

Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

AMERICAN STONE INDUSTRIES INC  
Form 10KSB  
March 31, 2005

=====

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

-----

FORM 10-KSB

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

OR

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

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

COMMISSION FILE NUMBER 0-22375

-----

AMERICAN STONE INDUSTRIES, INC.

(Name of Small Business Issuer in Its Charter)

DELAWARE 13-3704099  
(State or Other Jurisdiction (I.R.S. Employer Identification No.)  
incorporation or Organization)

230 W. Main Street, South Amherst, Ohio 44001  
(Address of Principal Executive Offices) (Zip Code)

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

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

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

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

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

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

Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

has been subject to such filing requirements for the past 90 days.

Yes  [ ]

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: \$2,399,098

The aggregate market value of the Common Stock held by non-affiliates of the Registrant as of February 28, 2005 was approximately \$6,250,750, computed on the basis of the last reported sale price per share (\$6.60 reported on March 18, 2005) of such stock on the OTC Bulletin Board. For purposes of this information, shares of Common Stock that were owned beneficially by executive officers, Directors and persons who may be deemed to own 10% or more of the outstanding Common Stock were deemed to be held by affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Indicate by check mark whether the Registrant is an accelerated filer as (defined in Rule 12b-2 of the Act). Yes [ ]

The number of shares of the Registrant's Common Stock outstanding as of March 9, 2005 was 2,032,021.

DOCUMENTS INCORPORATED BY REFERENCE

FORM 10-KSB REFERENCE -----	DOCUMENTS -----
Part III (Items 9, 10, 11, 12 and 14)	Portions of the Registrant's Definitive Proxy Statement to be used in connection with its Annual Meeting of Stockholders to be held on April 20, 2005.

Except as otherwise stated, the information contained in this Form 10-KSB is as of December 31, 2004.

Transitional Small Business Disclosure Format (check one)?

Yes [ ] No

=====

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

General.

American Stone Industries, Inc. ("ASI" or the "Company") is a holding company that conducts its business through its wholly-owned subsidiary, American Stone Corporation ("ASC"). The Company quarries, purchases and sells stone for use in the building construction industry. The Company produces two types of natural stone: (1) dimensional stone, which is natural stone that is cut to size as specified in architectural designs and is primarily used as architectural

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

accents to buildings, although dimensional stone is also used for funeral monuments, landscape and ornamental objects; and (2) construction stone, which is natural stone primarily used for road base, back fill and erosion control.

The Company was incorporated in the State of Delaware on November 11, 1992. The Company acquired the operating assets of Cleveland Quarries, L.P. in February 1996, and thereafter began operating the 145-year old quarry situated near Amherst, Ohio known as the "Cleveland Sandstone Quarries" (the "Cleveland Quarries"). The Cleveland Quarries consist of estimated recoverable reserve deposits in excess of 300 million cubic feet located on over 975 acres of property. Management of the Company ("Management") believes, based upon various industry reports and surveys since the initial discovery in 1853, that the Cleveland Quarries are among the world's largest sandstone quarries.

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

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

The Business.

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

FACILITY/BUILDING -----	LOCATION -----	DATE ----
The John Hancock Building	Boston, Mass. (U.S.A.)	1948
U.S. Post Office	Cleveland, Ohio (U.S.A.)	1934
Parliament Building	Ottawa, Ontario (Canada)	1865 (rebuilt 1917)
City Hall	Buffalo, New York (U.S.A.)	1930
U.S. Bankruptcy Court	Little Rock, Ark. (U.S.A.)	1918
Oberlin College Campus	Oberlin, Ohio (U.S.A.)	1885-1943
Osgoode Hall -- Law courts of Upper Canada	Toronto, Ontario (Canada)	1857
NHL Hockey Hall of Fame	Toronto, Ontario (Canada)	1885
County Courthouse	Savannah, Ga. (U.S.A.)	1889
St. James Cathedral	Toronto, Ontario (Canada)	1853
University of Pennsylvania	Philadelphia, Penn. (U.S.A.)	1874-1910
Oberlin College Science Building	Oberlin, Ohio (U.S.A.)	2001
University of Detroit, Mercy College	Detroit, Michigan (U.S.A.)	2004

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

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

### Industry Structure.

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

#### BLOCKS ARE TURNED INTO SLABS TO MAKE

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

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

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

2

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

The primary and secondary processing segments are the most mechanized and therefore the most capital intensive. The machinery can be very sophisticated and very expensive. There have been major advancements in quarry technology, and these operations are also becoming very capital intensive. These expenses have been a barrier to entry into these segments of the industry for many and, for those that have failed to keep up, it has been a factor creating adverse consequences.

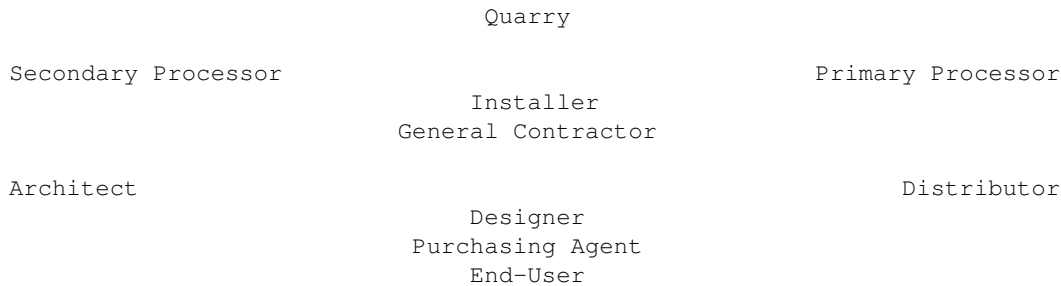
This change is evidenced by the decline in the number of full-service (primary and secondary) competitors in the domestic market. Most new capital investment has occurred in Europe, India and China, with little occurring in North America. The Company believes that its investment in high-tech equipment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

### Marketing Structure.

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

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

### QUARRY TO END-USER



3

For the period from 2000 to 2004, the Company's annual production of natural stone was as follows:

RAW STONE:	(TONS)
-----	-----
2000	12,699
2001	16,855
2002	13,196
2003	11,588
2004	6,706

Management currently intends to target the following areas:

#### Building Stone:

- |         |               |               |                              |
|---------|---------------|---------------|------------------------------|
| - Slabs | - Ashlar      | - Landscaping | - Swimming Pool              |
| - Sills | - Patio Stone | - Tile        | Construction                 |
| - Steps | - Wallstone   | - Cutstone    | - Restoration<br>(Cut Stone) |

#### Specialty Products:

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

#### Employees.

The Company has approximately 31 full-time employees, of which approximately 24 are hourly. The average hourly wage of the quarry personnel is

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

approximately \$10.69 per hour. The quarries are situated in a geographic region that has a large labor pool, and Management does not believe that securing additional labor will be difficult or expensive. In Management's opinion, the Company has a positive relationship with its employees.

