

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington D. C. 20549

FORM 10-QSB

(X) Quarterly report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934.  
**For the quarterly period ended June 30, 2001.**

( ) Transition report pursuant to Section 13 or 15(d) of the Exchange Act for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

**Commission File Number: 333-72097**

**AMERICAN COMMUNICATIONS ENTERPRISES, INC.**

(Exact name of registrant as specified in charter)

**Nevada**

(State of Incorporation)

**74-2897368**

(I.R.S. Employer I.D. No)

**355 Interstate Blvd., Sarasota, FL 34240**

(Address of Principal Executive Offices)

**(941) 923-1949**

(Registrant's Telephone Number, Including Area Code)

Check whether the registrant: (1) has filed all reports required to be filed by Section by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

**YES ( X ) NO ( )**

Indicate the number of shares outstanding of each of the issuer's classes of stock as of August 10, 2001.

**113,923,579 Common Shares**

Transitional Small Business Disclosure Format:

**YES ( ) NO ( X )**

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**AMERICAN COMMUNICATIONS ENTERPRISES, INC.**

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FORWARD-LOOKING STATEMENTS

Certain statements contained in this filing are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements relating to financial results and plans for future business development activities, and are thus prospective. These statements appear in a number of places in this Form 10-QSB and include all statements that are not statements of historical fact regarding intent, belief or our current expectations, with respect to, among other things: (i) our financing plans; (ii) trends affecting our financial condition or results of operations; (iii) our growth strategy and operating strategy; and (iv) the declaration and payment of dividends. The words "may," "would," "could," "will," "expect," "estimate," "anticipate," "believe," "intent," "plans," and similar expressions and variations thereof are intended to identify forward-looking statements.

Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, many of which are beyond our ability to control. Actual results may differ materially from those projected in the forward-looking statements as a result of various factors. Among the key risks, assumptions and factors that may affect operating results, performance and financial condition are changes in technology, fluctuations in our quarterly results, ability to continue and manage our growth, liquidity and other capital resource issues, competition and the other factors discussed in detail in our filings with the Securities and Exchange Commission.

**PART I  
FINANCIAL INFORMATION**

Item 1. Financial Statements (Unaudited)

**AMERICAN COMMUNICATIONS ENTERPRISES, INC.**  
(A Development Stage Company)  
Balance Sheet

ASSETS

CURRENT ASSETS	June 30, 2001 (unaudited)	December 31, 2000
Cash	\$ 80	\$ 186
Total Current Assets	\$ 80	\$ 186

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES

Accounts payable and accrued expense	\$ 173,802	\$ 10,460
Advances payable to related party	<u>149,539</u>	<u>114,569</u>
Total Current Liabilities	<u>323,341</u>	<u>125,029</u>

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY

Common stock, authorized 500,000,000 common shares; par value .001, 113,923,579 and 97,950,128 shares issued and outstanding,	1,682,983	1,321,983
Accumulated deficit during the development stage	<u>(2,006,244)</u>	<u>(1,446,826)</u>

Total Stockholders' Equity (Deficit)	<u>(323,261)</u>	<u>(124,843)</u>
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 80	\$ 186
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See accompanying notes.

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**AMERICAN COMMUNICATIONS ENTERPRISES, INC.**

(A Development Stage Company)

Statements of Operations

(Unaudited)

	For the Six Months Ended		For the Three Months Ended		From Inception of the Development Stage on
	June 30,	June 30,	June 30,	June 30,	October 29, 1998 Through
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>

REVENUES

Revenues	\$ -	\$ 252,403	\$ -	\$ 126,238	\$ 642,802
Cost of goods sold	<u>-</u>	<u>100,690</u>	<u>-</u>	<u>47,623</u>	<u>303,939</u>
Gross Profit	<u>-</u>	<u>151,713</u>	<u>-</u>	<u>78,615</u>	<u>338,863</u>

