

AMERICAN RESOURCES & DEVELOPMENT CO
Form 10-Q
August 06, 2009

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

FORM 10-Q

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

For Quarter Ended: June 30, 2009; or

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

For the transition period _____ to _____

Commission File Number: 0-52561

American Resources and Development Company
(Exact name of Registrant as specified in its charter)

UTAH
(State or other Jurisdiction of
of Incorporation or Organization)

87-0401400
(IRS Employer
Identification No.)

5891 Sagewood, Murray, UT
(Address of principal executive offices)

84107
(Zip Code)

(801) 230-1030
(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that a registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

As of August 7, 2009, there were 467,039,666 shares of the issuer's Common Stock, \$0.001 par value, issued and outstanding.

Transitional Small Business Disclosure Format Yes No

AMERICAN RESOURCES and DEVELOPMENT COMPANY AND SUBSIDIARIES
Report on Form 10-Q

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AMERICAN RESOURCES AND DEVELOPMENT COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets

	June 30, 2009 (Unaudited)	March 31, 2009
ASSETS		
CURRENT ASSETS		
Cash	\$ 4,133	\$ 6,954
Note receivable - related party	17,500	17,500
Investments	2,381,271	2,021,803
Total Current Assets	2,402,904	2,046,257
TOTAL ASSETS	\$ 2,402,904	\$ 2,046,257
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 4,615	\$ -
Accounts payable - related party	-	165
Total Current Liabilities	4,615	165
TOTAL LIABILITIES	4,615	165
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock; \$0.01 par value; 500,000,000 shares authorized; 467,039,666 shares issued and outstanding	467,040	467,040
Additional paid-in capital	11,553,822	11,553,822
Accumulated deficit	(9,622,573)	(9,974,770)
Total Stockholders' Equity (Deficit)	2,398,289	2,046,092
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 2,402,904	\$ 2,046,257

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

AMERICAN RESOURCES AND DEVELOPMENT COMPANY AND SUBSIDIARIES
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended June 30,	
	2009	2008
REVENUES	\$ 382,968	\$ 883,822
COST OF SALES	-	-
GROSS PROFIT	382,968	883,822
EXPENSES		
General and administrative	33,650	74,323
Total Expenses	33,650	74,323
OPERATING LOSS	349,318	809,499
OTHER INCOME (EXPENSES)		
Interest income	-	7,602
Other income	2,879	-
Total Other Income (Expense)	2,879	7,602
Provision for Income Taxes	-	-
NET INCOME (LOSS)	\$ 352,197	\$ 817,101
BASIC LOSS PER SHARE	\$ 0.00	\$ 0.00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	466,770,406	466,770,406

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

AMERICAN RESOURCES AND DEVELOPMENT COMPANY AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Months Ended June 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 352,197	\$ 817,101
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Earnings on investments	(359,468)	(883,822)
Interest earned on investments	-	(7,560)
Unrealized loss on investments	-	-
Changes in operating assets and liabilities		
Increase in accounts payable and accrued expenses	4,450	-
Net Cash Used by Operating Activities	(2,821)	(74,281)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for investments	-	(95,000)
Cash withdrawals from investments	-	190,000
Net Cash Provided (Used) by Investing Activities	-	95,000
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
NET INCREASE (DECREASE) IN CASH	(2,821)	20,719
CASH AT BEGINNING OF PERIOD	6,954	21,429
CASH AT END OF PERIOD	\$ 4,133	\$ 42,148
CASH PAID FOR:		
Interest	\$ -	\$ -
Income Taxes	\$ -	\$ -
SUPPLEMENTAL SCHEDULE OF NON-CASH AND INVESTING ACTIVITIES	\$ -	\$ -

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

AMERICAN RESOURCES AND DEVELOPMENT COMPANY AND
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Notes to the Condensed Consolidated Financial Statements

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed financial statements includes normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim condensed financial statements be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its March 31, 2009 Annual Report on Form 10-K of the Company. Operating results for the period ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending March 31, 2010.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The accompanying consolidated financial statements include those of American Resources and Development Company (the Company) and its wholly-owned subsidiary, Springfield Finance and Mortgage Company, LLC (SFMC). In addition, the consolidated financial statements include those of Springfield Investment, Inc. (SFIC) and Springfield Construction, LLC (SFCC). Both SFIC and SFCC, although not majority owned by the Company, have been determined to be "Variable Interest Entities" pursuant to FIN 46 and have therefore been consolidated in these financial statements. All inter-company items and transactions have been eliminated in consolidation.

The Company was formed on March 21, 1983 and until 2007 was in the business of providing debt financing to other entities involved in the development of residential real estate through its SFMC subsidiary. The Company obtained the capital for the financing of real estate development from outside sources as well as certain majority shareholders. Since March 2007 the Company has changed its primary strategic focus to that of making temporary investments in stock options through a "short strangle" strategy.

b. Accounting Method

The Company's consolidated financial statements are prepared using the accrual method of accounting. The Company has elected an March 31 year-end.

