

Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

AMERICAN RESOURCES & DEVELOPMENT CO  
Form 10KSB  
August 02, 2001

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

FORM 10-KSB

- Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended March 31, 2000, or
- Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-18865

AMERICAN RESOURCES AND DEVELOPMENT COMPANY

-----  
(Name of Small Business Issuer in Its Charter)

Utah

87-0401400

-----  
(State or Other Jurisdiction of  
Incorporation or Organization)

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

2035 N.E. 181st, Portland, Oregon 84115

-----  
(Address of Principal Executive Offices) (Zip Code)

(503) 492-1500

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

Securities registered under Section 12(b) of the Act:

Title of each class -----	Name of each Exchange on which Registered -----
None	None

Securities registered under Section 12(g) of the Act:

Common Stock, \$0.001 par value

-----  
(Title of class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes  No

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

Issuer's revenues for its most recent fiscal year was \$5,949,348

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average bid and asked prices

# Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

of such stock, as of July 27, 2001 was \$237,349

The number of shares outstanding of the issuer's common equity, as of July 27, 2001 was 4,421,892.

Documents Incorporated by Reference: None

Transitional Small Business Disclosure Format: Yes [ ] No [X]

## TABLE OF CONTENTS

### PART I

ITEM 1. DESCRIPTION OF BUSINESS	3
ITEM 2. DESCRIPTION OF PROPERTY	8
ITEM 3. LEGAL PROCEEDINGS	8
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	9

### PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	9
ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION	11
ITEM 7. FINANCIAL STATEMENTS	14
ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	14

### PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT	15
ITEM 10. EXECUTIVE COMPENSATION	16
ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	18
ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	17
ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K	19

The information contained in this Form 10-KSB for the fiscal year ended March 31, 2001, is as of the latest practicable date except for financial information which relates to the fiscal year.

### PART I

Item 1. Description of Business.

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

### GENERAL

American Resources and Development Company ("ARDCO" or the "Company") through various subsidiaries, owns a screen printing and embroidery company and a franchiser of retail entertainment and sports stores. When used throughout this report, the Company shall include the subsidiaries of the Company unless the context indicates otherwise. The Company's present executive offices are located at 2035 N.E. 181st, Portland, Oregon 97230 and its telephone number is (503) 492-1500. As of July 27, 2001, the Company had eighty-three (83) full time employees and twelve part time employees.

### PACIFIC PRINT WORKS

In May 1998, the Company acquired approximately 83% of the outstanding shares of Printworks, Inc. ("Pacific Print Works" or "PPW"). 213,472 shares of the Company's common stock were issued to PPW shareholders ("Sellers") with a guaranteed share value of \$5.00. In addition, depending on PPW's performance from April 1, 1998 through March 31, 2001, additional shares of the Company's common stock would be issued to the Sellers if minimum earnings levels were met. Based on the \$5.00 guarantee and the Company's share value from October 1998 through March 1999, the Company is obligated to issue additional shares of common stock to the Sellers. An amendment to the PPW Stock Purchase Agreement is being evaluated by the Company and the Sellers in which the Company would issue another 1,100,000 shares of the Company's common stock to the Sellers and any additional earnings requirements by PPW or per share value guarantee by the Company would be eliminated. In July 2001, the Company agreed to purchase an additional 7% of PPW outstanding shares from a PPW shareholder for \$100,000 payable in monthly installments from July 2001 through July 2003 (See Note 4 to the financial statements.) PPW is active in the contract screenprinting and embroidery business and is based in Portland, Oregon.

### Industry Trends

PPW performs contract screenprint, embroidery and finishing services for customers, the majority of whom are in the decorated sportswear market. The decorated sportswear market, based upon industry data, accounted for approximately \$14.3 billion of retail level sales in the United States in 1996, with a compounded annual growth rate of approximately 8.8% since 1991. PPW believes growth in the decorated sportswear market has resulted from: (i) an increased preference for comfortable apparel selections; (ii) more flexible dress codes, including greater acceptance of casual clothes in the workplace; (iii) a heightened emphasis on physical fitness, including increased participation in sports; (iv) improved characteristics that have enhanced consumer appeal, including improvements in fabric weight, blends and construction, and increased offerings of size, color and style; (v) the enhancement of screenprinted graphics and embroidered designs primarily resulting from more advanced manufacturing equipment and processes. PPW believes that these trends should continue to drive industry growth.

### Business Strategy

PPW's success in expanding its business is a function of four key factors: 1) specialized printing techniques, including high density printing, 2) quality of printing, 3) ability to meet customer deadlines, and 4) ability to create and produce innovative designs. PPW has a demonstrated excellence in each of these areas with a strong reputation in the industry for its quality and specialized printing. In fact, PPW's second largest customer was obtained in January 1999 when another screenprinter was unable to produce an order which incorporated the latest technology, high-density printing. Historically, the Company has been able to produce at less than a .75% misprint ratio, considerably better than the industry standard of 2.0%.

Timeliness of product delivery is another crucial component of business retention and growth. PPW also excels in this area as evidenced by their excellent reputation for timely delivery. In fact, PPW has never had an order canceled for failing to achieve a deadline.

Lastly, PPW is recognized in the screenprinting industry as an innovator who is constantly working on new processes and techniques. This is extremely important to PPW customers, all of whom are looking for the newest applications in order to bring fresh products to the market. PPW's expertise with high-density printing is a good example of a new technique which has received an enthusiastic reception from the apparel marketplace. The Company is committed to continuing its research and development work in order to stay in front of trends in the screenprinting industry and is convinced this will enable it to expand business with existing customers in addition to acquiring other customers presently targeted.

Another opportunity for PPW results from the changing business model for screenprinters. Historically, the Company has done contract screenprinting where customers purchase unprinted garments and deliver them to PPW for embellishment. Several existing customers are now asking the Company to do package deals where PPW assumes responsibility for purchase and receipt of the unprinted garment and then does the screenprinting and embroidery. This model will result in significant increases in both revenue and profits. For example, in the new model revenue per unit will climb from the current \$.50 to \$1.00 per unit to \$3.50 to \$4.50 per unit.

PPW intends to increase its revenues and position itself as a leading national screen print and embroidery contractor by continuing to pursue the following business strategies:

#### Contract Services

PPW designs graphics for its larger apparel customers that are sold under particular customers' labels. PPW will then screenprint or embroider these designs on blanks provided by the customers. PPW's product focus has been on high-density printing. High-density printing is a screenprinting term for a process that leaves a 3-D, sharp-edged print with excellent detail. PPW has also been able to grow its business by specializing in reflective inks, and environmentally safe water based printing.

#### Other.

Other products include printing on athletic uniforms for Nike's Team Sports Division. PPW also produces custom designed graphics and screenprinting for corporate accounts.

#### Design And Sales Staff.

The Company employs a staff of 3 graphic design artists who work closely with customers to create designs for its customers sportswear lines. PPW employs two internal sales people and three customer service people who work closely with existing and new customers to ensure customer needs are met.

#### Customers

PPW's primary sales are through national decorated sportswear companies including: Nike, Avirex, Warnaco (Chaps Ralph Lauren licensee), Nautica, Brooks, K-Swiss and Karl Kani. In fiscal 2001, PPW's sales to major customers that exceeded 10% of its total sales were as follows: Customer A 27.6%, Customer B

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

20.7%, Customer C 17.1%, and Customer D 14.8%.

### Sources of Raw Materials

PPW does not enter into long-term contracts with its suppliers. PPW buys its inks and embroidery thread from approximately eight suppliers. PPW is not dependent on any one supplier. Currently, the majority of blank apparel

4

screen printed and embroidered is provided by its customers although, as mentioned under "Business Strategy," For the year ended March 31, 2001, PPW purchased \$1,935,000 garments that were resold to customers. Over 95% of these garments were purchased from two vendors located in Mexico and California.

### Production and Manufacturing

PPW is committed to controlling costs and improving operating efficiencies. PPW concentrates on the high value-added production processes of custom design, screen printing and embroidery at its manufacturing facility. Production of PPW's products requires applying garment decorations through screen printing or embroidery.

#### Screen Printing.

The screen printing process begins with the preparation of a design by PPW's artists. PPW tests new designs for printability and color dynamics and produces sales and production samples. PPW also stocks over 140 pigment colors and numerous ink bases, which allows for in-house development of new ink applications and techniques. In the printing process, screens are positioned in automatic printing presses where inks are pressed through the screen to create the design on the garment. Garments bearing designs on different portions of the garment may move through the printing process several times. Following printing, the garments run through a dryer, making the printed design permanent and washable.

PPW operates seven automatic screen printing presses and five manual screen printing presses. The automatic presses are color printing presses with eight to eighteen stations available. Each press is operated by a team of employees. PPW believes that this approach contributes to the flexibility, quality and speed of its production process.

#### Embroidery.

The embroidery process begins with the preparation of a design by PPW's artists. PPW tests new designs for embroiderability as it relates primarily to stitch count and color selection and produces sales and production samples. After a design is approved, the design that is to be embroidered is formatted onto a computer disk, and programmed into the embroidery machine. Each embroidery machine has multiple sewing heads, permitting two to sixty-one garments to be embroidered at one time. After the stitching is complete garments are trimmed, packed in PPW's warehouse and shipped directly to the customer. PPW operates seven fully automated machines with sixty-one single heads.

#### Quality Control.

PPW maintains several quality control checkpoints monitoring all phases of production and ensuring that garments meet the quality standards of PPW's customers.

