

Edgar Filing: American Racing Capital, Inc. - Form 10QSB

American Racing Capital, Inc.
Form 10QSB
September 01, 2006

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

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2006

Commission File Number 0-29057

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

For the transition period from _____ TO _____

AMERICAN RACING CAPITAL, INC.
(Exact name of registrant as specified in charter)

NEVADA
(State or other jurisdiction of
incorporation or organization)

87-0631750
(I.R.S. Employer I.D. No.)

920 Bollen Circle
Gardnerville, NV 89460

(Address of principal executive offices)

89448

(Zip)

Issuer's telephone number, including area code (800) 914-3177

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 twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: AS OF AUGUST 29, 2006 - 27,791,398 SHARES OF THE ISSUER'S COMMON STOCK, \$0.001 PAR VALUE PER SHARE.

Transitional Small Business Disclosure Format: Yes No

Edgar Filing: American Racing Capital, Inc. - Form 10QSB

PART I FINANCIAL INFORMATION

INTRODUCTORY NOTE

FORWARD-LOOKING STATEMENTS

This Form 10-QSB contains "forward-looking statements" relating to American Racing Capital, Inc. ("ARC") which represent ARC's current expectations or beliefs including, but not limited to, statements concerning ARC's operations, performance, financial condition and growth. For this purpose, any statements contained in this Form 10-QSB that are not statements of historical fact are forward-looking statements. Without limiting the generality of the foregoing, words such as "may", "anticipation", "intend", "could", "estimate", or "continue" or the negative or other comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, such as losses, dependence on management, variability of quarterly results, and the ability of ARC to continue its growth strategy, certain of which are beyond ARC's control. Should one or more of these risks or uncertainties materialize or should the underlying assumptions prove incorrect, actual outcomes and results could differ materially from those indicated in the forward-looking statements.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

1

ITEM 1. FINANCIAL STATEMENTS

AMERICAN RACING CAPITAL, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET JUNE 30, 2006 (Unaudited)

ASSETS

CURRENT ASSETS	
Cash	\$ 573

Total Current Assets	573
	=====
PROPERTY AND EQUIPMENT, net	--

TOTAL ASSETS	\$ 573
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES	
Notes payable - related parties	\$ 57,664

Edgar Filing: American Racing Capital, Inc. - Form 10QSB

Notes payable	27,500
Accounts payable and accrued expenses	131,201

Total Current Liabilities	216,365

COMMITMENTS AND CONTINGENCIES	--
STOCKHOLDERS' EQUITY (DEFICIT)	
Preferred stock 10,000,000 shares authorized at \$0.001 par value; 2,000,000 shares issued and outstanding	2,000
Common stock 500,000,000 shares authorized at \$0.001 par value; 4,991,398 shares issued and outstanding	--
	4,991
Additional paid in capital (deficit)	(3,849)
Accumulated deficit	(218,934)

Total Stockholders' Equity (Deficit)	(215,792)

TOTAL LIABILITIES & STOCKHOLDERS EQUITY (DEFICIT)	\$ 573
	=====

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

2

AMERICAN RACING CAPITAL, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005 (Unaudited)

	June 30, 2006	June 30, 2005
	-----	-----
SALES	\$ 15,367	\$ 29,978
COST OF SALES	--	--
	-----	-----
Gross Profit	15,367	29,978
	-----	-----
EXPENSES		
Consulting and professional fees	200	11,478
Administrative	33,541	18,615
	-----	-----
TOTAL EXPENSES	33,741	30,093
	-----	-----
Income (loss) from operations	(18,374)	(115)
OTHER INCOME (EXPENSE)		
Interest expense	--	--
Other income	--	--
	-----	-----
TOTAL OTHER (EXPENSE)	--	--
	-----	-----
Income (loss) from operations	(18,374)	(115)
Income (loss) - before provision for income taxes	(18,374)	(115)
	-----	-----
Provision for income taxes	--	--
	-----	-----
Net income (loss)	\$ (18,374)	\$ (115)
	=====	=====

Edgar Filing: American Racing Capital, Inc. - Form 10QSB

NET LOSS PER COMMON SHARE		
Basic and diluted	\$ (0.00)	\$ (0.00)
	-----	-----
WEIGHTED AVERAGE OUTSTANDING SHARES		
Basic and diluted	4,991,398	491,398
	-----	-----

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

3

AMERICAN RACING CAPITAL, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005 (Unaudited)