AMERICAN RESOURCES AND DEVELOPMENT COMPANY AND
SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Recognition of Revenues

Investment income is the Company's primary earnings focus. Revenues from investments are derived from trading securities, and unrealized gains and losses are recorded as earnings whether or not the underlying securities are sold. During periods in which the Company's investments decrease in value, the losses are recorded as negative revenues.

d. 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 reporting period. Actual results could differ from those estimates.

e. Concentration of Credit 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 addition, the Company occasionally maintains cash investments with institutions that are not federally insured.

f. 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.

g. Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. There were no advertising charges during the periods presented in these financial statements.

h. Property and Equipment

Property, equipment, and capital leases are recorded at cost and are depreciated 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.

AMERICAN RESOURCES AND DEVELOPMENT COMPANY AND
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Notes to the Condensed Consolidated Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Basic Income (Loss) per Share

Basic income (loss) per share is computed based on the weighted average number of common shares outstanding during the period. As of June 30, 2009, there were no common stock equivalents outstanding. Therefore, the basic and fully diluted income (loss) per share is the same for the periods presented herein.

j. Recent Accounting Pronouncements

In May 2009, the FASB issued FAS 165, "Subsequent Events". This pronouncement establishes standards for accounting for and disclosing subsequent events (events which occur after the balance sheet date but before financial statements are issued or are available to be issued). FAS 165 requires an entity to disclose the date subsequent events were evaluated and whether that evaluation took place on the date financial statements were issued or were available to be issued. It is effective for interim and annual periods ending after June 15, 2009. The adoption of FAS 165 did not have a material impact on the Company's financial condition or results of operation.

In June 2009, the FASB issued FAS 166, "Accounting for Transfers of Financial Assets" an amendment of FAS 140. FAS 140 is intended to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets: the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. This statement must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009. The Company does not expect the adoption of FAS 166 to have an impact on the Company's results of operations, financial condition or cash flows.

In June 2009, the FASB issued FAS 167, "Amendments to FASB Interpretation No. 46(R)". FAS 167 is intended to (1) address the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, as a result of the elimination of the qualifying special-purpose entity concept in FAS 166, and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provided timely and useful information about an enterprise's involvement in a variable interest entity. This statement must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009. The Company does not expect the adoption of FAS 167 to have an impact on the Company's results of operations, financial condition or cash flows.

AMERICAN RESOURCES AND DEVELOPMENT COMPANY AND
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Notes to the Condensed Consolidated Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Recent Accounting Pronouncements (Continued)

In June 2009, the FASB issued FAS 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles". FAS 168 will become the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of this Statement, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. This statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company does not expect the adoption of FAS 168 to have an impact on the Company's results of operations, financial condition or cash flows.

NOTE 3 - COMMON STOCK

During fiscal 2005 the Company issued 12,500,000 shares of its restricted common stock in exchange for the purchase of 100% of the members' units and net assets of SFMC. The value of the exchange (\$8,923) was deemed by management to be equal to the net book value of the assets and liabilities of SFMC since the only assets acquired were cash and notes receivable with values substantially equal to their face values, and the only liabilities were notes payable and accrued interest bearing terms deemed equal to traditional terms used in arms-length transactions. As of December 31, 2008, the Company had 467,039,666 shares of common stock issued and outstanding.

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

CAUTIONARY FORWARD - LOOKING STATEMENT

Statements included in this Management's Discussion and Analysis of Financial Condition and Results of Operations, and in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases and in oral statements made with the approval of an authorized executive officer which are not historical or current facts are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

A. Management's Plan of Operation

American Resources & Development Company ("ARDCO" or "the Company"), formerly known as Leasing Technology, Incorporated, was incorporated in Utah on March 21, 1983. On February 20, 1997 its name was changed to American Resources and Development Company. When used throughout this document, unless the context suggests otherwise, the "Company" refers to ARDCO and/or its subsidiaries.

By March 31, 2007, the real estate market in which had previously constituted the Company's primary business focus, had slowed considerably. Hence, the Company elected to terminate its business of providing financing for real estate development; and became focused on investing in the 'Futures Options market'.

The Company utilizes a 'short strangle' trading strategy; and, relies on the experienced investment advisors at MSI Trading to make all trading decisions and the brokers at Brewer Investment Group to execute orders and monitor margins on the account. These persons have a combined total of over 60 years of trading experience. Brewer is paid the industry standard commissions and fees; and MSI Trading is paid five (5%) percent of the net monthly income.

On April 18th, 2007 the Company opened account number 396-44607 with Infinity; and on May 31st, 2007, in order to receive better executions and commissions on trades, the Company transferred its account from Infinity to Brewer Futures Group, account number D13 89 N8535. All of the Company's trading in the futures market is presently being conducted thru its account at Brewer with funds being held at Peregrine Financial Group, the holding Futures Commission Merchant (FCM), where the company is able to rely on the experience and expertise of several trading specialists as well as on the experience and expertise of the Investment Advisors at MSI Trading. The Brokers at Brewer and PFG (FCM) are all registered with the NFA and CFTC regulatory bodies of the Futures industry.