#### Product Shipment.

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

PPW believes responding quickly to customer requirements and meeting delivery schedules consistently are important factors in its business. Customers generally select the specific art designs to be printed on ordered garments periodically for delivery within as few as one week following the design selection. PPW can place garments on hangers before shipping, affix price tags and other product information, and can ship garments polybagged or folded. These services reduce the time required to prepare the garments for display and thereby enable customers to stock their stores more quickly. PPW's customers generally bear all shipping costs.

### Regulation

PPW is subject to federal, state and local environmental laws and regulations, including laws relating to employee knowledge of, exposure to, and disposal of inks, dyes, photographic chemicals and cleaning solvents. PPW believes that its operations comply in all material respects with applicable environmental laws and regulations. Although PPW continues to make capital expenditures for environmental protection, it does not anticipate that

5

significant expenditures will be required to remain in compliance with environmental requirements. There can be no assurance, however, that future changes in such laws and regulations will not have a material effect on PPW's operations.

### Competition

The screen printing industry is highly competitive. PPW competes with numerous screen printing and manufacturing vendors, including those with their own line of licensed and branded product. PPW also competes through a combination of graphics and decorating techniques. Competitive factors include product quality, access to popular licenses, price, ability to meet delivery requirements and other aspects of customer service, changes in styles and consumer preferences.

### Employees

At July 6, 2001, PPW employed approximately 83 full-time employees. PPW believes that its employee relations are good.

### FAN-TASTIC, INC.

Acquired in 1997, Fan-Tastic is a franchiser of retail entertainment and sports stores, dba Fan-A-Mania, based in regional shopping malls. As of July 7, 2001, Fan-Tastic had 11 franchisees in the states of Missouri, New York, North Carolina, Virginia, Wyoming, Pennsylvania, Texas, and countries of Barbados, Canada and Japan.

Fan-A-Mania stores carry a broad range of sports and entertainment products purchased from national vendors who are licensed with various organizations including the following entertainment and sports companies: Pokemon, Disney, Warner Brothers, Marvel Comics, Nickelodeon,, World Wrestling Federation, National Football League, National Basketball Association, Major League Baseball, College and the National Hockey League. Products carried include apparel for ages ranging from toddlers to adults, collectibles and souvenirs for fans of entertainment and sports.

With the sales of each franchise unit to a new owner, Fan-Tastic receives a franchise fee of \$19,500, and a royalty on ongoing sales of 3 1/2%.

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

Principal services Fan-Tastic provides to its franchisees are as follows:

- o Site evaluation, selection and lease negotiation.
- o Store design, merchandise and display plans.
- o Reduction in inventory costs resulting from chain-wide volume pricing and simplified buying. through a consolidated buying program.
- o Inventory control through a consolidated point of sale software and chain wide identification of hot selling products.
- o Four days of initial training at the corporate office covering all phases of store operations; product purchasing, store promotions, etc. using the proprietary Fan-A-Mania operations manual. This initial training is followed closely with four days of training at the opening of the store and on-going follow-up training.

### Seasonality

Approximately 43% of annual royalties have occurred from store sales in the months of November and December.

6

### Competition

The entertainment and sports products industry is quite competitive. Most mass merchants carry entertainment and sports products and thus provide competition. However, management believes service and atmosphere differentiate Fan-A-Mania stores from those mass merchants. Direct competition in malls where Fan-A-Mania stores are located comes primarily from national chains such as Disney, Warner Brothers, Champs, and department stores. Management believes that Fan-A-Mania has differentiated itself from these competitors by merchandising both entertainment and sports products and by having an attractive appearance.

Fan-Tastic competes with other franchisers for prospective franchisees. However, there is little direct competition for prospective franchisees since Fan-A-Mania is currently the only entertainment and sports apparel, collectible and souvenir oriented franchiser known to management. Fan-Tastic also competes for suitable store locations in malls and outlet centers from a wide variety of retailers.

### Trademarks

Fan-Tastic owns the registered mark, "Fan-A-Mania" for retail stores featuring entertainment and sports memorabilia and clothing.

### Employees

As of July 6, 2001, Fantastic had three full-time employees.

### Item 2. Description of Property.

PPW rents an 85,000 square foot office and screenprinting/embroidery facility in Portland, Oregon. Lease commitments from fiscal 2002 through fiscal 2003 are \$318,832, and \$49,366, respectively.

### Item 3. Legal Proceedings.

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

Item 4. Submission of Matters to a Vote of Security Holders. None.

7

### PART II

Item 5. Market for Common Equity & Related Stockholder Matters.

The Company's common stock is currently traded in the over-the-counter market on the Electronic Bulletin Board under the symbol ADCO. The following table sets forth for the respective period indicated, the high and low bid quotations, as adjusted for stock splits of the Company's common stock, as reported by the National Quotation Bureau and represents prices between dealers, does not include retail markups, markdowns or commissions, and may not represent actual transactions:

Calendar Quarters -----	High Bid -----	Low Bid -----
1999 ----		
1st Quarter	.875	.1875
2nd Quarter	.5	.1875
3rd Quarter	1.906	.156
4th Quarter	1.50	.625
2000 ----		
1st Quarter	1.312	.625
2nd Quarter	1.531	.656
3rd Quarter	1.00	.562
4th Quarter	.687	.19
2001 ----		
1st Quarter	1.437	.188
2nd Quarter	.325	.125

As of July 27, 2001, the Company had 4,421,892 shares of its common stock issued and outstanding, and there were approximately 1,300 shareholders of record.

As of the date hereof, the Company has not paid or declared any cash dividends. Future payment of dividends by the Company, if any, is at the discretion of the Board of Directors and will depend, among other criteria, upon the Company's earnings, capital requirements, and its financial condition as well as other relative factors. Management has followed the policy of retaining any and all earnings to finance the development of its business. Such a policy is likely to be maintained as long as necessary to provide working capital for the Company's operations.

#### RECENT SALES OF UNREGISTERED SECURITIES

In April 1998, the Company sold 36,000 shares of its common stock for \$45,000 to an investor. The shares were exempt from registration under the Securities Act of 1933 pursuant to Rule 505 of Regulation D promulgated thereunder.

In May 1998, effective March 31, 1998, the Company acquired



## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

approximately 83% of the outstanding shares of Printworks, Inc., for 213,472 shares of the Company's common stock. The issuance of these shares were exempt from registration pursuant to Section 4 (2) of the Securities Act of 1933.

On July 14, 1998 the Company issued 300,000 shares to Mr. George Badger for prior services. Based on the knowledge, experience and economic strength of Mr. George Badger, the Company believes this transaction is exempt from registration with the Commission under Section 4(2) of the Securities Act of 1933.

On July 14, 1998 the Company issued 56,000 shares to Mr. Don Pickett for prior services. Based on the knowledge, experience and economic strength of Mr. Pickett, the Company believes this transaction is exempt from registration under the Securities Act of 1933 Section 4(2).

8

In July 1998, the Company acquired 100% of the outstanding shares of Quade, Inc., for 238,333 shares of the Company's common stock. The issuance of these shares were exempt from registration pursuant to Section 4 (2) of the Securities Act of 1933. The purchase agreement with Quade, Inc. provided a \$5.00 per share guarantee for shares issued to the Quade, Inc. shareholder. In August 2000, the original purchase agreement with the Quade, Inc. shareholder was amended and 451,667 shares of common stock was issued to the Quade, Inc. shareholder and a former Quade, Inc. creditor. In return, the \$5.00 per share guarantee was rescinded. The issuance of these shares were exempt from registration pursuant to Section 4 (2) of the Securities Act of 1933. The issuance of these shares were exempt from registration pursuant to Section 4 (2) of the Securities Act of 1933.

On January 22, 1999, the Company granted options to Mr. James Stock to purchase up to 160,000 shares of the Company's common stock. Mr. Stock is to provide various investor and public relations services through January 21, 2000 and the options expire December 31, 2001. The options are not transferable, are exercisable at any time between \$.50 and \$3.00 per share (See Note 10 to the financial statements.) Based on the knowledge, experience and economic strength of Mr. Stock, the Company believes this transaction is exempt from registration under the Securities Act of 1933 Section 4(2).

In August 1999, the Company issued 15,000 shares of common stock to a company for investor and public relations services. Based on the knowledge, experience and economic strength of this company, the Company believes this transaction was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2).

In March and May 2000, the Company issued 235,000 and 28,777 shares of common stock, respectively to a company for investor and public relations services. In March 2000, the Company also granted options to this same company to purchase up to 340,000 shares of the Company's common stock. The options expire in September 2001. The options are not transferable, are exercisable at any time between \$1.08 and \$1.72 per share (See Note 10 to the financial statements.) Based on the knowledge, experience and economic strength of this company, the Company believes this transaction was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2).

In May 2000, the Company issued 4,000 shares of common stock to a company for financial consulting services. Based on the knowledge, experience and economic strength of this company, the Company believes this transaction was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2).

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

In August 2000, the Company issued 100,000 shares of common stock to a debtholder for \$31,250 in interest payments. Based on the knowledge, experience and economic strength of this debtholder, the Company believes this transaction was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2).

In January 2001, the Company issued 100,000 shares of common stock to a company for investor and public relations services. Based on the knowledge, experience and economic strength of this company, the Company believes this transaction was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2).

In January 2001, the Company issued 70,000 shares of common stock each to Barry and Tim Papenfuss for reduction of \$35,000 in debt and accrued wages. Barry Papenfuss is the President of Fan-Tastic, Inc. and a Vice President of the Company. Tim Papenfuss is the CFO of the Company. Based on the knowledge, experience and economic strength of these two individuals, the Company believes this transaction was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2).

### Item 6. Management's Discussion & Analysis of Financial Condition & Results of Operations.

The following information, on a fiscal year basis, is derived from the consolidated financial statements of the Company. Such financial statements include the Company and its subsidiaries.