	June 30, 2006	June 30, 2005
	-----	-----
SALES	\$ 16,247	\$ 46,381
COST OF SALES	--	--
	-----	-----
Gross Profit	16,247	46,381
	-----	-----
EXPENSES		
Consulting and professional fees	1,763	27,333
Administrative	57,978	28,522
	-----	-----
TOTAL EXPENSES	59,741	55,855
	-----	-----
Income (loss) from operations	(43,494)	(9,474)
OTHER INCOME (EXPENSE)		
Interest Expense	--	--
Other income	--	--
	-----	-----
TOTAL OTHER (EXPENSE)	--	--
	-----	-----
Income (loss) from operations	(43,494)	(9,474)
	-----	-----
Income (loss) - before provision for income taxes	(43,494)	(9,474)
	-----	-----
Provision for income taxes	--	--
	-----	-----
Net income (loss)	\$ (43,494)	\$ (9,474)
	=====	=====
NET LOSS PER COMMON SHARE		
Basic and diluted	\$ (0.01)	\$ (0.02)
	-----	-----
WEIGHTED AVERAGE OUTSTANDING SHARES		
Basic and diluted	4,991,398	491,398
	-----	-----

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

4

Edgar Filing: American Racing Capital, Inc. - Form 10QSB

AMERICAN RACING CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(Unaudited)

	June 30, 2006 -----	June 30, 2005 -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (43,494)	\$ (9,474)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	788	1,516
Changes in operating assets and liabilities		
Accounts receivable	--	--
Accounts receivable-related party	--	--
Accounts payable-related	--	--
Accounts payable	45,000	2,407
Cash overdraft	--	--
Other assets	--	--
Net Cash from Operations	2,294	(5,551)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
	--	--
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable-related parties	750	7,000
Proceeds from notes payable	1,000	--
Payments on notes payable-related parties	(2,100)	--
	-----	-----
Net cash provided (used) by financing activities	(350)	7,000
	-----	-----
Net Increase (decrease) in Cash	194	1,449
Cash at Beginning of Period	379	551
	-----	-----
Cash at End of Period	\$ 573	\$ 2,000
	=====	=====
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ --	\$ --
	-----	-----
Cash paid for income taxes	\$ --	\$ --
	-----	-----

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

5

AMERICAN RACING CAPITAL, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Securities and Exchange Commission requirements for

Edgar Filing: American Racing Capital, Inc. - Form 10QSB

interim financial statements. Therefore, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The financial statements should be read in conjunction with the Form 10-KSB for the year ended December 31, 2005 of American Racing Capital, Inc. and subsidiaries (the "Company" or "ARC").

The interim financial statements present the condensed balance sheet, statements of operations and cash flows of the Company. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

The interim financial information is unaudited. In the opinion of management, all adjustments necessary to present fairly the financial position of the Company as of June 30, 2006 and the results of operations and cash flows presented herein have been included in the financial statements. Interim results are not necessarily indicative of results of operations for the full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

2. GOING CONCERN

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has generated significant losses from operations.

In order to continue as a going concern and achieve a profitable level of operations, the Company will need, among other things, additional capital resources and developing a consistent source of revenues. Management's plans include raising additional operating funds from private placements of shares of its common stock.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plan described in the preceding paragraph and eventually attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Employee stock based compensation - In December 2004, the Financial Accounting Standards Board issued SFAS No. 153, "Accounting for Stock-Based Compensation". SFAS No. 153 amends the transition and disclosure provisions of SFAS No. 123. This statement supersedes APB Opinion No.25, Accounting for Stock Issued to employees, and its related implementation guidance. This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This Statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award--the requisite service period (usually the vesting period). For stock options and warrants issued to non-employees, the Company applies Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation, which requires the recognition of compensation cost based upon the fair value of stock options at the grant date using the Black-Scholes Option Pricing Model.

Edgar Filing: American Racing Capital, Inc. - Form 10QSB

The Company issued no stock and granted no warrants or options to employees for compensation for the six months ended June 30, 2006.

6

4. RELATED PARTY TRANSACTIONS

Accounts payable - related parties - As of June 30, 2006, the Company has notes payable totaling \$57,664 to Mr. Jones' affiliate entities for funds advanced. As of June 30, 2005, the Company has a note payable in the amount of \$7,027 to Fast One, Inc. and a note payable in the amount of \$50,637 to DJ Motorsports, Inc.