Competition.

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

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

- Ownership of what Management believes to be one of the largest sandstone reserves in the world, which provides the Company with access to the raw material;
- Access to a large supply of fresh water which is required to utilize diamond saw technology;

4

- A strategic geographic location from which the Company can serve about 66% of the domestic United States market within a 500 mile radius from the quarries;
- Low cost of raw materials; and
- High quality, attributed to the skilled labor pool, and the higher level of capital investment in equipment.

Marketing.

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

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

Business Strategy.

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

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

Backlog.

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

As of December 31, 2004, the Company's backlog of orders was \$285,000 as compared to a backlog of \$250,000 at December 31, 2003.

Seasonality.

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

Intellectual Property/Proprietary Rights.

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

Regulation.

The Company's operations are subject to a variety of statutes, rules and regulations, which are applicable to any business operating in the United States. These statutes, rules and regulations range

5

from record keeping (e.g., the duty to maintain tax-related records for specific time periods as required by the Internal Revenue Code of 1986, as amended) to employment (e.g., the duty to comply with the Equal Employment Opportunity Act of 1972).

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

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

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

Research and Development.

In the fiscal years ended December 31, 2004 and 2003, the Company did not make any research and development expenditures.

Methods of Distribution and Costs of Transportation.

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

# Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

## ITEM 2. DESCRIPTION OF PROPERTY.

### General.

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

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

The Company's main parcel is in Amherst Township (Lorain County), consists of approximately 979 acres, and is the site of six quarries, the mills and offices. The main parcel fronts

6

the Ohio State Turnpike approximately twenty minutes west of downtown Cleveland. All of the quarries on the Lorain County land are currently unused and dormant.

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

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

### Reserve Information.

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

Usage for the past three years is as follows:

YEAR	EXTRACTED CU. FT.	SOLD CU. FT.
----	-----	-----



## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

2002	272,000	111,000
2003	165,708	89,787
2004	95,899	103,540

Differences between cubic feet extracted and cubic feet sold are primarily the result of waste. The percentages of waste vary from year to year primarily because of differences in product mix. In 2004, the increase in cubic feet sold versus cubic feet extracted is related to the sale of stone extracted in previous years. At current usage rates, the reserves far exceed any reasonable expectation of depletion.

### Buildings.

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

BUILDING -----	SIZE S.F. -----	YEAR BUILT -----	CURRENT USE -----	FUTURE USE -----
Mill No. 3	18,175	1946	Processing	Processing
Mill No. 6	45,000	1923	Closed	None
Mill No. 8	44,165	1926	Gang Sawing	Gang Sawing
Office & Showroom	11,305	1900	Office & Showroom	Office & Showroom

7

### Encumbrances.

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

In connection with the purchase of 150 acres of land in December 2002, the Company granted a mortgage to the seller securing a promissory note due November 21, 2007 in the original principal amount of \$500,000 plus fifty percent (50%) of the difference between the fair market value of the property and the purchase price of \$500,000. See Note 2 of Notes to Financial Statements.

The Company's main parcel of land in Amherst Township (Lorain County) is subject to a note payable to BRM Quarry Co., LLC in a principal amount of \$600,000 due June 25, 2007.

In May 2004 the Company granted to an unrelated third party an option to purchase approximately 900 acres of land. See Note 9 of Notes to Financial Statements.

### Equipment.

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

### ITEM 3. LEGAL PROCEEDINGS.

None.

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

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

None.

### PART II

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

#### Market Information

The Company's Common Stock is currently traded in the over-the-counter market via the "Bulletin Board" maintained through the National Association of Securities Dealers, Inc. The trading symbol of the Common Stock is AMST.OB. The following table shows the high and low daily closing prices for the Company's Common Stock for each quarter of 2004 and 2003. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

YEAR ENDED DECEMBER 31, 2003 -----	HIGH ----	LOW -----
First Quarter	\$7.25	\$3.40
Second Quarter	\$8.00	\$3.35
Third Quarter	\$8.00	\$4.80
Fourth Quarter	\$9.50	\$5.25

8

YEAR ENDED DECEMBER 31, 2004 -----	HIGH ----	LOW -----
First Quarter	\$9.50	\$9.00
Second Quarter	\$9.00	\$5.25
Third Quarter	\$9.00	\$8.50
Fourth Quarter	\$9.00	\$5.25

#### Holders and Dividends

As of March 6, 2005, there were 87 holders of record of the Common Stock of the Company. The Company has paid no dividends on the Common Stock and it is the Company's present intention to reinvest earnings internally to finance the expansion of its business. The Company's ability to pay dividends is limited by the Company's credit facility and is directly related to the Company's future profitability and need for capital to support its growth.

#### Securities Authorized for Issuance Under Equity Compensation Plans

The following table shows information with respect to each equity compensation plan under which the Company's Common Stock is authorized for issuance as of the end of fiscal year 2004.

#### EQUITY COMPENSATION PLAN INFORMATION

Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (a)	WEIGHTED- AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (b)	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (a)) (c)
Equity compensation plans approved by security holders	264,404	\$ 5.38	311,050
Equity compensation plans not approved by security holders	0	\$ 0	0
TOTAL	264,404	\$ 5.38	311,050

9

Recent Sales of Unregistered Securities

On July 1, 2004, each of several directors of the Company and other entities associated with directors of the Company exercised his or its right as holder of a promissory note of the Company dated April 30, 2003 (the "Convertible Notes") to convert the Convertible Notes into common stock of the Company at \$3.50 per share, resulting in the issuance of 62,852 shares of common stock (the "Conversion Stock"). In all of these transactions, the Convertible Notes and the Conversion Stock were issued without registration under the Securities Act of 1933 (the "Securities Act") in reliance on Section 4(2) of the Securities Act. The Convertible Notes and the Conversion Stock were issued without any general solicitation to persons not requiring the protections afforded by registration. No underwriting discounts or commissions were paid in connection with the issuance of the Convertible Notes or the Conversion Stock.

On or about September 30 or October 1, 2004, Roulston Venture Limited Partnership exercised its right as a holder of a promissory note of the Company in the original principal amount of \$150,000 (the "RVLP Convertible Note") to convert the RVLP Convertible Note into common stock of the Company at \$5.00 per share, resulting in the issuance of 30,000 shares of common stock (the "RVLP Conversion Stock"). The RVLP Convertible Note and the RVLP Conversion Stock were issued without registration under the Securities Act in reliance on Section 4(2) of the Securities Act. The RVLP Convertible Note and the RVLP Conversion Stock were issued without any general solicitation and were sold to a single institutional investor. No underwriting discounts or commissions were paid in connection with the issuance of the RVLP Convertible Note or the RVLP Conversion Stock.