9

#### RESULTS OF OPERATIONS

For the Fiscal Year Ended March 31, 2001 ("Fiscal 2001"), Compared to the Fiscal Year Ended March 31, 2000 ("Fiscal 2000").

	Year Ended March 31,	
	2001	2000
	----	----
Net sales	100.0%	100.0%
Cost of sales	87.1%	75.4%
Gross profit	12.9%	24.6%
General expenses	26.1%	29.9%
Depreciation and amortization	0.2%	0.4%
Loss from operations	-13.4%	-5.7%
Other income and expenses	0.3%	0.1%
Loss on write-off of GCA	0.0%	-29.7%
Interest expense	-11.2%	-12.1%
Loss before income taxes and discontinued operations	-24.2%	-47.4%
Discontinued operations	0.0%	18.0%
Income taxes	0.0%	0.0%
Net loss	-24.2%	-29.4%

Sales for the year ended March 31, 2001 were \$5,949,348 as compared to \$4,828,053 for the year ended March 31, 2000. Pacific Print Works ("PPW") sales for Fiscal 2001 were \$5,775,337 compared to \$4,415,801 for Fiscal 2000. The 31% increase in PPW's revenue was due to an increase in "package sales" to customers. Package sales include the sale of the garment, primarily T-shirts, with the screenprint and/or embroidery. Fiscal 2001 PPW sales included \$2,027,913 for garment sales as compared to \$162,477 in fiscal 2000. The increase in garment sales in fiscal 2001 came from three of PPW's largest customers. Combined garment sales for these three customers was \$1,733,213 in

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

fiscal 2001 as opposed to \$80 in fiscal 2000. The increase in garment sales is expected to continue as many of PPW's other large customers have expressed an interest in purchasing garments from PPW. Production sales, primarily from screenprinting, embroidery and finishing, were \$3,924,201 in fiscal 2001 as compared to \$4,665,576 in fiscal 2000. The decrease in production sales were primarily from a decrease in sales to PPW's largest customer of \$592,000.

Gross profit for Fiscal 2001 was \$765,727 compared to \$1,187,465 for Fiscal 2000, with a Company wide gross profit margin of 12.9% in Fiscal 2001 compared to 24.6% in Fiscal 2000. The decrease in gross profit was primarily due to an increase in garments sales for PPW. The gross profit margin on Fiscal 2001 garment sales was 5.7%. The gross profit margin on Fiscal 2001 PPW production sales was 19.3%. The gross profit margin on garment sales is expected to improve in Fiscal 2002 as a higher share of garment purchases will come from international production at lower costs. PPW's gross profit margin on production sales decreased in Fiscal 2001 as there were less production sales to reduce fixed production costs as a percentage of sales.

General expenses for Fiscal 2001 were \$1,549,808 as compared to \$1,442,181 for the prior year. The increase was primarily attributable to a \$269,000 increase in PPW general expenses offset by a reduction of \$147,000 in Fan-Tastic general expenses. The increase in PPW general expenses were due to a \$74,000 increase in payroll costs and an increase in telephone, travel and legal costs. These cost increases were incurred in contemplation of the merger with a T-shirt manufacturing company from Mexico. The Company also wrote off the cost of purchasing \$100,000 of PPW stock to increase its ownership in PPW to 90%. The Fan-Tastic general expenses declined due to a reduction in rent and payroll expenses due to store closures.

10

Depreciation and amortization expenses included in total general expenses for Fiscal 2001 was \$10,193 as compared to \$18,929 in Fiscal 2000. PPW had depreciation of \$270,668 and \$275,260 for Fiscal 2001 and Fiscal 2000, respectively which was included in cost of sales.

The Company's loss from operations in Fiscal 2001 was \$794,274 compared to \$273,645 in Fiscal 2000. The increase in operating losses is primarily due to the decline in gross profit margins discussed above and the \$100,000 expense from the purchase of PPW stock.

Interest expense for Fiscal 2001 was \$666,652 compared to \$584,355 for Fiscal 2000.

In Fiscal 2000, the Company sold its 50% ownership in US Polo Association, Ltd. which resulted in a gain on sale of discontinued operations for Fiscal 2000 of \$867,587.

For the Fiscal Year Ended March 31, 2000 ("Fiscal 2000"), Compared to the Fiscal Year Ended March 31, 1999 ("Fiscal 1999").

	Year Ended March 31,	
	2000	1999
	----	----
Net sales	100.0%	100.0%
Cost of sales	75.4%	78.3%
Gross profit	24.6%	21.7%
General expenses	29.9%	44.3%
Depreciation and amortization	0.4%	4.2%
Loss from operations	-5.7%	-26.9%
Other income and expenses	0.1%	-1.3%

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

Gain on sale of assets	0.0%	1.1%
Loss on write-off of GCA	-29.7%	0.0%
Interest expense	-12.1%	-14.0%
Loss before income taxes and discontinued operations	-47.4%	-80.3%
Discontinued operations	18.0%	-6.3%
Income taxes	0.0%	0.0%
Net loss	-29.4%	-86.6%

Sales for the year ended March 31, 2000 were \$4,828,053 as compared to \$3,996,739 for the year ended March 31, 1999. Pacific Print Works ("PPW") sales for Fiscal 2000 were \$4,415,801 compared to \$3,223,417 for Fiscal 1999. The 37% increase in PPW's revenue was primarily due to an increase in sales to PPW's five largest customers with 73% of the increase in the five largest customers coming from PPW's largest customer. The increase with these customers is largely due to PPW's high density printing capabilities in addition to the overall quality of the printing and related services. Sales for Fan-Tastic declined by approximately \$361,070 which was primarily due to 1) Fiscal 2000 sales coming from the equivalent of 2.1 stores over Fiscal 2000 as opposed to 4.5 stores over the Fiscal 1999 and 2) franchise sales and royalties of \$96,958 in Fiscal 2000 as opposed to \$199,834 for Fiscal 1999 due to fewer new franchisee fees.

Gross profit for Fiscal 2000 was \$1,187,465 compared to \$867,097 for the prior year with a Company wide gross profit margin of 24.6% in Fiscal 2000 compared to 21.7% in Fiscal 1999. The increase in gross profit was primarily due to an increase in gross profit from PPW for Fiscal 2000 of \$497,000. PPW's gross profit increase was due to the increase in sales while the gross profit margin

11

improved due to the increase in sales reducing fixed production costs as a percentage of sales.

General expenses for Fiscal 2000 were \$1,442,181 as compared to \$1,772,155 for the prior year. The decrease was primarily attributable to a reduction of \$104,000 and \$95,000 in Fan-Tastic rent and payroll expenses, respectively, due to store closures.

Depreciation and amortization expenses included in total general expenses for Fiscal 2000 was \$18,929 compared to \$169,420 Fiscal 1999. This decrease is due to the amortization of the goodwill from the PPW acquisition in Fiscal 1999. There was no amortization from the PPW acquisition goodwill in Fiscal 2000 because this goodwill was completely written off at the end of Fiscal 1999 which resulted in a \$1,434,239 expense. PPW had depreciation of \$275,260 and \$257,925 for Fiscal 2000 and Fiscal 1999, respectively which was included in cost of sales.

The Company's loss from operations in Fiscal 2000 was \$273,645 in Fiscal 2000 compared to \$1,074,478 in Fiscal 1999. The improvement in operations is due to the increase in PPW revenues as discussed above.

Interest expense for Fiscal 2000 was \$584,355 compared to \$561,335 for Fiscal 1999. The Company expected interest expense to be similar between Fiscal 2000 and Fiscal 1999 because the average debt outstanding for the two years was similar. The Company also incurred a loss of \$1,434,239 from its write-off of Golf Communities marketable securities (see Note 1 to the Financial Statements). As these marketable securities were written completely off, no additional charge will be incurred in future years.

In Fiscal 2000, the Company sold its 50% ownership in US Polo

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

Association, Ltd. which resulted in a gain on sale of discontinued operations for Fiscal 2000 of \$867,587. In Fiscal 1999 the Company incurred a loss of \$252,972 from its Quade and US Polo Association, Ltd. operations.

### LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2001, the Company had total assets of \$1,763,333, total liabilities of \$5,954,973, and total stockholders deficit of \$4,191,640 compared with total assets of \$2,080,720, total liabilities of \$5,038,145 and total stockholders deficit of \$2,957,425 at March 31, 2000. The significant changes in assets, liabilities and stockholders equity is due primarily to the reduction in stockholders equity due to losses from operations and interest expense. At March 31, 2001 the Company's current ratio was approximately .181 current assets to 1 current liabilities. The Company will seek to convert certain debt to equity which will improve its current ratio.

Management intends to improve its overall financial structure and provide operating capital through improving operations, private placement of the Company's common stock and seeking the conversion of debt and preferred stock to common stock.

### PLAN OF OPERATIONS

Statements made or incorporated in this report include a number of forward-looking statements within the meaning of Section 27(a) of the Securities Act of 1933 and Section 21(e) of the Securities Exchange Act of 1934. Forward-looking statements include, without limitation, statements containing the words anticipates, believes, expects, intends, future, and words of similar import which express management's belief, expectations or intentions regarding the Company's future performance or future events or trends. Forward-looking statements may not reflect actual operations because they involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressly or implied by such forward-looking statements. In addition, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

12

#### Item 7. Financial Statements and Supplementary Data.

See Item 13. Exhibits and Reports on Form 8-K.

#### Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

There have been no disagreements with accountants on accounting and financial disclosure.

13

### PART III

#### Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act.

##### Directors and Executive Officers

The following table sets forth the name, age and office held by each

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

director and officer of the company, followed by a brief resume of each individual.