EXPENSES

General and administrative	559,418	464,408	214,598	260,670	2,187,078
Sales and marketing	<u>-</u>	<u>70,557</u>	<u>-</u>	<u>34,924</u>	<u>160,338</u>
Total Expenses	<u>(559,418)</u>	<u>534,965</u>	<u>214,598</u>	<u>295,594</u>	<u>2,347,416</u>
Other Income (Expense)	<u>-</u>	<u>646</u>	<u>-</u>	<u>-</u>	<u>2,309</u>
Net loss before provision for income taxes	(559,418)	(382,606)	(214,598)	(216,979)	(2,006,244)
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET LOSS	<u>\$ (559,418)</u>	<u>\$ (382,606)</u>	<u>\$ (214,598)</u>	<u>\$ (216,979)</u>	<u>\$ (2,006,244)</u>

Weighted average loss per share

Basic and Diluted	<u>(0.005)</u>	<u>(0.005)</u>	<u>(0.002)</u>	<u>(0.0025)</u>
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Weighted average shares outstanding

Basic and Diluted	<u>103,654,932</u>	<u>72,720,000</u>	<u>109,486,509</u>	<u>73,148,000</u>
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**AMERICAN COMMUNICATIONS ENTERPRISES, INC.**  
(A Development Stage Company)

STATEMENTS OF STOCKHOLDERS' DEFICIT

FOR THE SIX-MONTHS ENDED JUNE 30, 2001  
(Unaudited)

	<u>Common Stock</u>	Deficit Accumulated During the	
	<u>Shares</u>	<u>Amount</u>	Development <u>Stage</u>
Balance, December 31, 2000	97,950,128	\$ 1,321,983	\$ (1,446,826)
Issuance of common stock for services (\$.0226 per share)	15,973,451	361,000	-
Net loss for the six-months ended June 30, 2001	<u>-</u>	<u>-</u>	<u>(559,418)</u>
Balance, June 30, 2001	<u>113,923,579</u>	<u>\$ 1,682,983</u>	<u>\$ (2,006,244)</u>

**AMERICAN COMMUNICATIONS ENTERPRISES, INC.**  
(A Development Stage Company)

Statements of Cash Flows  
(Unaudited)

	For the		For the		From
	Six Months Ended		Three Months Ended		Inception of the Development Stage on
	June 30,	June 30,	June 30,	June 30,	October 29,
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	1998 Through
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Net loss	\$ (559,418)	\$ (382,606)	\$ (214,598)	\$ (216,979)	\$ (2,006,244)
<b>ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>					
Bad debt expense	-	26,666	-	23,144	40,285
Depreciation and amortization	-	26,400	-	12,450	44,550
Loss on abandoned assets	-	-	-	-	180,451
<b>CHANGES IN OPERATING ASSETS AND LIABILITIES:</b>					
(Increase) Decrease in receivables	-	40,499	-	15,199	(40,285)
Increase (Decrease) in payables and accrued expenses	163,342	96,654	(165,432)	88,243	167,662
Stock issued for services	<u>361,000</u>	<u>106,367</u>	<u>361,000</u>	<u>78,000</u>	<u>1,217,883</u>
Net cash provided (used) by operating activities	<u>(35,076)</u>	<u>(86,020)</u>	<u>(19,030)</u>	<u>57</u>	<u>(395,698)</u>
<b>CASH FLOWS FROM</b>					

INVESTING ACTIVITIES:

Purchase of fixed assets           -           -           -           -       (4,136)

CASH FLOWS FROM  
FINANCING ACTIVITIES:

Advances from stockholder           34,970       25,000       18,610       -       155,679  
 Issuance of common stock           -       25,000       -       -       200,100  
 Issuance of debt                   -       -       -       -       50,000  
 Payments of capital  
 lease obligations                             -      (5,865)           -      (3,000)      (5,865)

NET CASH PROVIDED (USED) BY  
FINANCING ACTIVITIES:

          34,970           44,135           18,610           (3,000)          399,914

Net (Decrease) Increase in cash       (106)       (41,885)       (420)       (2,943)       80

Cash at beginning of period                186          43,613           500          4,671           -

Cash at end of period           \$     80   \$  1,728   \$     80   \$  1,728   \$     80

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**AMERICAN COMMUNICATIONS ENTERPRISES, INC.**

(A Development Stage Company)

Statements of Cash Flows

(Unaudited) (continued)

	For the		From Inception of the Development Stage on		
	Six Months Ended		For the		October 29,
	June 30,		Three Months Ended		1998 Through
	2001	2000	June 30,	June 30,	June 30,
	2001	2000	2001	2000	2001