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

Company Overview and Outlook

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

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

Our challenges in 2004 were, and they continue to be, to increase our sales base and continue to improve our operating efficiencies while controlling costs so we can generate profits and positive cash flow and strengthen our balance sheet. Cash remains tight, but as a result of some price increases, improvement in product mix, and continuing credit disciplines we have achieved a profit in fiscal year 2004. Fiscal year 2005 has started slowly due to the unusually severe winter weather conditions. The request to quote on our products thus far in 2005 has been strong and we are optimistic for the year ahead. We are planning a new building that would allow us to be fully operational twelve months a year.

### RESULTS OF OPERATIONS

(all amounts in thousands)

Following is a discussion of the principal factors that affected the Company's results of operations during each of the two most recent fiscal years. This discussion should be read in

10

conjunction with the Company's Consolidated Financial Statements and the notes thereto included elsewhere in this report.

#### Results of Operations for Fiscal Year 2004 compared to Fiscal Year 2003

Sales in 2004 were \$2,399 for an increase of \$171, or 7.6%, over 2003 fiscal year sales of \$2,228. Sales increased primarily as a result of on time delivery and increased product quality. Product returns for our customers in 2004 were the lowest in company history.

Gross profit in fiscal year 2004 was \$683, an increase of \$190, or 38.5%, over gross profit of \$493 in fiscal year 2003. Gross profit margin for fiscal year 2004 was 28.5% compared to 22.1% for fiscal year 2003. This improvement in gross profit margin resulted primarily from price increases and improvements in product mix. In 2004 the Company focused on sales of larger slabs, for which margins are higher than detailed finish work.

Selling and administrative expenses in fiscal year 2004 of \$461 represent a decrease of \$65, or 12.5%, compared to \$527 in 2003. The 2004 expense figure includes the benefit of negotiated write-offs of various accounts payable, aggregating \$187, and the 2003 expense figure includes a benefit from the forgiveness of debt of \$223. Without the benefit of these write-offs, selling and administrative expenses would have been \$648 in 2004 and \$750 in 2003, reflecting a decrease in 2004 of 13.6% as compared to 2003.

In fiscal year 2004 the Company recognized \$125 from the sale to Trans European Securities International LLC of an option to purchase land. See Note 9 of the Notes to Financial Statements for a description of that transaction.

Interest expense increased in fiscal year 2004 to \$197 compared to \$152. This increase of \$45 or 29.6%, was primarily the result of increased average borrowing levels in 2004. This increase in borrowing levels was after giving

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

effect to the conversion of a total of \$370 in notes payable into common stock at the election of the holders of the notes pursuant to their terms.

Although the Company had a profit before income taxes of \$153 in fiscal year 2004, we did not record any income tax expense because of the availability of operating loss carryforwards. At December 31, 2004, the Company has unused operating loss carryforwards of approximately \$6,300 that may be applied against future taxable income and expire in various amounts from 2007 to 2023. Our ability to benefit from the carryforwards will depend upon generating taxable income in the future.

We achieved net income of \$153 in fiscal year 2004 compared to a loss of \$186 in 2003. The principal factors in this profit were the receipt of the \$125,000 from the sale of the option and improvements in gross profit.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates, judgments and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements. We evaluate the accounting policies and estimates we use to prepare financial statements on an ongoing basis. We base our estimates on historical experience and assumptions believed to be reasonable under the relevant circumstances. In preparing these financial statements, we have made our best estimates and judgments of certain amounts included in the financial statements related to the

11

accounting policies and estimates described in the text that follows. The application of these critical accounting policies involves the exercise of judgment and the use of assumptions as to future uncertainties, and as a result, actual results could differ from these estimates. For additional information regarding our accounting policies, see Note 1 to the Consolidated Financial Statements for the fiscal year ended December 31, 2004.

#### Goodwill.

As of December 31, 2004, we had \$26,661 of goodwill resulting from the acquisition of businesses. Effective January 1, 2002, we adopted SFAS No. 142 "Goodwill and Other Intangible Assets," under which goodwill is no longer amortized but is tested for impairment annually (we have selected November 15), or more often, if an event or circumstance indicates that an impairment loss may have occurred. In making goodwill impairment assessments, we compare the fair value of the company with the company's carrying value. If the fair value of the company exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value of the company exceeds its fair value, an impairment loss is measured and recognized.

As of November 15, 2004, our common stock's latest closing value was \$8.00 per share and we had 2,032,021 shares outstanding. Therefore, our total market value, or fair value, was \$16,256. The carrying value of the Company, represented by stockholders' equity at September 30, 2004, (the last information as reported on Form 10-QSB) was \$1,634. Since the fair value exceeded the carrying value, we determined that goodwill was not impaired.

#### Land Depletion.

Our estimate of land depletion is based on our estimate of remaining sandstone as determined from current and historical information. We evaluated the key factors and assumptions used to develop the land depletion estimate in

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

determining that it is reasonable in relation to the financial statements taken as a whole.

Contingencies.

We are subject to various investigations, claims, and legal and administrative proceedings covering a wide range of matters that arise in the ordinary course of business activities. Any liability that may result from these proceedings, and any liability that is judged to be probable and estimable, has been accrued. Any potential liability not accrued is not currently expected to have a material adverse effect on our future financial position, results of operations or cash flows.

### CASH FLOWS

(all amounts in thousands)

	2004	2003
Cash flows provided (used by):		
Operating activities	\$303	(\$148)
Investing activities	(\$255)	(\$ 50)
Financing activities	\$452	\$477

12

Cash provided by operating activities in 2004 was \$303. The cash provided from operations included net income of \$153, depreciation, amortization and depletion of \$390, and a decrease in inventory of \$238. These principal sources of cash from operations were offset primarily by a reduction in accounts payable of \$422.

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

Cash used in investing activities in 2004 was \$255, representing investment in, among other things, a new block saw and gauging equipment, net of sales of equipment of \$3.

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

Cash provided by financing activities in 2004 was \$452, resulting from the excess of \$675 in new long-term borrowings over \$224 in repayment of long term debt.

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

- \$220 unsecured notes payable to directors and officers of the company

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

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

More information about Long Term Debt can be found in Note 3 to the Consolidated Financial Statements.

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

As of December 31, 2004, we had cash and cash equivalents totaling \$784. During 2004, the Company did not borrow from any line of credit.

As of December 31, 2004, our current portion of long-term debt was \$332, which represents the principal portion of our debt that is due to be repaid by December 31, 2005.

Capital spending in 2005 is currently estimated at between \$50 and \$100, primarily for equipment needed to maintain operations.