NAME ----	AGE ---	POSITION HELD -----
B. Willes Papenfuss	43	President, Chief Executive Officer and Director
Jeffrey S. Harden	56	Vice President and Director, President of Pacific Print Works
Barry L. Papenfuss	40	Vice President, President of Fan-Tastic, Inc.
Timothy Papenfuss	41	Secretary/Treasurer, Chief Financial Officer and Director
Robert Mintz	55	Vice President and Director, President of Quade, Inc.

B. WILLES PAPENFUSS, President and Director of the Company, was appointed Executive Vice-President, of the Company in December, 1997. Mr. Papenfuss joined Fan-Tastic, Inc. as Vice-President International in May, 1995. He was Vice-President of U.S. Bank from 1991 to 1993, and Senior Vice-President of U.S. Bank from 1993 to 1995. Mr. Papenfuss graduated from the University of Washington with a Masters of Business Administration in 1985. Mr. Papenfuss is the brother of Barry Papenfuss, Vice-President of the Company, and of Timothy Papenfuss, Chief Financial Officer and Director of the Company.

JEFFREY S. HARDEN, Vice President and Director of the Company, and has been with the Company since Pacific Print Works was acquired by ARDCO in May 1999. President of Pacific Print Works since 1993. Division Vice President of West Coast sales with London Fog from 1987 to 1993. Sales Manager with Jantzen from 1979 to 1987. Education includes two years at Texas A & M and three years at Ohio Wesleyan.

BARRY L. PAPENFUSS, Vice President and is the President of Fan-Tastic, which position he has held since 1994, and has been with the Company since Fan-Tastic was acquired by ARDCO in March, 1997. Was a Director of the Company from March 1997 through July 14, 1998. From 1990-1994, Mr. Papenfuss was the controller of The Pro Image, a sports apparel company and from 1985-1990, was a consultant with Deloitte and Touche, an international accounting firm. Mr. Papenfuss graduated from Brigham Young University. Mr. Barry Papenfuss is the brother of Mr. Timothy Papenfuss, Secretary/Treasurer, Chief Financial Officer and a director of the Company and of B. Willes Papenfuss, President of the Company and a director of the Company.

TIMOTHY M. PAPENFUSS, chief financial officer and director of the Company, is chief financial officer of Fan-Tastic, Inc., which position he has held since April, 1994. Mr. Papenfuss was appointed chief financial officer and a director of the Company in August, 1997. From 1990 to April, 1994, Mr. Papenfuss was a manager and senior manager with Ernst and Young. Mr. Papenfuss has 9 years of professional accounting experience. Mr. Papenfuss graduated from Brigham Young University in 1983 with a bachelors degree in accounting. Mr. Papenfuss is the brother of Barry Papenfuss, vice president of the Company and of B. Willes Papenfuss, President of the Company and a director of the Company.

ROBERT MINTZ, Director of the Company since July 23, 1998 upon the Company's acquisition of Quade, Inc. President of U.S. Polo Association, Ltd. since October 1998. President and founder of Quade, Inc. from 1996 to October 1998. Director of Women's Apparel at London Fog from 1994 to 1995. President of Bugle Boy Womens from 1987 to 1993. Division President for Lizwear at Liz Claibourne from 1984 to 1987. Mr. Mintz has a bachelors degree in anthropology

# Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

from the University of Pittsburgh.

## Significant Employees and Consultants

The following individual was a consultant to the Company from 1997 through June 1998.

GEORGE H. BADGER, resigned as President, Chief Executive Officer and a Director of the Company on December 31, 1996. Mr. Badger served as a director since June 1992, and was President since 1995. Mr. Badger was indicted on a number of charges and was arraigned in the U.S. Federal District Court for the Southern District of New York on October 9, 1996. The Company has been advised that the indictment related to alleged unlawful and undisclosed compensation to securities brokers and promoters to induce them to cause customers to purchase securities issued by GVI and the Company. The Company has been advised that Mr. Badger has pleaded guilty to counts of: (i) conspiracy to commit securities fraud; (ii) securities fraud; (iii) criminal contempt; and (iv) perjury.

Compliance with Section 16(a) of the Securities Act of 1934 by Company Officers, Directors and 10% Shareholders.

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires the Company's directors and executive officers, and persons who own more than ten percent (10%) of a registered class of the Company's equity securities to file with the Commission initial reports of beneficial ownership and reports of changes in beneficial ownership of Common Stock and other equity securities of the Company. The rules promulgated by the Commission under Section 16(a) of the Exchange Act require those persons to furnish the Company with copies of all reports filed with the Commission pursuant to Section 16(a).

Based solely upon a review of Forms 3, Forms 4 and Forms 5 and amendments thereto furnished to the Company pursuant to Rule 16a-3(e) during the fiscal year ended March 31, 2001, Forms 4 and 5 were required to be filed by all directors and executive officers by February 15, 2001 and May 15, 2000 respectively and were not filed until July 2001. The Company has not received any Forms 4 and 5 from any shareholder who owns more than five percent of the Company's outstanding common stock..

## Item 10. Executive Compensation.

The Company has not had a bonus, profit sharing, or deferred compensation plan for the benefit of its employees, officers of directors.

The following table sets forth the annual compensation paid and accrued by the Company for services rendered during the fiscal years ended March 31, 2001, 2000 and 1999 to (i) the Company's Chief Executive Officer and (ii) each other executive officer of the Company or its subsidiary serving at the end of the last completed fiscal year whose salary and bonus exceeded \$100,000 during the last fiscal year ("Named Executive Officer").

15

### SUMMARY COMPENSATION TABLE

Annual Compensation	Long-Term Compensation	
	Awards	Payouts
	Other	Securities Underly-

Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

Name And Principal Position	Fiscal Year	Salary \$	Bonus \$	Annual Compensation \$	Restricted Stock Award \$	Ing Op-Tions/SARs (#)
B. Willes Papenfuss, Chief Executive Officer	2001	\$72,020	0	0	0	166,544
	2000	\$24,930	0	0	0	102,112
	1999	\$38,000	0	0	0	0
Jeffrey S. Harden President of PPW	2001	\$94,900	\$21,150	0	0	40,000
	2000	\$96,000	\$43,094	0	0	34,424

Employment Agreements.

None of the Company's officers or directors has any written employment agreement with the Company.

Director Compensation

Directors of the Company have been partially reimbursed for expenses incurred by them on behalf of the Company. No salary or fee has been paid to directors. It is anticipated that the Company may establish some fees for directors at such time as the Company has sufficient funds to pay fees to directors.

Stock Options

Option/SAR Grants in Last Fiscal Year

Name	Number of Securities Underlying Options/SARs Granted (#)	Percent of total Options/SARs Granted to Employees in Fiscal year	Exerscise or Base price (\$/Sh)	Expirati
B. Willes Papenfuss	166,544	27.3%	\$0.25	January 1
Jeffrey S. Harden	40,000	6.6%	\$0.25	January 1

Aggregated Option Exercises and Fiscal Year-End Option Values:

Name	Shares Acquired on Exercise (#)	Value realized (\$)	Number of Securities Underlying Unexercised Options/SARs at FY-end (#) Exercisable/Unexercisable	Val Unexer The Option FY-e Exerc Unexe
B. Willes Papenfuss	0	0	197,566/166,544	\$
Jeffrey S. Harden	0	0	111,793/40,000	\$



Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

16

Item 11. Security Ownership of Certain Beneficial Owners and Management.

The following table sets forth information, to the best knowledge of the Company, as of July 27, 2001, with respect to the beneficial ownership of the Company's Common Stock by (i) each person known by the Company to be the beneficial owner of more than 5% of the Company's outstanding Common Stock; (ii) each director; and (iii) all current directors and executive officers as a group.

NAME AND ADDRESS OF BENEFICIAL OWNER -----	NUMBER OF SHARES OWNED -----	PERCENT OF CLASS -----
Banque SCS Alliance SA 11 Route De Florissant Case Portal 3733 12111 Geneva 3, Switzerland	858,515 (1)	19.4%
George H. Badger 550 Northmont Way Salt Lake City, UT 84103-3323	551,927 (2)	12.5%
Stockbroker Presentations, Inc. 2232 East Semeran Blvd. Apopks, FL 32703	1,238,364 (9)	26.01%
Barry L. Papenfuss 9659 S. Chavez Dr. S. Jordan, UT 84095	348,857 (4)	7.54%
Timothy M. Papenfuss 3441 S. Medford Dr. Bountiful, UT 84010	331,278 (5)	7.11%
B. Willes Papenfuss 12313 SE Wagner Street Portland, OR 97236	292,310 (6)	6.27%
Jeffrey S. Harden 17942 St. Clair Dr. Lake Oswego, OR 97034	273,602 (7)	6.02%
Robert Mintz 30 Otter Trail Westport, CT 06880	471,000 (8)	10.6%
All Officers and Directors as a Group (5 persons)	1,717,047	32.7%

1 Banque SCS Alliance SA disclaims beneficial ownership but has provided no additional information to the Company to identify the beneficial owners.

2 These shares also include 294,750 shares held in an irrevocable trust for the benefit of Mr. Badger's children, for which he does not act as trustee. Mr. Badger disclaims beneficial ownership of these shares.

17

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

4 Mr. Barry Papenfuss is the owner of vested options to purchase 20,000 of the Company's common stock at \$2.00 a share. Mr. Barry Papenfuss also is the owner of options to purchase 257,217 shares of the Company's common stock at \$.25 per share, of which 206,649 are vested with the remaining 70,568 vesting over four years beginning January 2002. Messrs. Barry Papenfuss, Timothy Papenfuss and B. Willes Papenfuss are brothers.