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid for:

Interest                   \$     -   \$     -   \$     -   \$     -   \$     -   \$     -

Income taxes               \$     -   \$     -   \$     -   \$     -   \$     -

SUPPLEMENTAL DISCLOSURE  
OF NON-CASH INVESTING AND  
FINANCING ACTIVITIES:

Equipment purchased under  
capital lease           \$     -   \$  34,379   \$     -   \$     -   \$  38,515

Stock issued for services   \$  361,000   \$  106,367   \$  361,000   \$  78,000   \$  1,217,883

Stock issued for debt       \$     -   \$     -   \$     -   \$     -   \$  50,000

Stock issued for license   \$     -   \$     -   \$     -   \$     -   \$  215,000

Disposal of asset and  
Capital lease payable   \$     -   \$     -   \$     -   \$     -   \$  32,650

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**AMERICAN COMMUNICATIONS ENTERPRISES, INC.**

(A Development Stage Company)

**NOTES TO THE FINANCIAL STATEMENTS**

(Unaudited)

#### NOTE 1: BUSINESS ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

American Communications Enterprises, Inc. (the "Company") was incorporated under the laws of the state of Nevada on October 29, 1998. The Company is considered to be in the development stage, as defined in Financial Accounting Standards Board Statement No. 7. The Company is currently in the process of creating strategic relationships and acquiring complementary operating companies within the global communications industry that have proven management and state-of-the-art technologies. Through October 12, 2000, the Company sought to purchase and operate radio stations throughout the United States. The planned principal operations of the Company have not commenced, therefore accounting policies and procedures have not yet been established.

Basis of Presentation: The accompanying unaudited financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-QSB and Rule 10-1 of Regulation S-X of the Securities and Exchange Commission (the "SEC"). Accordingly, these financial statements do not include all of the footnotes required by generally accepted accounting principles. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001. The accompanying financial statements and the notes should be read in conjunction with the Company's financial statements as of December 31, 2000 contained in its Form 10-KSB.

#### NOTE 2: RELATED PARTY TRANSACTIONS

During the quarter, the Company borrowed from Tampa Bay Financial, Inc. \$18,610, which is non-interest bearing, unsecured, and due on demand.

#### NOTE 3: GOING CONCERN

The accompanying financial statements have been prepared on a concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has a working capital deficiency of \$323,261, an accumulated deficit of \$(2,006,244) as of June 30, 2001, and a net loss for the quarter then ended of \$244,147. Accordingly its ability to continue as a going concern is dependent on obtaining capital and financing for its planned principal operations. The Company plans to secure financing for its acquisition strategy through the sale of its common stock and issuance of debt. However, there is no assurance that the Company will be successful in their efforts to raise capital or secure other financing. These factors among others may indicate that the Company will be unable to continue as a going concern for a reasonable period of time.

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#### NOTE 4: RECENT EVENTS

The Company entered into a letter of intent in May, 2001, to acquire 100% ownership of Aero Group, Inc., through a reverse merger. As of the date of this filing this transaction has not been consummated; however, Tampa Bay Financial, Inc., a related party shareholder, has advanced \$375,000 during July and August, 2001, to Aero Group, Inc. in connection with its obligations under the letter of intent.

#### Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

##### OVERVIEW

The following discussion and analysis should be read in conjunction with the balance sheet as of December 31, 2000 and the financial statements as of and for the six months ended June 30, 2001 and 2000 included with this Form 10-QSB.

We are considered to be in the development stage as defined in Financial Accounting Standards Board Statement No. 7. Although the Company has been in

existence for a number of years, management's efforts to develop the Company's business have not yet resulted in generation of significant revenues. To date, management's efforts have focused on acquisitions within the communications industry. The Company has recently changed the focus of its business, from radio communications to telephone communications using the internet as its backbone. Until acquisitions have been completed and potential customers are convinced of the viability of the Company's voice over internet protocol business, it is unlikely that the Company will generate significant revenue. The following discussion of the Company's historical financial results should be read against that background.

Readers are referred to the cautionary statement, which addresses forward-looking statements made by the Company.

## RESULTS OF OPERATIONS

For the six months and quarter ended June 30, 2001, we did not generate any revenues. We generated \$252,403 and \$126,238 in revenues for the six months and quarter ended June 30, 2000, through the Time Brokerage Agreement with the Stations, that primarily consisted of commercial or program time sold.