5. SIGNIFICANT EVENTS

On August 25, 2005, the Company filed a Certificate of Amendment to the Articles of Incorporation of the Company with the Secretary of State of the State of Nevada to increase the authorized number of shares of capital from 50,000,000 to 500,000,000. On October 3, 2005, the Company filed a Certificate of Amendment to the Articles of Incorporation of the Company with the Secretary of State of the State of Nevada to change the corporate name from 'Creative Holdings & Marketing Corporation' to 'American Racing Capital, Inc.'

The Company entered into a Share Exchange Agreement, dated October 17, 2005, by and among the Company, American Racing Capital, Inc., a Nevada corporation ("ARCI") and the shareholders of ARCI (the "ARCI Shareholders"). Pursuant the Share Exchange Agreement, the ARCI Shareholders exchanged with, and delivered to the Company all of the issued and outstanding common stock of ARCI in exchange for 150,000,000 shares of the Company's common stock, par value \$0.001 (the "Common Stock") and 1,000,000 shares of Series A Convertible Preferred Stock, par value \$0.001 per share (the "Series A Preferred Stock"). The 1,000,000 shares of Series A Preferred Stock can be converted at any time into three hundred (300) fully paid, nonassessable shares of the Company's Common Stock. As a result of the Share Exchange Agreement, on October 19, 2005, ARCI became a wholly-owned subsidiary of the Company.

On October 18, 2005, the Company entered into a Share Exchange Agreement, by and among the Company, ARC Development Corporation, a Nevada corporation ("ARCD") and the shareholders of ARCD (the "ARCD Shareholders"). Pursuant to the Share Exchange Agreement, the ARCD Shareholders exchanged with, and delivered to, ARC the issued and outstanding Common Stock of ARCD in exchange for 235,000,000 shares of the Company's Common Stock, and 1,000,000 shares of Series A Preferred Stock, which can be converted at any time into three hundred (300) fully paid, nonassessable shares of the Company's Common Stock. As a result of the Share Exchange Agreement, on October 19, 2005, ARCD became a wholly-owned subsidiary of the Company.

On November 18, 2005, the Company's Board of Directors appointed D. Davy Jones as President and Chief Executive Officer and Director and Robert Koveleski as Secretary and Director. On November 18, 2005, John W. Gandy resigned as President and Chief Executive Officer and Director of the Company. Also on November 18, 2005, Ron E. Hendrix resigned as Secretary and Director and John F. Smith, III resigned as Director of the Company.

On March 20, 2006, the Board of Directors of the Company, in lieu of a special meeting and pursuant to unanimous written consent, approved a one for one hundred (1-for-100) reverse stock split (the "Reverse Stock Split") of the Company's issued and outstanding, which became effective on March 30, 2006 (the "Effective Date"). On the Effective Date, the Company's issued and outstanding Common Stock was reduced based on the 1-for-100 ratio and the new symbol for the

Edgar Filing: American Racing Capital, Inc. - Form 10QSB

Company was changed to `ANRC`.

6. SUBSEQUENT EVENTS

On July 25, 2006, the Company entered into a Securities Purchase Agreement with New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (collectively, the "Investors"). Under the terms of the Securities Purchase Agreement, the Investors purchased an aggregate of (i) \$2,000,000 in callable convertible secured notes (the "Notes") and (ii) warrants to purchase 10,000,000 shares of the Company's Common Stock (the "Warrants"). The Notes carry an interest rate of 6% per annum and a maturity date of July 25, 2009. Pursuant to the Securities Purchase Agreement, the Company must file a registration statement with the U.S. Securities and Exchange Commission within forty-five (45) days of the execution of the Securities Purchase Agreement. The notes are convertible into the Company's Common Stock at the Applicable Percentage of the average of the lowest three (3) trading prices for our shares of Common Stock during the twenty (20) trading day period prior to conversion. The "Applicable Percentage" means 50%; provided, however, that the Applicable Percentage shall be increased to (i) 55% in the event that a registration statement is filed within thirty days of the closing and (ii) 60% in the event that the registration statement becomes effective within one hundred and twenty days from the Closing. In addition, the Company has granted the investors a security interest in substantially all of its assets, as well as intellectual property and registration rights. In connection with the Securities Purchase Agreement, the Company issued to the Investors seven year warrants to purchase 10,000,000 shares of the Company's Common Stock at an exercise price of \$.30.