13

We experienced significant operating losses in the three years prior to 2004 which resulted in cash flow and liquidity problems. During the previous 36 months we have taken steps to reduce administrative overhead, employment levels and other expenses, have instituted strict controls over granting credit to customers and have put new sales policies and procedures into place. In 2004, we began to emphasize sale by slab rather than fabricated stone to lower cost of production and speed up job completion. We have also purchased new computers and software in order to improve record keeping and tracking of inventory and work in progress. In addition, we have introduced new full color advertising literature to for our dealers and their customers. We believe these measures will contribute to improved operating performance and positive cash flow in 2005. We are also currently exploring additional long term funding sources, including debt placement, stock issuance and other alternatives. If Trans European exercises the option to purchase a portion of the company land, the proceeds of the option exercised will provide substantial liquidity to the Company. There can be no assurance, however, that Trans European will exercise the option or, if it does so, that the exercise will be timely in relation to the liquidity requirements of the Company.

The following table summarizes our obligations related to long-term debt and operating leases as of December 31, 2004:

	LONG TERM DEBT ----	OPERATING LEASES -----	TOTAL -----
Due in less than 1 year	\$ 332	\$10	\$ 342
1-3 years	\$2,556	\$ 7	\$2,563
Total	\$2,888	\$17	\$2,905

### CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

In this annual report, statements that are not reported financial results or other historical information are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. They are based on management's expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. You can identify these statements by the fact that they do not relate strictly to historic or current facts. Words are used such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and other words and terms of similar meaning in connection with the discussion of future operating or financial performance. In particular, these include statements relating to future actions; prospective changes in manufacturing costs, product pricing or product demand; future performance or results of current and anticipated market conditions and market strategies; sales efforts; expenses; the outcome of contingencies such as legal proceedings; and financial results.

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

14

and (8) the adequacy of the Company's financial resources and the availability and terms of any additional capital.

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

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

15

### ITEM 7. FINANCIAL STATEMENTS.

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

HOBE & LUCAS  
CERTIFIED PUBLIC ACCOUNTANTS, INC.

4807 Rockside Road  
Suite 510  
Independence, Ohio 44131



Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

Tel: (216) 524-8900

Fax: (216) 524-8777

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the consolidated balance sheets of American Stone Industries, Inc. and Subsidiaries as of December 31, 2004 and 2003, and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Stone Industries, Inc. and Subsidiaries as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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

Independence, Ohio  
February 18, 2005

16

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2004 AND 2003

	2004	2003
	-----	-----
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 783,883	\$
Accounts receivable, net of allowance for doubtful accounts of \$20,000 -2004 and 2003	170,016	
Prepaid expenses	38,225	
Inventory	599,267	
	-----	-----
Total Current Assets	1,591,391	1,
	-----	-----
Property, Plant and Equipment, Net	3,112,147	3,

Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

Other Assets		
Intangible assets	9,043	
Goodwill	26,661	
Restricted cash	15,024	
Deposits	1,000	
	51,728	
	\$ 4,755,266	\$ 4,
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Current portion of notes payable	\$ 332,177	\$ 1,
Accounts payable	123,450	
Accrued and withheld payroll and payroll taxes	41,806	
Accrued liabilities	117,237	
	614,670	2,
	-----	-----
Long Term Liabilities		
Notes payable	2,555,592	1,
	-----	-----
Stockholders' equity		
Common stock, \$.001 par value 20 million		
Shares authorized, 2,032,021 in 2004,		
1,939,169 in 2003 issued and outstanding	2,032	
Additional paid-in capital	5,199,597	4,
Accumulated deficit	(3,616,625)	(3,
	1,585,004	1,
	-----	-----
	\$ 4,755,266	\$ 4,
	=====	=====

See notes to consolidated financial statements.

17

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
	-----	-----
Sales	\$ 2,399,098	\$ 2,228
Cost of goods sold	1,715,716	1,735
	-----	-----
Gross profit	683,382	492
	-----	-----
Selling and administrative expenses	461,493	526
	-----	-----

Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

Income/(Loss) from operations	221,889	(33)
Sale of Option to sell Land	125,000	
Interest income	3,343	
Interest expense	(197,297)	(152)
	(68,594)	(152)
Income/(Loss) before provision for income taxes	152,935	(185)
Provision for income taxes	-0-	
Net Income/(Loss)	\$ 152,935	\$ (185)
Net Income/(Loss) per Common Share		
Basic	\$ .08	\$
Diluted	\$ .07	\$
Weighted average shares to compute		
Earnings per share of:		
Basic	1,978,390	1,939
Diluted	2,045,952	2,025

See notes to consolidated financial statements.

18

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Common Stock		Additional	Accumulated
	Issued	Par Value	Paid-In	Deficit
	Shares		Capital	
	-----	-----	-----	-----
Balance, January 1, 2003	1,939,169	\$ 1,939	\$ 4,829,708	\$ (3,583,702)
Net (Loss)	-0-	-0-	-0-	(185,858)
Balance, December 31, 2003	1,939,169	1,939	4,829,708	(3,769,560)
Notes Payable converted to common stock	92,852	93	369,889	-0-
Net Income	-0-	-0-	-0-	152,935
Balance, December 31, 2004	2,032,021	\$ 2,032	\$ 5,199,597	\$ (3,616,625)

Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

See notes to consolidated financial statements.

19

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004
	-----
Net Income/(Loss)	\$ 152,935
Gain on forgiveness of bank debt	-0
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation, amortization and depletion	389,623
(Gain) / Loss on sale of equipment	(3,239)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(9,713)
(Increase) decrease in inventory	238,171
(Increase) decrease in prepaid expenses	(35,525)
(Decrease) increase in payables and accrued liabilities	(422,167)
Other, net	(7,503)
	-----
Net Cash Provided/(Used) in Operating Activities	302,582
	-----
Cash Flows from Investing Activities:	
Proceeds from sale of equipment	3,239
Purchase of property, plant and equipment	(258,077)
	-----
Net Cash (Used) for Investing Activities	(254,838)
	-----
Cash Flows from Financing Activities:	
Net payments under line of credit arrangements	-0
Proceeds from long term debt	675,630
Repayment of long-term debt	(223,729)
	-----
Net Cash Provided by Financing Activities	451,901
	-----
Net Increase in Cash and Cash Equivalents	499,645
Cash and Cash Equivalents at Beginning of Year	284,238
	-----
Cash and Cash Equivalents at End of Year	\$ 783,883
	=====

See notes to consolidated financial statements.

20

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004
Supplemental Disclosure of Cash Flows Information:	
Interest paid	\$ 180,000
	=====
Taxes paid	\$ -0
	=====

Supplemental disclosures of non-cash financing activities:

On July 1, 2004, \$220,000 of notes payable were converted to 62,852 shares of common stock. On September 30, 2004 an additional \$150,000 of notes payable were converted to 30,000 shares of common stock. Both stock conversions were at the election of the holders in accordance with the terms of the notes.

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

See notes to consolidated financial statements.

21

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of Estimates

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

Business Activity

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

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

in Amherst, Ohio.