We incurred a net loss of approximately \$559,418 and \$214,598 for the six months and quarter ended June 30, 2001 as compared with a net loss of \$382,606 and \$216,979 for the six months and quarter ended June 30, 2000. For the quarter ended June 30, 2001, our operating expenses of \$214,598 consist primarily of accrued fees which were paid in April, 2001 through the issuance of common shares, whereas in the quarter ended June 30, 2000 operating expenses of \$295,594 consisted of broadcast operations, sales and marketing and general and administrative expenses. Such expenses decreased by \$80,996 as a result of the cessation of our Time Brokerage Agreement.

The results of operations for the period ended June 30, 2001 are not necessarily indicative of the results for any future interim period or for the year ending December 31, 2000. We expect to expand upon obtaining capital and financing for our planned principal operations.

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## LIQUIDITY AND CAPITAL RESOURCES

Our operating requirements have exceeded our cash flow from operations as we attempt to build our business. Operating activities during the quarter ended June 30, 2001, used cash of \$19,030. Operating activities were primarily funded through advances from Tampa Bay Financial, Inc. of \$18,610. At June 30, 2001, we had cash and cash equivalents of \$80. Our accrued expenses were substantially converted to equity in April, 2001 through the issuance of common shares.

Based upon our current plans, we anticipate that we will need to seek additional funding. The Company is pursuing acquisitions. Pursuit of acquisitions are in their early stages, however, it is difficult to predict what revenue stream, if any, they will generate.

We do not expect our revenue stream to be sufficient to cover costs of operations in the immediate future. We expect that we will continue to be required to raise capital to fund operations for the next year as targeted acquisitions may need cash to fund their operations. We will attempt to raise this capital by borrowing, but no lender has issued a binding commitment to the Company. Therefore, we expect to engage in one or more private placements of common stock to fund our operating needs. We have engaged in discussions with several parties who have expressed interest in assisting us in such a private offering, based on potential acquisitions. Management is confident that private equity or debt financing will be available to fund it until revenues from operations are sufficient to fund operations.

## CAUTIONARY STATEMENT

This Form 10-QSB, press releases and certain information provided periodically in writing or orally by the Company's officers or its agents contain statements which constitute forward-looking statements within the meaning of Section 27A of the Securities Act, as amended and Section 21E of the Securities Exchange Act of 1934. The words expect, anticipate, believe, goal, plan, intend, estimate and similar expressions and variations thereof if used are intended to specifically identify forward-looking statements. Those statements appear in a number of

places in this Form 10-QSB and in other places, particularly, Management's Discussion and Analysis of Financial Condition and Results of Operations, and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things: (i) the Company's liquidity and capital resources; (ii) the Company's financing opportunities and plans; and (iii) the Company's future performance and operating results. Investors and prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. The factors that might cause such difference include, among others, the following: (i) any material inability of the Company to successfully internally develop its products;(iii) any adverse effect or limitations caused by Governmental regulations; (iv) any adverse effect on the Company's continued positive cash flow and abilities to obtain acceptable financing in connection with its growth plans; (v) any increased competition in business; (vi) any inability of the Company to successfully conduct its business in new markets; and (vii) other risks including those identified in the Company's filings with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update or revise the forward-looking statements made in this Form 10-QSB to reflect events or circumstances after the date of this Form 10-QSB or to reflect the occurrence of unanticipated events.

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## PART II

### OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

none

Item 2. CHANGES IN SECURITIES

none

Item 3. DEFAULTS UPON SENIOR SECURITIES

none

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

none

Item 5. OTHER INFORMATION

none

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits:

10.1 Letter of Intent dated May 17, 2001, between the Registrant and Aero Group, Inc.

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

5/15/2001  
Date

/s/ Matthew A. Veal  
Matthew A. Veal  
Director, Chief Financial Officer,  
and Accounting Officer





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LETTER OF INTENT  
BY AND BETWEEN  
AMERICAN COMMUNICATIONS ENTERPRISES, INC.  
And  
AEROGROUP INCORPORATED

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**LETTER OF INTENT**

LETTER OF INTENT (the "Agreement"), dated as of May \_\_\_\_\_, 2001, between American Communications Enterprises, Inc. a Nevada corporation ("ACE"), and AeroGroup, Inc., a Nevada corporation (the "Company"), and Shareholders of the Company ("Shareholders").

