissory note issued to the sellers secured by a first mortgage lien on the Reedy Creek Property. At the time of the purchase, Reedy Creek Acquisition Company obtained a \$7,150,000 loan from SIBL (the "SIBL Reedy Creek Loan"), secured by a second mortgage lien on the property. The proceeds of this loan were used to pay part of the cash portion of the purchase price and for closing costs associated with the closing. The Company contributed the remainder of the purchase price. At the time of the acquisition of the Reedy Creek Property, Reedy Creek Acquisition Company was owned 99% by SFG and 1% by one of the Company's wholly owned subsidiaries, American Leisure Reedy Creek Inc. ("ALRC"), however ALRC, has since exercised its option (the "Reedy Creek Option") to receive 100% of the interest in the Reedy Creek Acquisition Company in return for \$600,000 paid to SFG in January 2006.

SFG and SIBL are affiliates of Stanford Venture Capital Holdings Inc., a significant shareholder of the Company.

SIBL Reedy Creek Loan Terms

In connection with the exercise of the Reedy Creek Option, Reedy Creek Acquisition Company and SIBL agreed to modify the terms of the SIBL Reedy Creek Loan made by SIBL to Reedy Creek Acquisition Company. The modified loan terms are evidenced by a Renewed, Amended and Increased Promissory Note (the "Amended Note") made by Reedy Creek Acquisition Company in favor of SIBL. The Amended Note had a maturity date of December 31, 2006, but has since been extended until June 30, 2007, pursuant to Amendment No. 1 to the Amended Note, a principal balance of \$8,000,000 and bears interest at the rate of 8% per year payable quarterly. Interest in the amount of \$262,885 on the Amended Note has been exchanged as consideration for the purchase of the Antiguan call center including our subsidiary Caribbean Leisure Marketing, Inc. (described below). Upon an event of default as described in the Amended Note, SIBL has several rights and remedies, including causing the Amended Note to be immediately due and payable.

The Amended Note was replaced in November 2006, by a Renewed, Amended and Increased Promissory Note in the amount of \$12,200,000, by a \$13,420,000 note in December 2006 and by a \$15,300,000 note in January 2007 (the "RC Note"). The RC Note is due and payable on June 30, 2007, with \$8,000,000 of the RC Note bearing interest at the rate of 8% per annum and the remaining \$7,300,000 bearing interest at the rate of 12% per annum; however, the maturity date of the RC Note was amended pursuant to the March 2007 Note Modification Agreement (described below) to the earlier of (a) a public offering by us, or any company that acquires a majority of any class of stock or assets of us, which raises no less than \$100,000,000; or (b) August 1, 2008 (the "New Maturity Date"), with any

accrued and unpaid interest payable on such New Maturity Date.

The RC Note is secured by a second lien on the Reedy Creek Property. It is guaranteed by the Company and Malcolm J. Wright, the Company's Chief Executive Officer and Chairman pursuant to a Modification and Reaffirmation of Guaranty and Environmental Indemnity Agreement. We believe that without the guarantees of Mr. Wright, it would have been more difficult, if not impossible, for us to secure the SIBL credit facility.

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Bankers Credit Corporation Loan

In connection with the exercise of the Reedy Creek Option, the Company and Reedy Creek Acquisition Company arranged to receive a \$7,000,000 loan from Bankers Credit Corporation ("Bankers Credit").

Under the terms of the Bankers Credit loan, Bankers Credit advanced Reedy Creek Acquisition Company \$3,000,000 at closing and an additional \$4,000,000 subsequent to the date of closing. On February 1, 2007, the Bankers Credit note was replaced by an Amended and Restated Promissory Note in the amount of \$7,860,000, which included an additional advance of \$860,000.