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

### Cash and Cash Equivalents

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

### Risks and Uncertainties

The Company maintains its cash in bank deposits, which, at times may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Company (FDIC) up to \$100,000. At December 31, 2004, the Company had approximately \$225,000 in excess of FDIC limits. The Company has not experienced any losses in such accounts.

Included in the Company's cash is a thirty day renewable commercial paper instrument through Ford Motor Credit Company. At December 31, 2004, the instrument had a value of \$502,700.

22

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004 AND 2003

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

#### Accounts Receivable

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

#### Revenue Recognition

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

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

Property, plant and equipment at December 31, 2004 and 2003 consisted of:

	2004	2003
	-----	-----
Land	\$ 938,680	\$ 938,680

Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

Buildings and improvements	1,477,350	1,477,350
Equipment	2,996,394	2,793,440
Computers	69,349	62,175
Vehicle	58,599	10,650
	-----	-----
	5,540,372	5,282,295
Less: Accumulated depreciation	2,428,225	2,038,602
	-----	-----
Net property, plant and equipment	\$ 3,112,147	\$ 3,243,693
	=====	=====

Depletion is calculated based on management's estimate of sandstone reserves. There is no engineer's estimate available for such reserves. Depletion amounted to \$-0- and \$1,299 for the years ended December 31, 2004 and 2003, respectively.

The cost of depreciable property is being depreciated over the estimated useful lives of the assets using the straight-line method for financial reporting. Depreciation expense was \$389,623 and \$416,618 for the years ended December 31, 2004 and 2003, respectively.

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

23

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2004 AND 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

The accompanying financial statements include the accounts of American Stone Industries, Inc. and its wholly owned subsidiary American Stone Corporation for the year ended December 31, 2004 and 2003. As mentioned in Note 1, Business Activity, in 2002 the Company consolidated the activities of its now dormant subsidiary, Amherst Stone at Cleveland Quarries, Inc., into ASC operations. All significant inter-company transactions have been eliminated in consolidation.

Goodwill and Other Intangibles

The Company adopted the provisions of FASB Statement 142, Goodwill and Other Intangible Assets, as of January 1, 2002. The standard provides that goodwill and intangible assets with indefinite lives no longer be amortized. The standards provide that goodwill be tested for impairment annually. The Company selected mid November for its annual impairment testing. The Company recognized no impairment in 2004 or 2003.

The following is a summary of intangibles:

	2004	2003
	-----	-----
Intangibles not subject to amortization		
Trademarks	9,043	9,043

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

Goodwill	26,661	26,661
	-----	-----
	\$ 35,704	\$ 35,704
	=====	=====

### Stock Options

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

The Company maintains the 1998 Management Stock Option Plan (management plan). Options granted under the management plan may be either incentive stock options or non-statutory stock options. The options expire on the fifth anniversary of the date of grant with remaining terms to be determined by the sole discretion of a committee of members of the Company's Board of Directors. The management plan provides that the Company may grant options (generally at fair market value at the date of grant) for not more than 300,000 shares of common stock to management employees. Options granted are generally exercisable beginning one year after the date of grant. At December 31, 2004 and 2003, 130,500 and 70,000 options, respectively, with exercise prices ranging from \$3.35 to \$6.00 were outstanding. The 60,500 options granted to management in 2004 include 50,000 options granted to the President and CEO. The 50,000 options granted to the President and CEO are on a different vesting schedule from the options granted to other employees.

24

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2004 AND 2003

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

#### Stock Options (Continued)

The President may exercise the options at the following times: 5,416 upon the granting of the option, 16,666 on June 1, 2005, 16,666 on June 1, 2006, and 11,252 on June 1, 2007. At December 31, 2004 and 2003, 75,416 and -0- options, respectively, were exercisable.

Additionally, the Company maintains the 1998 Non-Employee Director Stock Option Plan (director plan). The director plan provides for the granting of stock options to members of the Board of Directors who are not employees of the Company. There are 300,000 shares available for grant under the plan. Each option is exercisable one year after the date of grant and expires five years after the date of grant. On the date of the annual meeting each eligible director receives an option to purchase 1,500 shares (3,000 shares for the Board's Chairman) of common stock, and receives an option to purchase 150 shares (300 shares for the Board's Chairman) of common stock for each Director or Committee meeting attended for the twelve months prior to the annual meeting. Each option shall be at fair market value on the date of the grant. At December 31, 2004, 133,904 shares with exercise prices ranging from \$2.37 to \$9.50 (\$6.15 weighted average) were outstanding, 112,904 of which were exercisable. At December 31, 2003, 112,904 shares with exercise prices ranging from \$2.37 to \$9.50 (\$5.62 weighted average) were outstanding, 95,644 of which were exercisable.

A summary of option activity under the plans follows:



Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

	Number of Shares Under Option	Weighted Average Exercise Price
	-----	-----
Outstanding at January 1, 2003	120,954	\$ 5.59
Granted	86,350	3.61
Exercised	-0-	0.00
Cancelled	(24,400)	4.76
	-----	-----
Outstanding at December 31, 2003	182,904	4.75
Granted	81,500	6.77
Exercised	-0-	0.00
Cancelled	-0-	0.00
	-----	-----
Outstanding at December 31, 2004	264,404	5.38
	=====	=====
Options exercisable at December 31, 2004	188,320	4.79
	=====	=====
Options exercisable at December 31, 2003	96,554	\$ 5.89
	=====	=====

25

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004 AND 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock Options (Continued)

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

Pro forma information regarding net income and earnings per share, determined as if the Company had accounted for its employee stock options under the fair value method of SFAS No. 123, is required by that statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions for all options granted: a risk free interest rate ranging from 1.08% to 2.63% for 2004 and 1.02% for 2003, expected life of the options of five years, no expected dividend yield and a volatility factor of 10%. Additionally, a marketability discount of 50% has been assumed for 2004 and 2003, respectively.

Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

	2004 -----
Net income (loss), as reported	\$ 152,935
Deduct: (Loss), Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax effects	(159,395) -----
Pro forma net (loss)	\$ (6,460) =====
Earnings per share:	
Basic - as reported	\$ .08 =====
Basic - pro forma	\$ .00 =====
Diluted - as reported	\$ .07 =====
Diluted - pro forma	\$ .00 =====

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, principally consist of accounts receivable. The Company's policies do not require collateral to support customer accounts receivables. No concentrations existed for the years ended December 31, 2004 and 2003.

26

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004 AND 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk (Continued)

Included in the Company's cash is a thirty day renewable commercial paper instrument through Ford Motor Credit Company. At December 31, 2004, the instrument had a value of \$502,700.

Income Per Common Share

Income per common share is based on the weighted average number of shares outstanding, which was 1,978,390 and 1,939,169 for the years ended December 31, 2004 and 2003, respectively.