**Witnesseth:**

**WHEREAS**, the Shareholders represent that they are the legal and beneficial owners of all of the outstanding shares of capital stock of the Company; and represent that the Company owns all of the properties (copyrights, patents,

trademarks, etc) that are included within the Company's Business Plan which is attached hereto and incorporated herein as Exhibit A; and that the Company warrants that it will use its best efforts to exact and accomplish its Business Plan as set forth and defined within said Business Plan attached hereto as Exhibit A; and

WHEREAS, the Shareholders desire to exchange 100% of the capital stock of the Company for shares of ACE, a publicly traded entity, and ACE desires to effect such exchange, all on the terms and conditions hereinafter set forth in such a manner that the exchange will constitute a tax-free reorganization pursuant to the provisions of Section 368 of the Internal Revenue Code of 1986, as amended and other applicable IRS and SEC statutory codes and regulations as mutually agreed upon between ACE and the Company's financial counsel:

WHEREAS, Frederick Wahl, the Chief Executive Officer of the Company, has been empowered and authorized by the Shareholders and other interested parties of the Company to enter into this Agreement, with such signature further supported by the signatures of the other interested parties of the Company as listed below; and

WHEREAS, the Company desires to raise not less than One Million Five Hundred Thousand dollars (US\$1,500,000.00) to be used for the Company's expansion and growth plans in exchange for 20% of the stock of The Company; and

WHEREAS, ACE is willing to complete the fund raising for the Company in consideration of the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the premises and the mutual agreements and undertakings hereinafter set forth, the parties do hereby agree to adopt a said plan of reorganization. The principal terms of which are as follows:

1. Delivery of Shares of the Company. The Shareholders agree to transfer and deliver to ACE, a public company, and ACE agrees to acquire 100% of the capital stock of the Company, from the Shareholders, as well as all the shares of one of the Company's affiliate entities listed below.

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2. Consideration for Transfer of Shares. Upon the terms and subject to the conditions set forth in this Agreement, ACE agrees to deliver its common shares, as more fully described in Article 4 below.
3. Publicly-Traded Entity. ACE represents and warrants that it is a publicly trading and fully reporting company, and has at all material times been in full compliance with all SEC and IRS codes and regulations. As a result of its business, ACE is able to acquire operating companies through acquisitions and mergers. ACE will assist the Company and work with the Company's legal and financial representatives in all phases of this process to acquire the Company. The process consists of the following steps:
  - a. Completing due diligence with and effecting an Agreement and Plan of Exchange with ACE.
  - b. Obtaining appropriate audits and applicable regulatory approval, if any.
  - c. Raising the necessary capital, which the Company has identified as a \$1.5 million funding, to be raised prior to, and paid to the Company at, the closing of this transaction, subject to a bridge loan of \$250,000 to be paid to Company within two (2) business days of the full execution of this Letter of Intent. This transaction shall close, pursuant to a definitive agreement approved by both parties, on or before five (5) business days from the completion and presentment of SEC qualified audited financial statements on the Company and its affiliated leasing companies.
  - d. It is currently contemplated that substantially all of the shares issued to the Company's Shareholders shall be subject to the applicable one (1) year holding period and two (2) year volume restriction under Rule 144 of the Securities and Exchange Commission (SEC).

The Company agrees to provide its full and maximum cooperation in the accomplishment of these goals. Until the date the reorganization is fully

accomplished, the Company will continue to operate as an independent business entity.