The Bankers Credit loan is evidenced by a an Amended and Restated Promissory Note (the "Bankers Credit Note") and bears interest at the greater of the Wall Street Journal published prime rate plus 6.75%, not to exceed the highest rate allowable under Florida law or 15% per year. The interest rate of the Bankers Credit Note as of May 17, 2007, was 15% (with a prime rate, as reported by the Wall Street Journal of 8.25%). Interest on the Bankers Credit Note is payable monthly. The maturity date of the Bankers Credit Note was January 3, 2007, but was extended until February 1, 2008, pursuant to the amendment to the note. Pursuant to the Bankers Credit Note, Reedy Creek Acquisition Company agreed to pay a 10% late charge on any amount of unpaid principal or interest under the Bankers Credit Note. The Bankers Credit Note is subject to a 1% exit fee. Upon an event of default as described in the Bankers Credit Note, Bankers Credit has several rights and remedies, including causing the Bankers Credit Note to be immediately due and payable.

The Bankers Credit Note is secured by a first lien on the Reedy Creek Property. Additionally, the Bankers Credit Note is guaranteed by the Company and Malcolm J. Wright, the Company's Chief Executive Officer and Chairman pursuant to a Guaranty Agreement. We believe that without the guarantees of Mr. Wright, it would have been more difficult, if not impossible, for us to secure the Bankers Credit, loan facility.

Reedy Creek Acquisition Company utilized the initial proceeds from the Bankers Credit loan to pay a portion of the amount owed on the existing first mortgage note issued to the sellers of the Reedy Creek Property. The holder of this mortgage agreed to release the mortgage in exchange for this payment. Reedy Creek Acquisition Company has now paid the balance of this mortgage note upon the receipt of the balance of the Bankers Credit loan.

Development Plans for Reedy Creek Property

The Reedy Creek Property is situated in the northern section of Osceola County, Florida and lies on three contiguous development parcels located to the immediate north of U.S. Highway 192 West, about one mile from the "Maingate" entrance to Walt Disney World, Orlando and 0.75 miles from the entrance to "Disney's Animal Kingdom" theme park. The property is one of only a small number of privately owned parcels abutting Walt Disney World (north and east boundaries).

The Reedy Creek Property consists of three parcels totaling over 40 gross acres with approximately 29 acres of buildable land. The Osceola County Comprehensive Land Plan for the site allows vacation homes at a density of 18 units per acre, which results in a maximum allowable project density of 522 residential units. To achieve the maximum density, it is anticipated that the project will consist of mid-rise condominium buildings. Amenities proposed on-site include a water park with swimming pools, guest services clubhouse, and other related on-site resort amenities.

It is anticipated that Walt Disney World's Reedy Creek Improvement District (the "District"), a quasi-government body whose constituents are all affiliated with Walt Disney World Company, will agree to construct and pave the widening and extension of Reedy Creek Boulevard north and westward at its expense. We are currently working with the District towards this end. The District will have a public hearing during which it is anticipated that the District will be given the authority to acquire the land from Reedy Creek Acquisition Company and make the improvements to Reedy Creek Boulevard. If the District acquires the requisite authority from its constituents, Reedy Creek Acquisition Company has agreed to convey relatively small portions of the three combined properties to constitute this roadway. Reedy Creek Acquisition Company will benefit from the conveyance by saving the cost of the road it would have to build anyway and it will enhance the required road frontage for the project.

Though "Developments of Regional Impact" (DRI) are underway, we are seeking to maximize Reedy Creek's property development and sales by obtaining governmental approval for more housing units than was initially planned. Although there is no assurance of the additional density that may be achieved through the DRI process, we believe that Reedy Creek may gain approval to develop as many as 678 additional units.

The Company's development of the Reedy Creek Property is currently planned to begin in the fourth quarter of 2009, with the completion of such property planned for 2010 or 2011, subject to funding and scheduling permitting. The Company will not know the total estimated cost of the development of the Reedy Creek Property until it has determined the market and completed designs for the properties. The Company does not currently have any funding in place for any of the capital which will be required to complete the development of the Reedy Creek Property and there is no assurance that funding will be available on favorable terms, if at all. The Company is currently seeking a joint venture partner for this property.