The Company has various notes payable that include conversion rights to common stock. Total potential convertible shares were approximately 160,000 shares at December 31, 2004. Additionally, the Company has outstanding stock options of 264,404 shares at December 31, 2004. As a result, the Company has the potential of issuing approximately 424,404 of additional shares of common stock at December 31, 2004.

Inventory

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

Inventories consist of sandstone and are valued at the lower of first-in, first-out (FIFO) cost or market.

### Restricted Cash

The Company's certificate of deposit is assigned to the Ohio Department of Natural Resources Division of Reclamation. The Ohio Department of Natural Resources requires all companies engaged in mining activities in the state to maintain an interest bearing certificate of deposit to qualify for a mining permit.

### Shipping and Handling Costs

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

### New Accounting Pronouncements

In December 2004 the Financial Accounting Standards Board ("FASB") issued FASB No. 123 (revised), Share-Based Payment, ("FASB 123 (R)"). FASB 123(R) eliminates the alternative of using Accounting Principles Board's Opinion No. 25 Accounting for stock issued to employees ("APB No. 25") intrinsic value method of accounting that was provided in FASB 123 as originally issued. Under Opinion No. 25, issuing stock options to employees generally resulted in recognition of no compensation cost. FASB No. 123(R) requires entities to recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of these awards (with limited exceptions.) FASB No. 123(R) is effective for the Company beginning with its quarter ending March 31, 2006. Until FASB No. 123(R) is effective the Company has elected to continue using the intrinsic value method of accounting for its stock-based compensation plans.

27

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004 AND 2003

### NOTE 2 - RELATED PARTIES

On October 1, 1999, the Company signed an interest-only note with Roulston Ventures Limited Partnership (RVLP), a significant shareholder, for \$150,000. Repayment of principal was to be made on October 1, 2004. At any time up to the maturity date, RVLP had the right to convert the debt into shares of common stock at \$5.00 per share. On September 30, 2004 the entire debt was converted into 30,000 shares of common stock.

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

In 2003, the Company signed unsecured notes payable to directors, officers of the Company, and various other persons totaling \$220,000. Interest only was payable quarterly at 5% per year. Principal was due between March 31, 2004 and May 15, 2004. At any time up to the due dates, note holders had the right to convert the notes into common stock at \$3.50 per share. On July 1, 2004 these notes payable were converted to 65,852 shares of common stock.

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

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

### NOTE 3 - LONG TERM DEBT

	2004	2003
<p>Unsecured note payable to Roulston Ventures L.P. (a significant shareholder). Interest only payable quarterly at 6%. Balance was due October 1, 2004. Convertible to common stock at note holders option on or before due date. Convertible at \$5.00 per share. On September 30, 2004 the note converted to common stock.</p>	\$ -0-	\$ 150,

28

### AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2004 AND 2003

### NOTE 3 - LONG TERM DEBT (CONTINUED)

	2004
<p>Balance Forward</p>	\$ -0-
<p>Unsecured note payable to lender. Interest only payable quarterly at 6% per year. Balance due January 15, 2007. Convertible to common stock at note holder's option on or before due date. Convertible at \$5.00 per share</p>	500,000
<p>Unsecured notes payable to directors, officers of the Company, and various other persons. Interest only payable quarterly at 5% per year. Balance was due between March 31, 2004 and May 15, 2004. Convertible to common stock at note holders' option on or before due date. Convertible at \$3.50 per share. On July 1, 2004 the notes were converted to common stock</p>	-0-
<p>Unsecured note payable to bank. Interest payable in</p>	

Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

monthly installments of prime plus 2%, 6% as of December 31, 2003. The loan was paid in full in 2004.	-0-
7.5% fixed rate commercial real estate loan payable to BRM Quarry Co., LLC. Interest only payable monthly. Balance due June 25, 2007. Secured by Land.	600,000
10% fixed rate commercial real estate loan payable to Madison/Route 20, LLC. Interest only payable monthly. Balance payable on October 13, 2006. Secured by land.	900,000
Unsecured note payable to Roulston Venture Capital L.P (a significant shareholder). Interest only payable quarterly at 6%. Balance is due October 1, 2005. Convertible to common stock at \$5.00 per share at note holders option on or before due date.	300,000

29

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004 AND 2003

NOTE 3 - LONG TERM DEBT (CONTINUED)

	2004
	-----
Balance Forward	\$ 2,300,000
Unsecured note payable to lender with interest at 5%. Balance due February 1, 2007.	25,354
Note payable to lender with interest at 10% per year. Monthly payments of \$645 including interest until May 2007. Secured by equipment.	16,057
Unsecured note payable to lender without interest Payable in monthly payments of \$1,159. until April 2008.	46,358
Note payable - Amherst Quarry, Inc. (a related party). Principal and interest of 4.5% due November 21, 2007. Secured by land. Note provides for certain additional contingent payments (Note 2).	500,000
	-----
	2,887,769
Less: Current Portion	332,177
	-----
	\$ 2,555,592
	=====

Following is a summary of future maturities of long-term debt as of December 31, 2004:

Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

2005	\$ 332,177
2006	933,152
2007	1,617,806
2008	4,634
2009 and thereafter	-0-
	-----
	\$ 2,887,769
	=====

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

30

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004 AND 2003

NOTE 5 - FINANCIAL REPORTING FOR SEGMENTS OF THE COMPANY

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

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

	2004	
	-----	-----
Net sales, including geographic transfers		
United States	\$ 2,239,923	\$
Canada	159,175	
	-----	-----
	\$ 2,399,098	\$
	=====	=====
Income/(Loss) from operations:		
United States	\$ 221,889	\$
Canada	-0-	
	-----	-----
Income/(Loss) from operations:	221,889	
Other income (expense)	(68,954)	
	-----	-----
Income/(Loss) from operations before income taxes	\$ 152,935	\$
	=====	=====
Identifiable assets:		

Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

United States

\$ 4,755,266

\$

NOTE 6 - LEASES

The Company has entered into operating lease agreements for trucks and equipment. Lease payments in 2004 and 2003 amounted to \$48,543 and \$48,426, respectively.

Below is the future minimum lease payment schedule.

2005	\$ 9,673
2006	6,338
2007	1,143
	-----
	\$ 17,154
	=====

31

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2004 AND 2003

NOTE 7- INCOME TAXES

Income taxes on continuing operations include the following:

	2004	2003
	-----	-----
Currently payable	\$ -0-	\$ -0-
Deferred	-0-	-0-
	-----	-----
Total	\$ -0-	\$ -0-
	=====	=====

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

	2004		2003	
	-----	-----	-----	-----
	Income	% of Pretax Amount	Income	%
Income taxes per statement of income	\$ -0-	0%	\$ -0-	
Tax rate differences resulting from:				
Income (loss) for financial reporting purpose without tax expense or benefit. Utilization of loss carry-				

Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

forward (unavailable for carryback against prior income taxes paid)	\$ 52,000 -----	34% --	\$ (63,192) -----
Income taxes at statutory rate	\$ 52,000 =====	34% ==	\$ (63,192) =====

The Company has unused operating loss carry forwards available at December 31, 2004 of approximately \$6,300,000 that may be applied against future taxable income and expire in various amounts from 2007 to 2023.