7

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

Forward-Looking Statements and Associated Risks. This Report contains forward-looking statements. Such forward-looking statements include statements regarding, among other things, (a) our growth strategies, (b) anticipated trends in our industry, (c) our future financing plans, (d) our anticipated needs for working capital, (e) our lack of operational experience, and (f) the benefits related to ownership of our common stock. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "should," "expect," "anticipate," "estimate," "believe," "intend," or "project" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, including those described in "Business Risk Factors" of the Company's Form 10-KSB for the year ended December 31, 2005. Actual results could differ materially from these forward-looking statements as a result of changes in trends in the economy and the industry, demand for the Company's services,, competition, reductions in the availability of financing and availability of raw materials, and other factors. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this Report will in fact occur as projected. Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Edgar Filing: American Racing Capital, Inc. - Form 10QSB

Overview

On October 17, 2005, American Racing Capital, Inc. (the "Company") entered into a Share Exchange Agreement, by and among the Company, American Racing Capital, Inc., a Nevada company ("ARCI") and the shareholders of ARCI, pursuant to which, the ARCI Shareholders exchanged with, and delivered to the Company all of the issued and outstanding common stock of ARCI in exchange for 150,000,000 shares of the Company's Common Stock and 1,000,000 shares of Series A Preferred Stock, which can be converted at any time into three hundred (300) fully paid, nonassessable shares of the Company's Common Stock. As a result of the Share Exchange Agreement, on October 19, 2005, ARCI became a wholly-owned subsidiary of the Company.

On October 18, 2005, the Company entered into a Share Exchange Agreement, by and among the Company, ARC Development Corporation, a Nevada corporation ("ARCD") and the shareholders of ARCD. Pursuant to the Share Exchange Agreement, the ARCD Shareholders exchanged with, and delivered to, ARC the issued and outstanding common stock of ARCD in exchange for 235,000,000 shares of the Company's Common Stock, and 1,000,000 shares of Series A Preferred Stock, which can be converted at any time into three hundred (300) fully paid, nonassessable shares of the Company's Common Stock. As a result of the Share Exchange Agreement, on October 19, 2005, ARCD became a wholly-owned subsidiary of the Company.

As a result of the share exchange transactions, the Company adopted a new strategy which seeks to integrate race track design and development operations with a professional racing team and a national driving school network to leverage the popularity and growth of the motor sports industry.

On March 20, 2006, the Board of Directors of the Company, in lieu of a special meeting and pursuant to unanimous written consent, approved a one for one hundred (1-for-100) reverse stock split (the "Reverse Stock Split") of the Company's issued and outstanding, which became effective on March 30, 2006 (the "Effective Date"). On the Effective Date, the Company's issued and outstanding Common Stock was reduced based on the 1-for-100 ratio and the new symbol for the Company was changed to `ANRC`.

Critical Accounting Policies And Estimates

Management's discussion and analysis of the Company's financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. At each balance sheet date, management evaluates its estimates. The Company based its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The estimates and critical accounting policies that are most important in fully understanding and evaluating our financial condition and results of operations include those listed below.

8

Revenue Recognition

The Company recognizes revenue when services have been provided and collection is reasonably assured.

Edgar Filing: American Racing Capital, Inc. - Form 10QSB

Principles Of Consolidation

On October 17, 2005, the Company entered into a Share Exchange Agreement, by and among the Company, ARCI and the shareholders of ARCI, pursuant to which, the ARCI Shareholders exchanged with, and delivered to the Company all of the issued and outstanding common stock of ARCI in exchange for 150,000,000 shares of the Company's Common Stock and 1,000,000 shares of Series A Preferred Stock, which can be converted at any time into three hundred (300) fully paid, nonassessable shares of the Company's Common Stock. As a result of the Share Exchange Agreement, on October 19, 2005, ARCI became a wholly-owned subsidiary of the Company. The shareholders of Fast One, Inc., DJ Motorsports, Inc. and ARCI became the controlling shareholders of the Company. Accordingly, the financial statements of Fast One, Inc., DJ Motorsports, Inc. and ARCI are presented as the historical financial statements of the Company. The consolidated financial statements shown in this report include the historical operating information of the Fast One, Inc., DJ Motorsports, Inc. and ARCI.

All intercompany transactions have been eliminated.

Results Of Operations

For The Three Months Ended June 30, 2006 Compared To The Three Months Period Ended June 30, 2005

Revenues

Revenue for the three months ended June 30, 2006, was \$15,367, a decrease of \$ 14,611, from \$29,978 in revenues for the same period ended June 30, 2005. The decrease of 49% in revenues in 2006 was attributable to management spending most of its efforts on fund raising rather than consulting.

Operating expenses. Operating expenses for the three months ended June 30, 2006 were \$33,741, as compared to \$30,093, for the three months ended June 30, 2005, or a 12% increase. Operating expenses in 2006 consisted of \$200 in consulting and professional fees and \$33,541 in general and administrative expenses.