Note Modification Agreement

In February 2006, we entered into a Note Modification Agreement with SIBL, whereby we agreed to modify certain provisions of our outstanding promissory notes with SIBL to grant extensions of payments due. Pursuant to the Note Modification Agreement, we and SIBL agreed that all interest due on our \$6,000,000 note, from January 1, 2005, through September 30, 2006, shall be due and payable on September 30, 2006, which due date was further extended by SIBL to December 31, 2008, with all interest thereafter payable with the original terms of that note however, as consideration for the purchase of the Antigua call center including our subsidiary Caribbean Leisure Marketing, Inc. (described below), SIBL exchanged \$546,000 of accrued interest; that all interest accrued on the \$3,000,000 note we have with SIBL, from the date of the note until September 30, 2006, shall be due and payable on September 30, 2006, which due date was extended by SIBL to April 22, 2007, and to January 1, 2008, pursuant to the Modification Agreement effective December 31, 2006, and pursuant to the March 2007 Note Modification Agreement to the earlier of (a) a public offering by us, or any company that acquires a majority of any class of stock or assets of us, which raises no less than \$100,000,000; or (b) August 1, 2008 (the "New Maturity Date"), with any accrued and unpaid interest payable on such New Maturity Date, additionally, as consideration for the purchase of the Antigua call center including our subsidiary Caribbean Leisure Marketing, Inc. (described below), SIBL exchanged the \$654,080 of accrued interest as of June 30, 2006 as well as our \$1,250,000 note with SIBL which was previously due September 30, 2006; and agreed that the maturity date of our \$1,355,000 note with SIBL would be extended until June 30, 2007, which has been further extended to January 1, 2008, pursuant to the Modification Agreement effective December 31, 2006, and to the New Maturity Date pursuant to the March 2007 Note Modification Agreement, with any accrued and unpaid interest due on such New Maturity Date; that the maturity date of our \$305,000 note with SIBL be extended until June 30, 2007, which has further been extended until January 1, 2008, pursuant to the Modification Agreement effective December 31, 2006, and to the new Maturity Date pursuant to the March 2007 Note Modification Agreement, with any accrued and unpaid interest payable on such New Maturity Date.

RECENT EVENTS

In August 2006, with an effective date of June 30, 2006, we and several of our subsidiaries, including Castlechart Limited ("CLM"), our former wholly owned subsidiary, which owns 81% of the issued and outstanding stock of Caribbean Leisure Marketing Limited ("Caribbean Leisure Marketing"), which in turn owned 49% of the issued and outstanding stock of Caribbean Media Group, Ltd. ("Caribbean Media Group"), which owned and operated our call center in Antigua, entered into a Stock Purchase Agreement with Stanford International Bank Limited ("SIBL" and the "Stock Purchase Agreement").

The Stock Purchase Agreement provided that we would sell SIBL, all of our interest in CLM for an aggregate purchase price of \$5,663,274. In connection with the purchase, SIBL also agreed to exchange the interest on several of our outstanding promissory notes with SIBL, and to amend the due date of such notes, described in greater detail below, and we agreed to grant SIBL a warrant to purchase 355,000 shares of our common stock at an exercise price of \$10.00 per share, which warrants have an expiration date of April 30, 2008, and contain certain anti-dilution clauses, whereby if we grant any options or sell any shares of common stock for less than \$1.02 per share, the exercise price of the 355,000 warrants will reset to such lower price.

In connection with the Stock Purchase Agreement, SIBL exchanged the following debts which we owed to SIBL: a \$1,250,000 promissory note and accrued interest thereon through June 30, 2006; a \$2,100,000 promissory note and accrued interest thereon through June 30, 2006; all accrued and unpaid interest on our \$6,000,000 note with SIBL as of June 30, 2006; all accrued and unpaid interest on our \$3,000,000 promissory note payable to SIBL as of June 30, 2006; and \$262,885 of accrued interest on our \$8,000,000 promissory note payable to SIBL, and all accrued fees on our \$6,000,000 letter of credit, which SIBL agreed to guaranty in connection with the KeyBank loans.