4. ACE's Representations.

- a. ACE does not have outstanding and has not agreed, orally or in writing, to issue any stock or securities convertible or exchangeable for any shares of its stock, nor does it have outstanding nor has it agreed, orally or in writing, to issue any options or rights to purchase or otherwise acquire its stock.
- b. ACE is not subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its stock.
- c. That ACE has not violated any applicable securities laws or regulations in connection with the offer or sale of its securities other than violations that have been, or will before the exchange contemplated herein have been, correct by post-issuance filings. Furthermore, at all material times, ACE has not been de-listed, there is no pending litigation, and there have been no notices of late filings by the SEC.
- d. All of the outstanding shares of ACE's capital stock are validly issued, fully paid, and non-assessable.
- e. The Shareholders will have, and upon exchange thereof pursuant to the terms of this Agreement, good and marketable title to the Shares, free and clear of all security interests, liens, encumbrances, or other restrictions or claims, subject only to restrictions as to marketability imposed by securities laws.
- f. Assuming that the representations herein are true and correct, neither Tampa Bay Financial, Inc. or ACE have violated or will violate any applicable securities laws in connection with the offer or exchange of the Shares to Shareholders hereunder.
- g. ACE has complied with all applicable SEC reporting requirements, copies of the last two (2) years of which will be delivered to the Company within five (5) days after the execution of this Agreement.
- h. ACE has SEC qualified audited financial statements, copies of the last two (2) years of which will be delivered to the Company within ten (10) days after the execution of this Agreement.
- i. ACE submits that it has full authority of its Boards of Directors to enter into this Letter of Intent and effect the transaction set forth herein.
- j. Furthermore, there shall be no reverse split of the Company's shares for a thirty (30) day period following the execution of an Agreement and Plan of Exchange between the companies; secondly, for the next two (2) years following such agreement, any reverse split (or reverse splits in the aggregate) shall not be greater than ten (10) for one (1).
- k. Contemporaneously with the closing of this transaction, all present officers and directors of ACE will resign, and any necessary corporate minutes and/or changes to the by-laws will be completed. The Shareholders shall elect all of the new directors and officers post-merger/acquisition.

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5. **Obligation to Close.** Upon funding of the bridge loan of \$250,000, this Agreement shall be binding as to all clauses requiring closing of the Agreement and Plan of Exchange. Upon a finding by a Court of competent jurisdiction that good cause does not exist for the failure to consummate the transaction set forth herein, there shall result a penalty of two hundred and fifty thousand dollars (\$250,000) from the breaching party. If the Company is found to be in breach, then it shall pay to ACE the penalty sum. If ACE, Tampa Bay Financial, or one of its assigns or agents shall be the breaching party, then ACE shall forfeit the \$250,000 bridge loan to the Company and the note shall be deemed satisfied without any further action.

6. Exchange of Shares. Both parties have agreed to a distribution of controlling shares of ACE, which is allocated as follows:
- a. Up to twenty percent (20%) to ACE and/or its assigns or designees, based on the amount actually raised under the Private Placement, together with an option for the full twenty percent (20%) upon delivery of the full amount due under the Private Placement (of which all costs and funds raised will come from ACE through the sale of its allocated shares or otherwise) after the completion of the stock reverse split; and
  - b. The remaining shares shall be transferred to the designated Shareholders of AeroGroup, which will represent approximately sixty percent (60%) of ACE at closing. Contemporaneously with the merger/acquisition of the Company by ACE, one of the affiliated leasing companies (to be determined by the Company prior to closing) will also be acquired by ACE as part of the foregoing consideration.
  - c. Upon completion of the contemplated Plan of Exchange, three (3) of the following airplane leasing companies controlled by Rick Wahl and Mark Daniels shall immediately be acquired ACE, with the fourth having already been acquired at closing.
    1. Genesis Capital Services, LLC
    2. Allied Aircraft Holdings, Inc.
    3. Flight Ventures, Inc.
    4. Jetch Leasing, Inc.
  - d. Upon the subsequent acquisition of the three (3) remaining affiliate leasing companies, the designated Shareholders of AeroGroup will receive an additional twenty percent (20%) ownership in ACE, which will represent an aggregate ownership interest of exactly eighty percent (80%) of the then issued and outstanding shares of ACE by the designated Shareholders.

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As part of the transactions, ACE will arrange, at its sole cost and expense (which may be reimbursed to ACE as part of the funds raised in excess of One Million Five Hundred Thousand {US\$1,500,000} under the Private Placement) for the necessary primary funding of the Company in the aggregate amount of One Million Five Hundred Thousand {US\$1,500,000}, as stated above.