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

The Company's deferred tax assets and liabilities at December 31, 2004 and 2003 consist of:

	2004 -----	2003 -----
Deferred tax asset	\$ 2,100,000	\$ 2,217,000
Valuation allowance	(1,973,000)	(2,080,000)
Deferred tax liability	(127,000)	(137,000)
	-----	-----
	\$ -0-	\$ -0-
	=====	=====

32

AMERICAN STONE INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004 AND 2003

NOTE 7 - INCOME TAXES (CONTINUED)

Deferred taxes are provided for temporary differences in deducting expenses for financial statement and tax purposes. The principal source for deferred tax assets is different methods for recovering depreciation and net operating loss carry forwards. No deferred taxes are reflected in the balance sheet at December 31, 2004 and 2003 due to a valuation allowance. As of December 31, 2004 and 2003, the Company recognized a \$107,000 and \$331,000 decrease in the valuation allowance, respectively.

NOTE 8 - PROFIT SHARING PLAN

American Stone Corporation has a 401(k) profit-sharing plan (the Plan) offered to employees with more than 90 days of service. Contributions under the Plan are discretionary and are determined annually by the Company's Board of Directors. In addition, the Plan provides for a match of 50% of employee contributions to the Plan up to 6% of employee wages. Company contributions to the plan in 2004 and 2003 were \$12,797 and \$11,112 respectively.

NOTE 9 - OPTION AGREEMENT

The Company owns approximately 1,100 acres of land in Northern Ohio. On May 24, 2004, American Stone Corporation executed an Option Agreement (the "Agreement") with Trans European Securities International LLP, ("Trans



## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

European"), under which Trans European acquired an option to purchase approximately 900 acres of American Stone's real estate located in Lorain County, Ohio, (the "Real Estate") for a purchase price of \$23,740,000.

The property has frontage on State Route 113 and Quarry Road. It is approximately three miles from the Ohio Turnpike with access at Baumhart Road, Route 58 and Route 57. Under the terms of the Agreement, Trans European has an option for a period of 15 months to purchase the Real Estate. To acquire the option, Trans European was required to pay American Stone a \$250,000 non-refundable Option Fee: \$125,000 was paid on or about May 9, 2004 and \$125,000 was paid on or about February 18, 2005.

Upon the exercise of the option, which must take place prior to August 31, 2005, Trans European has agreed to purchase the Real Estate and pay to American Stone: \$5,000,000, minus the Option Fee and other credits and allocations, within 30 days of the exercise or the expiration of the option period, whichever is later (the "Closing Date"): \$10,000,000 one year later: and the balance of the purchase price, or approximately \$8,490,000 on the second anniversary of the Closing Date. In addition to the purchase price noted above, Trans European has agreed to share with American Stone a portion of its earnings that relate to other than residential sales of real estate.

The sale of this portion of American Stone's real estate will not interfere with any of American Stone's existing or planned stone quarrying or processing operations. American Stone expects to operate in all respects on their remaining approximately 200 acres of land, which are not included in the Real Estate which is the subject of the Agreement.

33

### PART III

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

None.

#### ITEM 8A. CONTROLS AND PROCEDURES

The Company's management, under the supervision and with the participation of the Company's President and Chief Executive Officer have concluded that the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a - 14) were, as of December 31, 2004, sufficiently effective to ensure that the information required to be disclosed by the Company in the reports it files under the Exchange Act is gathered, analyzed and disclosed with adequate timeliness, accuracy and completeness, based on an evaluation of such controls and procedures completed on March 7, 2005.

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

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

The information required by this Item 9 as to the Directors of the Company is incorporated herein by reference to the information set forth under the caption "Election of Directors" in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on April 20, 2005.

OFFICERS OF THE COMPANY

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

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

The executive officers are elected each year and serve at the pleasure of the Board of Directors. The following is a list of the executive officers of the Company as of March 16, 2005.

34

Name and Age -----	Position -----
<p>Enzo Costantino..... Age 43</p>	<p>Mr. Costantino has served as Treasurer of the Company and as a Director since 1996. He has been Secretary and Treasurer of Terrazzo, Mosaic &amp; Tile Company, Ltd. since 1994. Terrazzo, Mosaic &amp; Tile, located in Toronto, Ontario, is a subcontractor for all types of hard and soft commercial surfaces. Prior to joining Terrazzo, Mosaic &amp; Tile, Mr. Costantino was the controller of Daicon Contractors, a general contractor located in Toronto, Ontario, from 1989 to 1994, and the cost accounting manager for Canada Packers, a meat processor located in Toronto, Ontario, from 1983 to 1989.</p>
<p>Michael J. Meier..... Age 50</p>	<p>Mr. Meier has served as Secretary of the Company and as a Director since 1996. He has been the Corporate Controller and Chief Accounting Officer of PolyOne Corporation (NYSE: POL) since January 2004. PolyOne Corporation, headquartered in Avon Lake, Ohio with 2004 annual revenues of approximately \$2 billion, is an international polymer services company with operations in thermoplastic compounds, specialty polymer formulations, color and additive systems, and thermoplastic resin distribution. From September 2002 until January 2004 he was the Director of Finance for the Elastomers and Performance Additives Group of PolyOne. From May 1999 until December 2002 he was the Director of Finance and Information Technology of the Specialty Resins and Formulators Group of PolyOne. He was previously Vice-President of Finance, Chief Financial Officer, Secretary and Treasurer of Defiance, Inc. (Nasdaq: DEFI) from 1990 until February 1999. Defiance, a supplier of products and services to the U.S. transportation industry, was purchased by General Chemical Group, Inc. (NYSE: GCG) in February 1999.</p>
<p>Russell Ciphers, Sr..... Age 67</p>	<p>Russell Ciphers, Sr. has served as President and Chief Executive Officer since October 23, 2002 and as Principal Financial Officer since March 19, 2003. Mr. Ciphers was previously the President and Chief Executive Officer of R.B. MFG. Co., a material handling manufacturer, from February 1996 until October 1, 2001.</p>

### AUDIT COMMITTEE FINANCIAL EXPERTS

The Board of Directors of the Company has determined that Michael J. Meier, who is a member of the audit committee of the Board of Directors of the

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

Company, qualifies as an "audit committee financial expert" as defined in the applicable regulation of the Commission and is "independent" as that term is defined by listing standards of the NASDAQ.