Additionally, in connection with the Stock Purchase Agreement, SIBL also agreed to restate the due dates of the notes which we owe to SIBL, including, the \$6,000,000 note, which due date has been further restated due to the Modification Agreement to January 1, 2008; and the \$3,000,000 note, which was extended until January 1, 2008 pursuant to the Modification Agreement; the \$1,355,000 note, which was extended to January 1, 2008 due to the Modification Agreement; the \$8,000,000 note, which was extended to June 30, 2007; and the \$305,000 note, which was extended to January 1, 2008; however, our \$3,000,000 note, our \$8,000,000 note, which has since been increased to \$15,300,000 (as described below), our \$1,355,000 note and our \$305,000 note have all been further extended pursuant to the March 2007 Note Modification Agreement to the earlier of (a) a public offering by us, or any company that acquires a majority of any class of stock or assets of us, which raises no less than \$100,000,000; or (b) August 1, 2008 (the "New Maturity Date"), with any accrued and unpaid interest payable on such New Maturity Date,

Finally, in connection with the Stock Purchase Agreement, CLM was released and discharged from any liability under the \$6,000,000 note or the \$305,000 note with SIBL, which it previously agreed to guarantee.

On and effective as of August 1, 2006, our Management Agreement and the License Agreement with Around the World Travel ("AWT"), which we entered into with AWT on December 30, 2004, was terminated. American Leisure Equities Corporation, which is a wholly owned subsidiary, is now operating and managing the TraveLeaders assets.

In August 2006, Tierra del Sol Resorts, Inc. entered into a guaranteed maximum price construction contract with Resorts Construction, LLP ("Resorts Construction") to construct and develop part of the Sonesta Resort and its town home properties. Resorts Construction is 50% owned by Malcolm J. Wright, the Company's Chief Executive Officer and Chairman. We believe that the contract with Resorts Construction provides significant savings over our previous contract with PCL Construction, and is advantageous to the Company in comparison with terms available in the market from other third party contractors. Pursuant to the contract with Resorts Construction, we agreed to pay Resorts Construction a contractor's fee equal to 5% of the total cost of the construction performed by Resorts Construction and 7.5% for general conditions. Any payments owed under the Resorts Construction contract which are

not paid when due bear interest at the rate of 12% per annum. We provided Resorts Construction a payment of \$4,000,000 upon our entry into the construction agreement with Resorts Construction, which funds Resorts Construction has used to begin construction of Phase 1 of the Sonesta Resort.

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Purchase of Vici Note

In August 2006, we entered into a Purchase Agreement with SIBL, whereby we agreed to purchase a \$750,000 promissory note from SIBL, which note was originally received by SIBL from Scott Roix, an individual, in connection with SIBL's sale of its interest in Vici Marketing Group, LLC ("Vici" and the "Vici Note") to Mr. Roix, and which Note bears interest at the rate of 8% pre annum, payable on June 30, 2008. In consideration for the purchase of the Vici Note, we agreed to issue SIBL 235,000 shares of our common stock and a five year warrant to purchase 235,000 shares of our common stock at an exercise price of \$20 per share (the "Vici Warrant"). We also granted SIBL demand registration rights in connection with the registration of the shares underlying the Vici Warrant. The balance of the Vici Note as of December 31, 2006 was \$500,000.

Credit Agreements

On November 22, 2006, we entered into a Credit Agreement through our wholly owned subsidiary Reedy Creek Acquisition Company, LLC ("RCAC") and Stanford International Bank Limited ("SIBL"), to provide RCAC a \$4,300,000 credit facility (the "RC Credit Agreement"). SIBL had previously loaned RCAC \$7,150,000 on July 8, 2005 and \$850,000 on January 5, 2006, which loans were evidenced by a Renewed, Amended and Increased Promissory Note in the amount of \$8,000,000, which we had guaranteed. In connection with the RC Credit Agreement, the Renewed, Amended and Increased Promissory Note was replaced by a Second Renewed, Amended and Increased Promissory Note in the amount of \$12,200,000, which was replaced by a Third Renewed, Amended and Increased Promissory Note in the amount of \$13,420,000, which was replaced by a Fourth Renewed, Amended and Increased Promissory Note in the amount of \$15,300,000 (the "Amended RC Note"). Malcolm J. Wright, our Chairman and Chief Executive Officer personally guaranteed the repayment of the RC Note. In December 2006, Mr. Wright received 366,000 warrants to purchase shares of our common stock at an exercise price of \$1.02 per share in connection with his guaranty of the RC Credit Agreement, equal to three percent (3%) of to the total indebtedness of the RC Credit Agreement.