7. Management. Post merger, ACE agrees to perform limited management services for the Company on a best efforts basis. These services include, but are not limited to, the following:
- a. Procuring the services of legal counsel, acceptable to the Company, to effect the transaction, at no cost to the Company.
  - b. Recruiting management and directors, if needed and approved by the directors and the Shareholders of the Company.
  - c. Administrative and operational support, at no charge to the Company.
  - d. Assist in the implementation of a strategic plan for public relations and dissemination of promotional materials, at no charge to the Company, to create visibility and public awareness for the Company.

There shall be no charge to the Company for these services. AeroGroup shall maintain direct operational control of its business and shall be entitled to no less than three (3) directors on the Company's Board of Directors, which shall be constituted of no more than five (5) directors, such that AeroGroup shall maintain a majority on the Board at all material times.

8. Further Provisions:

- a. Exclusivity. Subject to the terms of Item 4 of this document, the Company agrees that without the express written consent of ACE, which consent will not be unreasonably withheld, for a period of thirty (30) days after the date hereof, and thereafter so long as negotiations are progressing with ACE on a definitive written agreement, the Company and its Shareholders agree that they will not solicit, accept, enter into, negotiate or otherwise pursue any offers for the sale, transfer or assignment (by merger or otherwise) of the assets or business of the Company, the sale or issuance of any shares in the Company, or

for employment of any of the professional personnel or any other key employees of its business by any other individual or entity. The proposed transaction is subject to the execution of a definitive written agreement satisfactory to all parties, which shall contain customary representations, warranties and other

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provisions. The approval of the proposed transaction by ACE, and the receipt and review by ACE of additional requested due diligence information with respect to the Company is also a condition precedent.

Either party may terminate this Agreement for cause upon thirty (30) days written notice. Cause is to be defined as including, but not limited to, a material breach of this Agreement or the dissatisfaction of ACE with the completion of its due diligence on the Company or the dissatisfaction of the Company with the completion of its due diligence on ACE. The termination penalty set forth above shall not be applicable or due if this Agreement is terminated for cause.

b. Venue. Venue for any legal proceeding in connection with this Agreement shall be Palm Beach County, Florida. Florida law shall govern any dispute between the parties herein.

c. Confidentiality. The parties may request from each other certain documents and other pertinent material related to the transaction including, without limitation, financial data, tax information, future plans and other information relating to the assets which the parties consider to be confidential. All of the confidential information shall at all times be the property of the respective parties, and they shall obtain no rights in any such confidential information they obtain, until after closing of the transaction. Except as may be required by applicable law(s) or as the parties may from time to time consent in writing, the parties shall not, at any time, disclose any confidential information, or any part thereof, to any person, firm, corporation, association, or other entity for any reason or purpose whatsoever. Except as otherwise required herein, and except for information that is being sold by the parties at such other time or times as the parties may request, the parties shall immediately return to each other all of their confidential information and shall not retain any copies thereof and shall continue to refrain from any use whatsoever of any confidential information. In the event either party takes any action or fails to take any action in contravention of this Section, that party shall indemnify and hold harmless the other party from any damage or claim that may arise as a result of such action or inaction. In addition, that party shall be entitled to collect from the other party all costs incurred in obtaining such indemnification, including all attorney and court fees. The parties shall take any and all legal actions necessary to minimize any damages resulting from such disclosure, to retrieve such disclosed confidential information, and to return same to the other party upon their direction. Each party shall be responsible for any action or inaction in contravention of this Section by their personal representatives, successors and assigns.

d. Hold Harmless. Both the Company and ACE agree to hold each other harmless on any act either performs other than acts of gross negligence, malfeasance, fraud,

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theft, or as set forth in "c" above in their effort to perform under this Agreement. ACE and its Chairman/Chief Executive Officer asserts and indemnifies that ACE has no pending litigation or disputes of any kind that could ultimately result in litigation and will provide an Affidavit confirming the foregoing at or before closing. Furthermore, each of the respective parties have conducted, or will conduct, and are relying solely on their own independent research, investigation and due diligence of each other, the Company, ACE, and the merits of the proposed transaction set forth herein. All the parties hereto, and their individual representatives, agents, and officers release and hold harmless Craig I. Kelley, P.A. and Craig I. Kelley, Esquire, and acknowledge that he and his firm have provided no advice or legal opinions to either side regarding the merits of the transaction, or legal issues involving securities or transactional law. The parties herein have been advised of the recommendation to hire respective securities counsel to properly advise them of their rights, responsibilities, obligations, and ramifications pursuant to the transaction contemplated within this Letter of Intent.