35

### REPORTING OF BENEFICIAL OWNERSHIP

Information required by Item 405 of Regulation S-B is incorporated by reference to the information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on April 20, 2005.

### CODE OF ETHICS

The Company has adopted a code of ethics applicable to its principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions (the "Code of Ethics").

### ITEM 10. EXECUTIVE COMPENSATION.

The information required by this Item 10 is incorporated by reference to the information set forth under the caption "Executive Compensation" in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on April 20, 2005.

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

The information required by this Item 11 is incorporated by reference to the information set forth under the caption "Common Stock Ownership" in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on April 20, 2005.

### ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item 12 is incorporated by reference to the information set forth under the caption "Certain Relationships and Related Party Transactions" in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on April 20, 2005.

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

#### (a) Exhibits

Reference is made to the Exhibit Index set forth herein beginning at page 38.

#### (b) Reports on Form 8-K.

None.

36

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Certain information required by this Item 14 is incorporated by reference to the information set forth under the caption "Audited Related Fees" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on April 20, 2005.

Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

The audit committee of the Company approves in advance all audit, audit-related and non-audit services provided by the independent auditors and reviews all significant fees related to their services. None of services provided by the independent accountants during fiscal year 2003 or fiscal year 2004 were approved after the fact pursuant to Rule 2.01(c)(7)(i)(C).

SIGNATURES

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

AMERICAN STONE INDUSTRIES, INC.

By: /s/ Russell Ciphers, Sr.
-----
Russell Ciphers, Sr., President and Chief Executive Officer
Date: March 30, 2005

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

By: /s/ Russell Ciphers
-----
Russell Ciphers, Sr., President and Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)
Date: March 30, 2005

By: /s/ Enzo Costantino
-----
Enzo Costantino, Treasurer and Director
Date: March 30, 2005

By: /s/ Thomas H. Roulston II
-----
Thomas H. Roulston II, Chairman of the Board (Principal Accounting Officer)
Date: March 30, 2005

By: /s/ Michael J. Meier
-----
Michael J. Meier, Secretary and Director
Date: March 30, 2005

By: /s/ Glen Gasparini
-----
Glen Gasparini, Director
Date: March 30, 2005

By: /s/ Timothy I. Panzica
-----
Timothy I. Panzica, Director
Date: March 30, 2005

By: /s/ John R. Male
-----
John R. Male, Director
Date: March 30, 2005

By: /s/ Louis Stokes
-----
Louis Stokes, Director
Date: March 30, 2005

EXHIBIT INDEX

Table with 2 columns: EXHIBIT NUMBER and DESCRIPTION OF DOCUMENT. Row 1: 3.1 Certificate of Incorporation of the Company, dated November 13, 1992, as amended March 9, 1993, December 14, 1993, May 31, 1994,

(H)

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

August 1995, and June 24, 1998

3.2	By-laws of the Company	(A)
10.1	Asset Purchase Agreement between American Stone Corporation and Cleveland Quarries L.P., dated February 1, 1996	(A)
10.2	Amendment to and Restatement of Asset Purchase Agreement of February, 1996, between American Stone Corporation and Cleveland Quarries L.P., dated December 20, 1996	(A)
10.3	Stock Purchase Agreement between Roulston Ventures Limited Partnership and the Company, dated August 27, 1996	(A)
10.4	Indemnification Agreement between Cleveland Quarries, L.P., Slate and Stone Corporation of America, and American Stone Corporation, dated December 20, 1996	(A)
10.5	Share Purchase Option Agreement among TMT Masonry, Ltd., Roulston Ventures Limited Partnership and the Company	(A)
10.6	Share Purchase Option Agreement among TMT Masonry, Ltd., Roulston Ventures Limited Partnership and the Company, dated November 22, 1996	(C)
*10.7	American Stone Industries, Inc. 1998 Management Stock Option Plan	(B)
*10.8	American Stone Industries, Inc. 1998 Non-Employee Director Stock Option Plan	(B)
10.9	FirstMerit Bank, N.A., Defined Contribution Master Plan and Trust Agreement	(D)
10.10	Promissory Note payable by American Stone Industries, Inc. to Independence Bank dated January 5, 2004.	(H)
10.11	Convertible Subordinated Promissory Note Payable to Cost Controls, Inc.	(E)
10.12	6.00% Convertible Subordinated Note Due October 1, 2004, issued by the Company to Roulston Ventures Limited Partnership	(F)

38

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----	
10.13	6.00% Convertible Subordinated Note Due October 1, 2005, issued by the Company to Roulston Venture Capital, L.P.	(F)
10.14	\$500,000 Promissory Note issued by the Company to Amherst Quarry, Inc.	(F)
10.15	Mortgage Deed granted by the Company to Amherst Quarry, Inc. in consideration of \$500,000 Promissory Note	(F)
10.16	Subordinated debenture issued to Fairport Finance Corp. on May 1, 2003	(G)
10.17	Subordinated debenture issued to Male Family Limited Partnership on May 1, 2003	(G)

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

10.18	Subordinated debenture issued to Michael J. Meier on April 1, 2003	(G)
10.19	Subordinated debenture issued to Timothy I. Panzica on April 1, 2003	(G)
10.20	Subordinated debenture issued to Louis B. Stokes on April 1, 2003	(G)
10.21	Subordinated debenture issued to Terrazzo Mosaic & Tile Co. on April 1, 2003	(G)
10.22	Promissory Note for Fixed Rate Commercial Real Estate Loan payable to Madison/Route 20, LLC	(H)
10.23	Option Agreement Relating to Land at Cleveland Quarries between American Stone and Trans European Securities International LLP	(I)
10.24	Loan Modification Agreement to Promissory Note for Fixed Rate Commercial Real Estate Loan payable to Madison/Route 20, LLC	(J)
10.25	Promissory Note for Fixed Rate Second Mortgage on Real Estate Payable to BRM Quarry Co. LLC	(J)
14.1	Code of Ethics (February 2004)	(H)
21.1	Subsidiaries of the Company	
23.1	Consent of Hobe & Lucas	
31.1	Rule 13a-14a/15d-14(a) Certification	
32.1	Section 1350 Certification	

-----  
\* Management contract or compensatory plan or arrangement.

39

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

## Edgar Filing: AMERICAN STONE INDUSTRIES INC - Form 10KSB

- (G) Incorporated herein by reference to exhibits 10.1 through 10.6 to the Company's quarterly report on Form 10-QSB for the period ended September 30, 2003.
- (H) Incorporated herein by reference to the appropriate exhibit to the Company's annual report on Form 10-KSB for the period ended December 31, 2003.
- (I) Incorporated herein by reference to exhibit 10.1 to the Company's quarterly report on Form 10-QSB for the period ended June 30, 2004.
- (J) Incorporated herein by reference to exhibits 10.1 through 10.2 to the Company's quarterly report on Form 10-QSB for the period ended September 30, 2004.