We entered into a Second Mortgage Modification Agreement and Future Advance Certificate with SIBL in connection with our entry into the RC Credit Agreement, which provided SIBL a mortgage over certain real property owned by us in Osceola County, Florida, to secure the repayment of the RC Note.

On December 18, 2006, we entered into "Amendment No. 1 to the \$4.3 Million Credit Agreement" the ("Amended RC Credit Agreement") with SIBL and RCAC, which amended the terms of the RC Credit Agreement, to increase the loan amount under such agreement from \$4,300,000 to \$5,420,000, to include an advance of \$1,120,000 which was received on December 18, 2006 to cover the placement of an appeal bond by us and related expenses paid by us on behalf of South Beach Resorts, LLC ("Resorts," which we purchased pursuant to the Purchase Agreement, described and defined below) in connection with Resorts' purchase of the Boulevard Hotel (described below) from a company which was then in Chapter 11 bankruptcy, and a subsequent dispute regarding such purchase. The Amended RC Credit Agreement also amended and restated the RC Note in the amount of \$13,420,000, evidenced by a "Third Renewed, Amended and Increased Promissory Note" (the "Amended RC Note"), to include the increased Amended RC Credit Agreement amount and provided for Malcolm J. Wright, our Chief Executive Officer and Chairman to provide a restated Guaranty to SIBL to include the amended loan amount. Mr. Wright received 33,600 warrants to purchase shares of our common stock at an exercise price of \$1.02 per share in connection with his guaranty of Amended RC Credit Agreement, equal to three percent (3%) of the total indebtedness of the increased amount of the RC Credit Agreement.

We also entered into a Third Mortgage Modification Agreement and Future Advance Certificate in connection with the increased RC Loan, which increased SIBL's mortgage on certain of our property in Osceola County, Florida to secure the Amended RC Loan.

On January 31, 2007, we entered into an "Amendment No. 2 to the \$4.3 Million Credit Agreement" the ("Second Amended RC Credit Agreement") with SIBL and RCAC, which amended the terms of the Amended RC Credit Agreement, to increase the loan amount under such agreement from \$5,420,000 to \$7,300,000, to include an advance of \$1,880,000. The Second Amended RC Credit Agreement also amended and restated the RC Note in the amount of \$15,300,000, evidenced by a "Fourth Renewed, Amended and Increased Promissory Note" (the "Amended RC Note"), to include the increased Second Amended RC Credit Agreement amount and provided for Malcolm J. Wright, our Chief Executive Officer and Chairman to provide a restated Guaranty to SIBL to include the amended maximum loan amount of \$7,300,000. Mr. Wright received 56,400 warrants to purchase shares of our common stock at an exercise price of \$1.02 per share in connection with his guaranty of Amended RC Credit Agreement, equal to three percent (3%) of the total indebtedness of the increased amount of the RC Credit Agreement.

On November 22, 2006, we entered into a Credit Agreement with Stanford Venture Capital Holdings, Inc. ("Stanford"), Tierra Del Sol Resort (Phase 2), Ltd., Costa Blanca II Real Estate, LLC, Costa Blanca III Real Estate, LLC, TDS Town Homes (Phase 2) LLC and TDS Clubhouse, Inc. (the "TDSR Credit Agreement") to provide \$6,200,000 of capital for (1) the repayment of the RC Credit Agreement, which was later amended to include the repayment of the increased amount of the Amended RC Credit Agreement in connection with the Amended TDSR Credit Agreement (described below), (2) construction of the pool complex at the Tierra del Sol Phase One project, (3) furniture, fixtures and equipment, and (4) various other expenses. Any amounts borrowed under the TDSR Credit Agreement bear interest at the rate of 12% per annum, and any amounts not paid when due will bear interest at the rate of 15% per annum. Any amounts borrowed under the TDSR Credit Agreement are due and payable on June 30, 2007.

On December 18, 2006, we also entered into "Amendment No. 1 to \$6.2 Million Credit Agreement" (the "Amended TDSR Credit Agreement") to amend the TDSR Credit Agreement to reflect the Amended RC Credit Agreement amount, which is to be repaid with any funds received in connection with the exercise of the Amended TDSR Credit Agreement.