e. Right of First Refusal. The Shareholders and/or the Company shall have a right of first refusal to purchase the shares of the current shareholders of ACE that are parties to this Agreement, Tampa Bay Financial, or any of their agents or assigns at such time as they express an intent or desire to sell their shares of ACE, regardless of whether such shares are free-trading or restricted under Rule 144, or otherwise. The purchase price shall be the then existing bid trade price on the day of acceptance of written notice offering the shares for sale, The Shareholders and/or the Company shall have 24 hours from receipt of the aforementioned written notice of intent and offer to sell in which to exercise the offer and purchase any or all of the offered shares.

f. Notice. All legal notices under this Agreement shall be sent to the following parties:

If to ACE: American Communications Enterprises, Inc.  
Attn: Carl L. Smith, C.E.O.  
355 Interstate Boulevard  
Sarasota, FL 34240  
941/923-1949 ~ 941/921-2821-- FAX  
Email Address: [CSMITH@TBFCORP.NET](mailto:CSMITH@TBFCORP.NET)

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If to Company: AeroGroup, Inc.  
Attn: Frederick R. Wahl, C.E.O.  
2715 N. Sheridan Road  
Hangar 4, Suite 2  
Tulsa, OK 74115  
937/427-5377~ 937/427-5381-- FAX  
Email Address: [RWAHL1965@AOL.COM](mailto:RWAHL1965@AOL.COM)

With a copy to: Craig I. Kelley, Esquire  
The Forum-- Suite 1012  
1655 Palm Beach Lakes Blvd.  
West Palm Beach, FL 33401  
561/684-5524 2 561/684-3773-- FAX  
Email Address: [CRAIGKELIEY@MINDSPRING.COM](mailto:CRAIGKELIEY@MINDSPRING.COM)

9. Remedies. If any party fails to abide by this Agreement, the other parties will be entitled to specific performance, including immediate issuance of a temporary restraining order or preliminary injunction enforcing this Agreement, and to judgment for damages caused by such breach, and to any other remedies provided by applicable law.
10. No Brokers. There are no claims for brokerage commissions, finders' fees, or similar compensation in connection with the exchange based on any arrangement or agreement binding upon any of the parties hereto.
11. Construction of Terms. Whenever the context so requires or admits, any pronoun used herein may be deemed to mean the corresponding masculine, feminine or neuter form thereof and the singular form of any nouns and pronouns herein be deemed to mean the corresponding plural form thereof and vice versa.
12. Non-Assignable. This Agreement may not be assigned by either party without the prior written consent thereof, which consent shall be at the sole and absolute discretion of the party so requested.
13. Binding Effect. This Agreement shall be binding upon the parties hereto and their respective successors and/or assigns.
14. Time is of the Essence. Time is of the essence of this Agreement.
15. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto and shall be construed under the laws of the State of Florida.

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16. Modification. No modification of this Agreement shall be binding unless signed by all parties to this Agreement and no representation, promise, or inducement not included in this Agreement shall be binding upon any party hereto.
17. Severability. In the event that any portion of this Agreement is found to be unenforceable, said clause shall be severed from the Agreement and the remainder of the Agreement shall remain in full force and effect.
18. Facsimile and Counterparts. A facsimile copy of this Agreement and any signatures thereon, shall be considered, for all purposes, as originals. For the purposes of facilitating the proving of this Agreement, as herein provided and for other purposes, this Agreement may be executed simultaneously in any number of counterparts, each of which counterparts shall be deemed to be an original. Such counterparts together shall constitute but one and the same Agreement.

If the foregoing is in accordance with your understanding, please indicate your agreement with the terms of this Letter of Intent by signing in the space provided below.

Dated this \_\_\_\_\_ day of May, 2001.

AMERICAN COMMUNICAITONS  
ENTERPRISES, INC.

AEROGROUP, INC.

By: /s/Carl L. Smith  
Carl L. Smith  
Chairman/CEO

By: /s/Frederick R. Wahl  
Frederick R. Wahl  
Chief Executive Officer

By: /s/ Mark Daniels  
Mark Daniels  
Vice President

Witness: /s/ Craig I. Kelley

Witness: \_\_\_\_\_