5 Mr. Timothy Papenfuss is the owner of vested options to purchase 20,000 shares of the Company's common stock at \$2.00 a share. Mr. Timothy Papenfuss also is the owner of options to purchase 288,702 shares of the Company's common stock at \$.25 per share, of which 238,134 are vested with the remaining 70,568 vesting over four years beginning January 2002.

6 Mr. B. Willes Papenfuss is the owner of vested options to purchase 25,000 shares of the Company's common stock at \$2.00 a share. Mr. B. Willes Papenfuss also is the owner of options to purchase 339,110 shares of the Company's common stock at \$.25 per share, of which 239,202 are vested with the remaining 124,908 vesting over four years beginning January 2002.

7 Mr. Jeffrey Harden's shares include 82,030 held by his wife, Lynn Harden, and 2,413 and 2,413 shares held by his children, Brittany and Blake Harden, respectively. Mr. Jeffrey Harden also is the owner of options to purchase 151,793 shares of the Company's common stock at \$.25 per share, of which 121,793 are vested with the remaining 30,000 vesting over four years beginning January 2002.

8 Mr. Robert Mintz is the owner of vested options to purchase 20,000 shares of the Company's common stock at \$.25 a share, all of which are vested.

9 Stockbroker Presentations, Inc., in March 2000, was granted warrants to purchase 340,000 shares of common stock. The warrants can be exercised immediately, expire September 2001 and were issued with grant prices of \$1.08, \$1.32, \$1.49 and \$1.72 per share for 85,000 shares of common stock each.

### Item 12. Certain Relationships and Related Transactions.

George Badger, a shareholder and former Company President, and father to former Company President Karl Badger, has provided loans to the Company. At March 31, 2001, the Company owed Mr. Badger \$315,859 with interest and principal payment of \$5,000 per month. This note is due October 31, 2001. On July 14, 1998 the Company issued 300,000 shares to Mr. George Badger for prior services.

### Item 13. Exhibits and Reports on Form 8-K.

The following financial statements, schedules, reports and exhibits are filed with this Report:

(a)	FINANCIAL STATEMENTS	
(1)	Report of HJ & Associates, Independent Public Accountants.	F-1
(2)	Consolidated Balance Sheet as of March 31, 2001.	F-2
(3)	Consolidated Statements of Operation for the years ended March 31, 2001 and 2000.	F-4
(4)	Statement of Stockholders' Equity for the period April 1, 1999 through March 31, 2001.	F-6

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

(5)	Consolidated Statements of Cash Flows for years ended March 31, 2001 and 2000.	F-7
(6)	Notes to Financial Statements.	F-9

18

### (d) Exhibits

The following exhibits are filed herewith or are incorporated by reference to exhibits previously filed with the Securities and Exchange Commission. The Company shall furnish copies of exhibits for a reasonable fee (covering the expense of furnishing copies) upon request.

Exhibit No.	Exhibit Name
3.1 (1)	Articles of Incorporation
3.2 (2)	Amendment to Articles of Incorporation
3.3 (1)	By-Laws
3.4 (7)	Amendment on name change
3.5 (7)	Amendment on Series D designation
3.6 (7)	Amendment on Series E designation
10.1 (1)	Agreement with TechKNOWLOGY, Inc.
10.2 (1)	Financing Agreement
10.3 (1)	Exchange of Shares Agreement
10.4 (1)	Option Contract
10.5 (1)	Extension to Option Contract
10.6 (1)	Further Amendment to Option Agreement
10.7 (1)	Purchase Agreement
10.8 (1)	Amendment to Purchase Agreement
10.9 (1)	Addendum to Purchase Agreement
10.10 (1)	Purchase Agreement (Stella Trust)
10.11 (2)	Agreement of Joint Project
10.12 (2)	Amendment to Agreement of Joint Project
10.13 (2)	Dynamic American Option
10.14 (2)	Land Sale Agreement
10.15 (2)	Assignment of Trust Deed and Trust Deed Note
10.16 (2)	Promissory Note (Johnson)
10.17 (3)	TKI Dealer Agreement
10.18 (4)	Modification Agreement
10.19 (4)	Land Sales Agreement (Mindon)
10.20 (4)	Sales Agreement (Property Alliance)
10.21 (5)	Assignment Agreement
10.22 (6)	Agreement with The Stella Trust and Mindon Investments (Pickett Group)
10.23 (6)	Acquisition Agreement with Golf Ventures, Inc.
10.24 (6)	Settlement Agreement and General Release (TKI)
10.25 (7)	Stock Purchase Agreement (Fantastic)
10.26 (7)	Agreement (Vowell/Finally)
10.27	Termination Agreement (Vowell/The Company)
10.28	Stock Exchange Agreement (Pacific Print Works)
10.29	Stock Exchange Agreement (Quade, Inc.)
10.30	Employee Stock Option Plan
10.31	Funding Fee Agreement (Badger)
10.32	GVI Settlement Agreement
10.33	U.S. Polo Association Shareholders' Agreement
10.34	Secured Promissory Note with Jordache Enterprises, Inc.
10.35	U.S. Polo Association Ltd. Stock Redemption Agreement
10.36	Promissory Note with Miltex Industries
10.37	Promissory Note with George Badger

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

10.38 Alliance Financial accounts receivable factor Agreement

19

10.39 Gateway Acceptance Company accounts receivable factor Agreement  
10.40 Promissory Note and Settlement Agreement with Gregory McWade  
10.41 Promissory Note and Settlement Agreement with Gary Lange  
16.1 (2) Letter Regarding Change in Certifying Public Accountant  
21. Subsidiaries  
23. Consent of Independent Auditor  
27. Financial Data Schedules  
99.1 (2) List of Third Party Loans to TechKNOWLOGY, Inc.  
(28.1)\*  
99.2 (2) Lease of LTI Office  
(28.2)\*  
99.3 (2) Financial Statements for years ended March 31, 1989, (28.3)\*  
1988 and 1987, and quarter ended June 30, 1989, as prepared by  
Dale K.Barker Co., P.C.  
99.4 (4) Class "A" Preferred Stock  
(28.4)\*  
99.5 (4) Debenture  
(28.5)\*

(1) Incorporated by reference to the Form 10 Registration Statement filed with the Commission October 16, 1990, File No.0-18865.

(2) Incorporated by reference to Amendment No. 1 to Form 10 Registration Statement filed with the Commission May 23, 1991, File No. 0-18865.

(3) Incorporated by reference to Amendment No. 2 to Form 10 Registration Statement filed with the Commission August 12, 1991, File No. 0-18865.

(4) Incorporated by reference to Amendment No. 3 to Form 10 Registration Statement filed with the Commission November 13, 1991, File No. 0-18865.

(5) Incorporated by reference to Amendment No. 4 to Form 10 Registration Statement filed with the Commission February 13, 1992, File No. 0-18865.

(6) Incorporated by reference to Form 10-K for the year ended March 31, 1993

(7) Incorporated by reference to form 10-KSB for the year ended March 31, 1997.

(\*) Exhibits previously filed as Exhibits 28.1 through 28.5 are now depicted as 99.1 through 99.5.

(b) The Registrant filed a report on Form 8-K on March 17, 1997 outlining the acquisition by the Company of Fan-Tastic, Inc. on March 17, 1997, identifying the Company's name change from Leasing Technology, Inc. to American Resources and Development Company and a one for twenty (1:20) reverse stock split effected on the Company's common stock.

20

SIGNATURES

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

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

AMERICAN RESOURCES AND DEVELOPMENT COMPANY  
(Registrant)

By: /s/ Timothy M. Papenfuss

-----  
Timothy M. Papenfuss

Dated: July 27, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ B. Willes Papenfuss ----- B. Willes Papenfuss	President, Chief Executive Officer and Director (Principal Executive Officer)	July 27, 2001
/s/ Timothy M. Papenfuss ----- Timothy M. Papenfuss	Secretary / Treasurer and Director (Chief Financial Officer, Chief Accounting Officer and Controller)	July 27, 2001

21

### INDEPENDENT AUDITORS' REPORT

Shareholders and Board of Directors  
American Resources and Development Company and Subsidiaries  
Salt Lake City, Utah

We have audited the accompanying consolidated balance sheet of American Resources and Development Company and Subsidiaries at March 31, 2001 and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years ended March 31, 2001 and 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Resources and Development Company and Subsidiaries at March 31, 2001 and the results of their operations and their cash flows for the years ended March 31, 2001 and 2000 in conformity with generally accepted accounting

Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 12 to the consolidated financial statements, the Company has suffered recurring losses from operations and its total liabilities exceed its total assets, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 12. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

HJ & Associates, LLC  
Salt Lake City, Utah  
June 26, 2001

F-1

AMERICAN RESOURCES AND DEVELOPMENT COMPANY

Consolidated Balance Sheet

ASSETS

CURRENT ASSETS

Cash and cash equivalents  
Accounts receivable, net (Note 1)  
Inventory (Note 1)  
Prepaid and other current assets

Total Current Assets

PROPERTY AND EQUIPMENT (NOTE 1)

Furniture, fixtures and equipment  
Capital leases

Total depreciable assets  
Less: accumulated depreciation

Net Property and Equipment

OTHER ASSETS

Deposits

Total Other Assets

TOTAL ASSETS

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

F-2

Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

AMERICAN RESOURCES AND DEVELOPMENT COMPANY

Consolidated Balance Sheet (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES

Accounts payable \$  
Accrued expenses and other current liabilities  
Line of credit (Note 3)  
Current portion of notes payable (Note 4)  
Current portion of notes payable, related parties (Note 5)  
Current portion of capital lease obligations (Note 6)