By utilizing the strategy of trading 'Short Strangle Options' the company is able to take advantage of trading the RANGE, rather than the DIRECTION of the market. Profits are earned (or lost) by receiving the time decay from the premium (credit) received from selling Option Contracts that have 30 to 60 day expiration. Option positions are generally closed out and new ones reset after the third Friday of each month. Thus, there are approximately 12 trading periods each year; and, the monthly liquidity allows traders to properly analyze and evaluate the recent trading range of the market before positioning new trades for the succeeding month. From a cash management perspective this also provides excellent liquidity.

The Company's goal is to take advantage of the markets trading RANGE rather than its DIRECTION. We sell Out-of-the-Money Call and Put Option contracts on the S&P 500 Futures (the underlying) market and receive a credit on each trade. We then take advantage of the time decay of these Out-Of-The-Money options as the market stays

between our two selected Strike Price levels. This strategy is called a Short Strangle. Profits (and or losses) are earned from the credit (premium) received and the time decay of the option contracts. Positions are generally closed out and new positions entered after the third Friday of each month, thus there are approximately 12 trading periods each year. The 30 day liquidity period allows us to properly analyze and evaluate the recent trading range of the market; and, to keep pace with the ever changing value of the S&P 500 Futures price. The re-positioning of trades for each succeeding month is a critical component in controlling risk. From a cash management perspective this concept provides excellent liquidity. Call Option Strike Prices are usually sold 100 points ABOVE the value of the underlying while Put Option Strike Prices are usually sold 125 – 200 points BELOW the underlying.

There are no limitations on the percentage of Company assets which the Company may invest in any one investment, or type of investment. Any Company policy regarding such investments may be changed without a vote of the Company's shareholders. It is the Company's policy to make investments primarily for income, though assets also may be acquired for possible capital gain.

RESULTS OF OPERATIONS

For the three months ended June 30, 2009 compared to the three months ended June 30, 2008.

During the three months ended June 30, 2009, the Company had revenues totaling \$382,968 compared to revenues of \$883,822 during the same period in 2008. This decrease is attributed to the Company's experiencing significant losses on its investments during the end of the 2008 calendar year, leaving less to be invested in the Company's futures portfolio for the quarter ended June 30, 2009. In addition, volatile market conditions have induced the Company to become slightly more conservative in its investment strategy than it was prior to the 4th quarter of the 2008 calendar year.

Operating expenses for the three months ended June 30, 2009 totaled \$33,650, a 55% decrease from the comparable period of 2008. This decrease resulted primarily from a streamlining of business operations during the quarter.

The Company recognized net income of \$352,197 during the three month period ended June 30, 2009, compared to net income of \$817,101 in the comparable period of 2008. This decreased net income resulted primarily from the Company's decreased investment revenues coupled with a decrease in interest income. These factors were partially offset by a significant decrease in operating expenses in the current quarter. Basic net income per share was \$0.00 for the three month period ended June 30, 2009, representing no change from the comparable period of 2008.

Liquidity and Capital Resources

As of June 30, 2009, the Company had working capital of \$2,398,289 compared to working capital of \$2,046,092 at March 31, 2009. The change in working capital resulted primarily from the Company's investment revenues.

During the three months ended June 30, 2009 the Company experienced negative cash flow from operating activities of \$2,821, and zero cash flows from investing and financing activities. The Company's cash requirements are currently so small that the Company can keep nearly all of its liquid assets invested in the market at all times. When the Company's cash needs become significant, the Company will simply liquidate a portion of its working investments. Management does not anticipate the necessity of any external financing within the next 12 months.

ITEM 3. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits to the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms, and that information is accumulated and communicated to the Company management, including the principal executive and principal financial officer (whom the Company refers to in this periodic report as the Certifying Officer), as appropriate to allow timely decisions regarding required disclosure. Company management evaluated, with the participation of the Certifying Officer, the effectiveness of the Company disclosure controls and procedures as of June 30, 2009, pursuant to Rule 13a-15(b) under the Securities Exchange Act. Based upon that evaluation, the Certifying Officer concluded that, as of

June 30, 2009, the Company disclosure controls and procedures were effective.

Changes in Internal Controls

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION.

ITEM 1. LEGAL PROCEEDINGS.

None

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None

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

None

ITEM 5. OTHER INFORMATION.

None

ITEM 6. EXHIBITS

The following exhibits are filed as a part of this report:

Exhibit Number*	Title of Document	Location
Item 31	Rule 13a-14(a)/15d-14(a) Certifications	
31.01	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Rule 13a-14	Attached
Item 32	Section 1350 Certifications	
32.01	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer and Chief Financial Officer)	Attached

* All exhibits are numbered with the number preceding the decimal indicating the applicable SEC reference number in Item 601 and the number following the decimal indicating the sequence of the particular document.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the Undersigned, thereunto duly authorized.

American Resources and Development Company,
a Utah corporation

Dated: August 6, 2009

/s/ Keith M Elison
By: Keith M Elison
Its: Chief Financial Officer