Total Current Liabilities

LONG-TERM DEBT

Reserve for discontinued operations (Note 2)  
Notes payable (Note 4)  
Notes payable, related parties (Note 5)  
Capital lease obligations (Note 6)

Total Long-Term Debt

Total Liabilities

COMMITMENTS AND CONTINGENCIES (Note 11)

STOCKHOLDERS' EQUITY (DEFICIT)

Preferred stock, par value \$0.001 per share: 10,000,000  
shares authorized; issued and outstanding: 94,953  
Series B shares, 150,000 Series C shares  
Common stock, par value \$0.001 per share: 125,000,000  
shares authorized; issued and outstanding: 7,404,752  
shares issued and 4,421,817 outstanding (Note 9)  
Additional paid-in capital  
Accumulated deficit

Total Stockholders' Equity (Deficit)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) \$

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

F-3

AMERICAN RESOURCES AND DEVELOPMENT COMPANY

Consolidated Statements of Operations

For the Years

Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

	March 31	
	2001	
SALES		
Sales	\$ 5,949,348	\$
Cost of sales	5,183,621	
Gross Profit	765,727	
EXPENSES		
General and marketing expenses	1,549,808	
Depreciation and amortization	10,193	
Total Expenses	1,560,001	
LOSS FROM OPERATIONS	(794,274)	
OTHER INCOME AND (EXPENSES)		
Loss on write-off of GCA	-	
Other income (expenses)	20,575	
Interest expense	(666,652)	
Total Other Income and (Expenses)	(646,077)	
LOSS BEFORE INCOME TAXES AND DISCONTINUED OPERATIONS	(1,440,351)	
DISCONTINUED OPERATIONS		
Gain on disposal of USPA (Note 2)	-	
Total Discontinued Operations	-	
INCOME TAXES	-	
NET LOSS	(1,440,351)	
OTHER COMPREHENSIVE LOSS		
Loss on valuation of marketable securities	-	
Total Other Comprehensive Loss	-	
NET COMPREHENSIVE LOSS	\$ (1,440,351)	\$

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



Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

AMERICAN RESOURCES AND DEVELOPMENT COMPANY

Consolidated Statements of Operations (Continued)

	For the Years March 31	
	----- 2001 -----	
BASIC LOSS PER SHARE OF COMMON STOCK-CONTINUING OPERATIONS	\$	(.36) \$
	=====	
BASIC INCOME (LOSS) PER SHARE OF COMMON STOCK - DISCONTINUED OPERATIONS	\$	- \$
	=====	
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		4,009,136
		=====

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

F-5

AMERICAN RESOURCES AND DEVELOPMENT COMPANY  
Consolidated Statements of Stockholders' Equity (Deficit)  
March 31, 2001 and 2000

	Common Stock		Preferred Stock		Other
	Shares	Amount	Shares	Amount	Comprehensiv Loss
	-----	-----	-----	-----	-----
Balance, April 1, 1999	3,174,286	3,174	244,953	245	(435,188)
Stock issued for Quade acquisition (Note 2)	451,667	452	-	-	-
Stock issued for consulting services	250,000	250	-	-	-
Expense recognized for vested options	-	-	-	-	-
Recognition of loss on valuation of marketable securities	-	-	-	-	435,188
Net loss for the year ended March 31, 2000	-	-	-	-	-
	-----	-----	-----	-----	-----
Balance, March 31, 2000	3,875,953	3,876	244,953	245	-
Stock issued for consulting services	192,777	193	-	-	-

Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

Stock issued for interest on debt	140,087	140	-	-	-
Stock exchanged for debt with related parties	140,000	140	-	-	-
Stock issued to employees under Employee Stock Plan	73,000	73	-	-	-
Expense recognized for vested options	-	-	-	-	-
Net loss for the year ended March 31, 2001	-----	-----	-----	-----	-----
Balance, March 31, 2001	4,421,817	\$ 4,422	244,953	\$ 245	\$ -
	=====	=====	=====	=====	=====

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

F-6

AMERICAN RESOURCES AND DEVELOPMENT COMPANY

Consolidated Statements of Cash Flows

	For the Years March 31	
	2001	
	-----	-----
OPERATING ACTIVITIES		
Net loss	\$ (1,440,351)	\$
Adjustments to reconcile net loss to net cash provided by operating activities, net of effect of mergers:		
Gain on sale of USPA, Ltd.	-	
Expense purchase of PPW stock (see Note 2)	100,000	
Depreciation and amortization	281,110	
Stock option and stock for services	187,842	
Loss on write-off of GCA marketable securities	-	
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(22,627)	
Decrease in inventory	62,245	
(Increase) decrease in other assets	(21,605)	
Increase (decrease) in accounts payable and other current liabilities	1,166,111	
Increase (decrease) in deferred revenue	(20,000)	
Increase in reserve for discontinued operations	75,854	
Net Cash Provided by Operating Activities	368,579	
INVESTING ACTIVITIES		
Proceeds from sale of USPA, Ltd.	-	

Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

Proceeds from sale of marketable securities	2,485	
Purchases of property and equipment	(57,632)	
Net Cash Provided (Used) by Investing Activities	(55,147)	
FINANCING ACTIVITIES		
Cash from exercise of stock options	5,960	
Net proceeds on line of credit	(52,283)	
Payments on long-term debt and capital lease obligations	(364,693)	
Note payable borrowings	112,429	
Net Cash Used by Financing Activities	(298,587)	
INCREASE (DECREASE) IN CASH	14,845	
CASH, BEGINNING OF YEAR	8,914	
CASH, END OF YEAR	\$ 23,759	\$
	=====	=====

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

F-7

AMERICAN RESOURCES AND DEVELOPMENT COMPANY

Consolidated Statements of Cash Flows (Continued)

	For the Years	
	March 31	
	2001	
CASH PAID FOR		
Interest	\$ 260,383	\$
Income taxes	\$ -	\$
NON CASH FINANCING ACTIVITIES		
Common stock issued for services and compensation	\$ 118,553	\$
Common stock issued for reduction of interest or debt payable	80,606	
Purchase of seven percent of PPW stock for notes payable	100,000	
Conversion of interest payable into notes payable	46,560	

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

F-8

AMERICAN RESOURCES AND DEVELOPMENT COMPANY

Notes to the Consolidated Financial Statements  
March 31, 2001 and 2000

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

#### a. Principles of Consolidation

The accompanying consolidated financial statements include American Resources and Development Company and its subsidiaries, Pacific Printing and Embroidery L.L.C. (PPW) and Fan-Tastic, Inc. (FTI).

#### b. Estimates

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

#### c. Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### d. Concentrations of Risk

The Company maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits.

In the normal course of business, the Company extends credit to its customers.

#### e. Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method. Inventory consists of items available for resale.

#### f. Property and Equipment

Property, equipment and capital leases are recorded at cost and are depreciated or amortized over the estimated useful life of the related assets, generally three to seven years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

The costs of maintenance and repairs are charged to income as incurred. Renewals and betterments are capitalized and depreciated over their estimated useful lives.

#### g. Accounts Receivable

Accounts receivable are shown net of the allowance for bad debts of \$47,947 at March 31, 2001.

F-9

AMERICAN RESOURCES AND DEVELOPMENT COMPANY

Notes to the Consolidated Financial Statements  
March 31, 2001 and 2000

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### h. Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" requires disclosure of the fair value of financial instruments held by the Company. SFAS 107 defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The following methods and assumptions were used to estimate fair value:

The carrying amount of cash equivalents, accounts receivable and accounts payable approximate fair value due to their short-term nature.

At March 31, 2000, the Company held 1,045,000 shares of GCA stock. Because of GCA filing for bankruptcy in July of 1999, substantial doubt exists regarding the ability of the Company to recover its investment in GCA. At June 15, 2001, GCA was still in Chapter 11 bankruptcy and its market value was \$0.06 per share. Furthermore, the majority of the Company's stock in GCA is restricted and the Company does not have the ability to have the restriction removed because GCA is not current in its SEC filings. As a result, the Company wrote off its cost in GCA at March 31, 2000 and incurred a loss of \$1,434,239.

#### i. Income Taxes

Income taxes consist of Federal Income and State Franchise taxes. The Company has elected a March 31 fiscal year-end for both book and income tax purposes.

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109 (SFAS No. 109), "Accounting for Income Taxes," which requires the asset and liability method of accounting for tax deferrals.

#### j. Basic Loss Per Common Share

Basic loss per common share is computed based on the weighted average number of common shares outstanding during the period. The common stock equivalents are antidilutive and, accordingly, are not used in the net loss per common share computation. Fully diluted loss per share is the same as the basic loss per share because of the antidilutive nature of common stock equivalents.

Basic net loss from continuing operations per common share and diluted net loss from continuing operations per common share amounts, calculated in accordance with SFAS 128, were \$(.36) and \$(0.64) for the years ended March 31, 2001 and 2000, respectively. Basic net (loss) income from discontinued operations per common share and diluted net loss from discontinued operations per common share were \$0.00 and \$0.24, respectively. Weighted average common shares outstanding were 4,009,136 and 3,549,495 for the years ended March 31, 2001 and 2000, respectively.

#### k. Revenue Recognition

Revenue for contract screen printing, embroidery and product sales are recognized when the goods have been shipped. Franchise fees are recognized as revenue when all material services relating to the sale have been substantially performed by FTI. Material services relating to

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

the franchise sale include assistance in the selection of a site and franchisee training.

F-10

### AMERICAN RESOURCES AND DEVELOPMENT COMPANY

#### Notes to the Consolidated Financial Statements March 31, 2001 and 2000

#### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### l. Goodwill

On March 31, 1998, the Company recognized goodwill of \$1,696,412 from the purchase of Pacific Print Works (aka Pacific Printing and Embroidery LLC). The Company amortized \$128,198 of goodwill from the PPW acquisition in fiscal 1999. In the fourth quarter of fiscal 1999, the Company wrote-off its remaining goodwill from the PPW acquisition due to a permanent impairment, resulting in an additional expense of \$1,568,215. The Company recognizes goodwill from the excess of the purchase price of its acquisitions over the fair value of the net assets acquired.

The Company evaluates the recoverability of goodwill and reviews the amortization period on an annual basis. Several factors are used to evaluate goodwill, including but not limited to: management's plans for future operations, recent operating results and projected, undiscounted cash flows.

##### m. Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred.

##### n. Change in Accounting Principle

The Company has adopted the provisions of FIN 44, "Accounting for Certain Transactions Involving Stock Compensation (an interpretation of APB Opinion No. 25)" This interpretation is effective July 1, 2000. FIN 44 clarifies the application of Opinion No. 25 for only certain issues. It does not address any issues related to the application of the fair value method in Statement No. 123. Among other issues, FIN 44 clarifies the definition of employee for purposes of applying Opinion 25, the criteria for determining whether a plan qualifies as a noncompensatory plan, the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and accounting for an exchange of stock compensation awards in a business combination. The adoption of this principal had no material effect on the Company's consolidated financial statements.

The Company has adopted the provision of FASB Statement No. 140 "Accounting for Transfers and servicing of Financial Assets and Extinguishments of Liabilities (a replacement of FASB Statement No. 125.)" This statement provides accounting and reporting standard for transfers and servicing of financial assets and extinguishments of liabilities. Those standards are based on consistent application of a financial-components approach that focuses on control. Under that approach, the transfer of financial assets, the Company recognized the financial and servicing assets it controls and the liabilities it has

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

incurred, derecognizes financial assets when control has been surrendered, and derecognizes liabilities when extinguished. This statement provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. This statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. This statement is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The adoption of this principle had no material effect on the Company's consolidated financial statements.

F-11

### AMERICAN RESOURCES AND DEVELOPMENT COMPANY

#### Notes to the Consolidated Financial Statements March 31, 2001 and 2000

#### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### o. Prior Period Reclassification

Certain 2000 amounts have been reclassified to conform to the presentation of the 2001 consolidated financial statements.

#### NOTE 2 - MERGERS AND ACQUISITIONS

##### Golf Ventures, Inc.

In November 1997, Golf Ventures, Inc., a former Company subsidiary, merged with U.S. Golf Communities. U.S. Golf Communities was the controlling company in this merger and subsequent to the merger the combined company's name changed to Golf Communities of America (GCA). This merger resulted in a less than 20% American Resources' ownership in GVI. Therefore, subsequent to the merger, the Company's investment in GVI is reflected as an investment in accordance with Financial Accounting Standards Board Statement No. 121.

The Company has a reserve for discontinued operations of \$810,842 at March 31, 2001.

##### Pacific Print and Embroidery, LLC (aka Pacific Print Works)

In May 1998, the Company acquired 83% of the outstanding shares of Pacific Print Works (PPW). The acquisition was accounted for by the purchase method of accounting, and accordingly, the purchase price was allocated to assets acquired and liabilities assumed based on their fair market value at the date of acquisition. Liabilities assumed in excess of assets acquired was \$629,252 and 213,472 shares of the Company's common stock were issued to PPW shareholders with a guaranteed share value of \$5.00 resulting in goodwill of \$1,686,411. In addition, depending on PPW's performance from April 1, 1998 through March 31, 2001, additional shares of the Company's common stock would be issued to the Sellers if minimum earnings levels were met. Based on the \$5.00 guarantee and the Company's share value from October 1998 through March 1999, the Company is obligated to issue additional shares of common stock to the Sellers. An amendment to the PPW Stock Purchase Agreement is being evaluated by the Company and the Sellers in which the Company would issue another 1,100,000 shares of the Company's

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

common stock to the Sellers and any additional earnings requirements by PPW or per share value guarantee by the Company would be eliminated. Effective May 2, 2001, the Company agreed to buy an additional 7% of PPW from a PPW shareholder for \$100,000, payable in monthly installments through July 2003 (See Note 4). The \$100,000 for the additional PPW shares were expensed for the year ended March 31, 2001 as the Company had previously written off all goodwill related to the purchase of PPW (see Note 1, l.).

Quade, Inc. and U.S. Polo Association, Ltd.

In 1997, Quade, Inc. acquired from the U.S. Polo Association ("US Polo") the exclusive master licenses rights to the US Polo name for the United States and Canada.

On July 23, 1998, the Company purchased Quade by issuing 238,333 shares of its common stock.

F-12

### AMERICAN RESOURCES AND DEVELOPMENT COMPANY

#### Notes to the Consolidated Financial Statements March 31, 2001 and 2000

#### NOTE 2 - MERGERS AND ACQUISITIONS (Continued)

Effective October 8, 1998, the Company and Jordache Enterprises, through its affiliate, Iron Will, Inc. ("Iron Will") formed a joint venture company, U.S. Polo Association, Ltd. (US Polo), to hold the master license granted by the US Polo Association and to perform all licensing activities relating to the US Polo Association licenses and trademarks for the United States and Canada. The Company and Iron Will each owned 50% of US Polo and management and the Board of Directors for US Polo were shared equally by the Company and Iron Will. For its ownership in US Polo, the Company contributed, through Quade, Inc., all assets and liabilities relating to the business of the licensing of US Polo including the master license and sublicense agreements in the US Polo name and trademarks. Iron Will contributed \$900,000. The Company's investment in this joint venture was accounted for under the equity method of accounting. The Company's share of losses from this joint venture for the year ended March 31, 1999 were \$127,268.

In March 1999, the Company's Board of Directors made a decision to sell its 50% ownership in U.S. Polo to Iron will. In June 1999, the Company closed its sale of U.S. Polo ownership to Iron Will. For its sale of U.S. Polo, the Company received the cancellation of \$1,000,000 in debt from Jordache Enterprises, the cancellation of \$13,185 in interest and cash of \$221,470. In addition, the Company received another \$70,000 upon the collection of U.S. Polo royalties earned through May 31, 1999.

The results of operations of Quade, Inc. and U.S. Polo for the year ended March 31, 1999 has generated a loss of \$252,972 on sales of \$232,712. A gain on the disposal of U.S. Polo for \$867,587 was recognized for year ending March 31, 2000. No income tax benefit or expense has been attributed to the disposal of U.S. Polo. In addition, the Company and the former owner of Quade amended the original stock purchase agreement. Under the amendment, an additional 451,667 shares of common stock were issued to the former owner of Quade and to a Quade creditor and the additional earnings requirements by Quade or U.S. Polo



## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

to receive additional Company common stock was eliminated. In return, the \$5.00 per share guaranteed value of the initial common shares issued to the Quade shareholder was removed.

### NOTE 3 - LINE OF CREDIT

In December 2000, the Company entered into an accounts receivable financing agreement to sell, with recourse, up to \$1 million of receivables, net of a 15% collection reserve. The Company is charged prime (as defined by Bank of America) plus 8% per annum for all receivables sold and uncollected under this financing agreement. At March 31, 2001 the Company had a payable of \$363,888 for net funds advanced from its accounts receivable line of credit. The Company received \$4,632,798 and \$3,355,182 from the sale of receivables for the Years ended March 31, 2001 and 2000 and recognized \$98,668 and \$95,606 in interest expense from the discount of selling these receivables, respectively.

F-13

### AMERICAN RESOURCES AND DEVELOPMENT COMPANY

Notes to the Consolidated Financial Statements  
March 31, 2001 and 2000

### NOTE 4 - NOTES PAYABLE

Notes payable are comprised of the following:

Note payable, unsecured, bearing interest at 12%, payable in monthly installments of \$7,000, including interest. Due on demand. \$

Convertible subordinated debentures, originally due June 30, 1996 bearing interest at 12% per annum. Interest payable quarterly.

Note payable to debtholder of PPW, unsecured. Modified in August 2000. Modified agreement requires payments of \$145,000 through February 2002 without interest. Additional principal payments of \$147,084 will be required if payments are not made timely plus 9% interest. A gain on the modification of debt for \$137,084 will be recorded when there is no risk of default on this debt.

Note payable to shareholder of PPW for purchase of 7% of PPW shares, unsecured. Note requires monthly payments of \$3,000 from July 2001, increasing to \$5,000 in July 2002 with a final \$9,000 payment July 2003. The note is non-interest bearing but will accrue interest at 9% from inception if the Company is non-timely on payments.

Note payable to former shareholder of PPW, unsecured. Interest rate of 10%. Due on demand, unsecured.

Subtotal

Less current portion

Long-term portion

\$

Maturities of long-term debt are as follows:

March 31, 2002

\$

March 31, 2003

March 31, 2004

\$

F-14

AMERICAN RESOURCES AND DEVELOPMENT COMPANY

Notes to the Consolidated Financial Statements  
March 31, 2001 and 2000

NOTE 5 - NOTES PAYABLE, RELATED PARTIES

Mar

Note payable to Miltex Industries, secured by 2,934,193 shares of the Company's common stock. Interest at 15% with monthly principal and interest payments of \$11,000 with a final balloon payment December 31, 2001. Note is in default.

\$

Note payable to a shareholder, secured by GCA stock. Interest payable monthly at 13.5% with interest and principal payments of \$5,000 per month. Due October 31, 2001. Note is in default

Notes payable to a Company owned by a shareholder. Interest payable at 72% with interest and principal payments due currently.

Notes payable to shareholders (includes officers and directors of the Company). Interest rates average 10.5%. Unsecured, due on demand, but not expected to be repaid until 2003.

Subtotal

Less current portion

Long-term portion

\$

Maturities of notes payable, related parties are as follows:

March 31, 2002

\$

March 31, 2003

\$

NOTE 6 - CAPITAL LEASES

Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

Property and equipment payments under capital leases as of March 31, 2001 is summarized as follows:

	Year End March 31, 2002 2003 2004 2005	
Total minimum lease payments		\$
Less interest and taxes		-----
Present value of net minimum lease payments		
Less current portion		-----
Long-term portion of capital lease obligations		\$ =====

F-15

AMERICAN RESOURCES AND DEVELOPMENT COMPANY

Notes to the Consolidated Financial Statements  
March 31, 2001 and 2000

NOTE 6 - CAPITAL LEASES (Continued)

The Company recorded depreciation expense on capitalized lease equipment of \$210,689 and \$232,589 for the years ended March 31, 2001 and 2000, respectively.

NOTE 7 - INCOME TAXES

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Other temporary differences are created by the use of the equity method for reporting investments in subsidiaries. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Income tax benefit for the year ending March, 31, 2001 differs from the amount computed at the federal statutory rates as follows:

Income tax Benefit at statutory rate	\$ 46,200
Valuation allowance	(46,000)
	-----
	\$ -0-

=====

Deferred tax assets for the year ending March 31, 2001 are comprised of the following:

Net Operating Loss Carryforward	\$ 1,318,000
Valuation allowance	(1,318,000)
	-----
	\$ -0-
	=====

At March 31, 2001, the Company had a net operating loss carryforward of approximately \$4,700,000 that may be offset against future taxable income through 2021. These losses will start to expire in the year 2014 and not included in this carryforward is about \$1,600,000 in carryforwards net operating losses created from Golf Ventures, Inc. that most likely will not be allowed to be offset by any future operations of the Company. No tax benefit has been reported in the financial statements because the Company believes there is a 50% or greater chance the carryforward will expire unused. Accordingly, the potential tax benefits or the loss carryforward are offset by a valuation allowance of the same amount.

NOTE 8 - PREFERRED STOCK

The shareholders of the Company have authorized 10,000,000 shares of preferred stock with a par value of \$0.001. The terms of the preferred stock are to be determined when issued by the board of directors of the Company.

SERIES B:

At March 31, 2000, there are 94,953 shares of series B preferred stock issued and outstanding. The holders of these series B preferred shares are entitled to an annual cumulative cash dividend of not less than sixty cents per share. At March 31, 2001, there is a total of \$466,533 of accrued and unpaid dividends related to the series B preferred stock which have been included in the accompanying consolidated financial statements. These series B preferred shares were convertible into shares of the Company's common stock which conversion option expired March 31, 1995.

F-16

AMERICAN RESOURCES AND DEVELOPMENT COMPANY

Notes to the Consolidated Financial Statements  
March 31, 2001 and 2000

NOTE 9 - COMMON STOCK ISSUED BUT NOT OUTSTANDING

The Company has issued 160,820 shares of common stock which had been offered to the holders of the Series B preferred stock and the debentures. The shares have not been accepted by the holders of those investments as of the date of the consolidated financial statements. Additionally, the Company has issued 2,934,193 shares of common stock as collateral for the note payable to Banque SCS (Note 5).

NOTE 10 - STOCK OPTIONS

## Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

In March 2001 and August 1997, the Company's Board of Directors approved the 2001 and 1997 American Resources and Development Company Stock Option Plans, respectively (Option Plans). Under the Option Plans, 1,500,000 shares of the Company's common stock are reserved for issuance to Directors and employees. Options are granted at a price and with vesting terms as determined by the Board of Directors.

In August 1999 and January 2001, the Board of Directors granted options to purchase 696,291 and 599,723 shares of common stock at \$0.25. The options issued in August 1999 are currently vested. The options issued in January 2001 vest over four years. The options were issued to various employees, officers and directors of the Company for past services, risk associated with various debt incurred by officers for the Company and guarantees by officers of Company debt, and for future services. No compensation expense was recognized, as the option price was greater than the fair market value of the stock at the date of the option grant.

In December 1997, the Board of Directors granted options to purchase 39,000 shares of stock at \$2.00. These options are exercisable beginning March 31, 1998, are exercisable over staggered periods and expire after ten years. No compensation expense was recognized as the option price was greater than the fair market value of the stock at the date of the option grant.

In October 1997, the Board of Directors granted options to purchase 140,000 shares of stock at \$2.00. These options are exercisable beginning March 31, 1998, over staggered periods and expire after ten years. Compensation expense of \$1,458 per month will be recognized for 40,000 of the options issued over a 4 year vesting period. In July 1998, the Board of Directors changed the terms of the 100,000 options vesting over 10 years. 25,000 of these options were fully vested and the remainder of the options were canceled. As a result, compensation expense of \$52,498 was recognized for the year ended March 31, 1998 for the vesting of these options.

Pro forma net income and net income per common share was determined as if the Company had accounted for its employee stock options under the fair value method of Statement of Financial Accounting Standards No. 123.

Pro forma expense in year 1 would be \$77,660, and \$75,335, 28,579, \$22,933 in years 2, 3, and 4, respectively, with an increase in pro forma expenses per share of \$0.02 in year 1, \$0.02 in year 2 and \$0.01 in years 3 and 4.

On March 1, 2000, the Company granted options to a company to purchase up to 340,000 shares of the company's common stock. This company is to provide various investor relations services. The Company recognized a \$32,385 expense over 4 months from the date of the grant based upon the value of the options as calculated from an option pricing model. The options expire September 1, 2001, are not transferrable and are exercisable at any time at the following rates:

F-17

AMERICAN RESOURCES AND DEVELOPMENT COMPANY

Notes to the Consolidated Financial Statements  
March 31, 2001 and 2000

# Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

## NOTE 10 - STOCK OPTIONS (Continued)

85,000 shares	at	\$1.08 per share;
85,000 shares	at	\$1.32 per share;
85,000 shares	at	\$1.49 per share;
85,000 shares	at	\$1.72 per share.

On January 22, 1999, the Company granted options to a consultant to purchase up to 160,000 shares of the Company's common stock. The consultant is to provide various investor and public relations services through January 21, 2000 and the Company is recognizing an expense of \$6,000 over the term of the services based upon the value of the options as calculated from an option pricing model. The options expire in December 31, 2001, are not transferrable and are exercisable at any time at the following rates:

40,000 shares	at	\$0.50 per share;
40,000 shares	at	\$1.00 per share;
40,000 shares	at	\$2.00 per share;
40,000 shares	at	\$3.00 per share.

For the pro forma disclosures, the options' estimated fair value was amortized over their expected ten-year life. The fair value for these options was estimated at the date of grant using an option pricing model which was designed to estimate the fair value of options which, unlike employee stock options, can be traded at any time and are fully transferable. In addition, such models require the input of highly subjective assumptions, including the expected volatility of the stock price. Therefore, in management's opinion, the existing models do not provide a reliable single measure of the value of employee stock options. The following weighted-average assumptions were used to estimate the fair value of these options:

	March 31, 2001
	-----
Expected dividend yield	0%
Expected stock price volatility	70%
Risk-free interest rate	6.5%
Expected life of options (in years)	10

## NOTE 11 - COMMITMENTS AND CONTINGENCIES

### Office Lease

The Company leases office and warehouse space in Portland, Oregon. Lease commitments for the years ended March 31, 2002 through March 31, 2003 are \$318,832 and \$49,366, respectively.

### Legal Proceedings

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

# Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

## Notes to the Consolidated Financial Statements March 31, 2001 and 2000

### NOTE 12 - GOING CONCERN

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. In order to carry out its operating plans, the Company will need to obtain additional funding from outside sources. The Company has received funds from a private placement and debt funding and plans to continue making private stock and debt placements. There is no assurance that the Company will be able to obtain sufficient funds from other sources as needed or that such funds, if available, will be obtainable on terms satisfactory to the Company.

### NOTE 13 - BUSINESS SEGMENTS

Effective March 31, 1999, the Company adopted SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information." The Company conducts its operations principally in the contract screen printing and embroidery industry with Pacific Print works, Inc. and the retail franchise industry with Fan-Tastic, Inc.

Certain financial information concerning the Company's operations in different industries is as follows:

	For the Years Ended March 31, -----	Pacific Print Works -----	Fan-Tastic -----
Net sales	2001	\$ 5,775,337	\$ 174,011
	2000	4,415,801	412,252
Operating income (loss) applicable to industry segment	2001	(406,772)	(246,391)
	2000	181,348	(202,951)
General corporate expenses not allocated to industry segments	2001	-	-
	2000	-	-
Writedown of goodwill	2001	100,000	-
	2000	-	-
Interest expense	2001	(401,746)	(62,841)
	2000	(339,253)	(38,746)
Other income (expenses) including interest and gain and loss on write-down of marketable securities	2001	904	8,671
	2000	7,469	(4,174)

F-19

AMERICAN RESOURCES AND DEVELOPMENT COMPANY

Notes to the Consolidated Financial Statements

Edgar Filing: AMERICAN RESOURCES & DEVELOPMENT CO - Form 10KSB

March 31, 2001 and 2000

NOTE 13 - BUSINESS SEGMENTS (Continued)

	For the Years Ended March 31, -----	Pacific Print Works -----	Fan-Tastic -----
Income (loss) from discontinued operations	2001 2000	- -	- -
Assets	2001	1,740,714	17,347
Depreciation and amortization	2001 2000	270,668 279,260	5,472 12,013
Property and equipment acquisitions	2001 2000	57,632 272,468	- 6,007

F-20