Net income (loss). The Company had a net loss of \$18,374 for the three months ended June 30, 2006, as compared to a net loss of \$115 for the three months ended June 30, 2005. The increased loss of \$14,611, or 127%, was mostly attributable to the lack of sales from consulting services.

9

For The Six Months Ended June 30, 2006, Compared To The Six Months Ended June 30, 2005

Revenues

Revenue for the six months ended June 30, 2006, was \$16,247, a decrease of \$ 30,134, from \$46,381 in revenues for the same period ended June 30, 2005. The decrease of 65% in revenues in 2006 was attributable to management spending most of its efforts on fund raising rather than consulting.

Operating expenses. Operating expenses for the six months ended June 30, 2006, were \$59,741, as compared to \$55,855, for the six months ended June 30, 2005, or a 7% increase. Operating expenses in 2006 consisted of \$1,763 in consulting and professional fees and \$57,978 in general and administrative expenses.

Edgar Filing: American Racing Capital, Inc. - Form 10QSB

Net income (loss). The Company had a net loss of \$43,494 for the six months ended June 30, 2006, as compared to a net loss of \$9,474 for the six months ended June 30, 2005. The increased loss of \$34,020, or 359% was mostly attributable to the lack of sales from consulting services.

Liquidity And Capital Resources

The Company's financial statements have been prepared on a going concern basis that contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company has incurred losses since inception. The Company incurred a net loss of \$43,494 and a net loss of \$9,474 for the six months ended June 30, 2006 and 2005, respectively, and has an accumulated deficit of \$218,934 at June 30, 2006. As of June 30, 2006, we had assets of \$573 and liabilities of \$216,365 creating a working capital deficiency of \$215,792. The Company currently has approximately \$573 in cash and cash equivalents as of June 30, 2006.

The majority of our liabilities, \$131,201, are accounts payable. Notes payable to related parties of \$57,664 are also included in our liabilities. As of June 30, 2006, the Company has notes payable totaling \$57,664 to Mr. Jones' affiliate entities for funds advanced. As of June 30, 2005, the Company has a note payable in the amount of \$7,027 to Fast One, Inc. and a note payable in the amount of \$50,637 to DJ Motorsports, Inc.

For the six months ended June 30, 2006, the Company was provided net cash from its operations of \$2,294, no cash was used in investing activities and had \$350 in cash used in financing activities in the proceeds of notes payable.

Subsequent to June 30, 2006, the Company secured funding through the issuance of notes and warrants. On July 25, 2006, the Company entered into a Securities Purchase Agreement with New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (collectively, the "Investors"). Under the terms of the Securities Purchase Agreement, the Investors purchased an aggregate of (i) \$2,000,000 in callable convertible secured notes (the "Notes") and (ii) warrants to purchase 10,000,000 shares of our common stock (the "Warrants"). The Notes carry an interest rate of 6% per annum and a maturity date of July 25, 2009. The notes are convertible into the Company's common shares at fifty percent (50%) (the "Applicable Percentage") of the average of the lowest three (3) trading prices for our shares of common stock during the twenty (20) trading day period prior to conversion. However, the Applicable Percentage shall be increased to (i) 55% in the event that a Registration Statement is filed within thirty days of the closing and (ii) 60% in the event that the Registration Statement becomes effective within one hundred and twenty days from the Closing. In addition, the Company has granted the investors a security interest in substantially all of its assets and intellectual property as well as registration rights. In connection with the Securities Purchase Agreement, the Company issued to the Investors seven year warrants to purchase 10,000,000 shares of our common stock at an exercise price of \$.30.

Plan Of Operation

The Company's plan of operations which seeks to integrate race track design and development operations with a professional racing team and a national driving school network to leverage the popularity and growth of the motor sports industry.

For the next 12 months, the Company anticipates that it will need \$2,500,000 to fund event and administrative operations and provide working capital, in addition to funding necessary to acquire and develop race track projects. The Company will seek debt financing to launch any new race track

Edgar Filing: American Racing Capital, Inc. - Form 10QSB

projects and will seek equity funding or a combination of debt/equity financing for operations.

ITEM 3. CONTROLS AND PROCEDURES

(A) Evaluation Of Disclosure Controls And Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's Principal Executive Officer and Interim Principal Accounting Officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide a reasonable level of assurance of achieving the Company's disclosure control objectives. The Company's Principal Executive Officer and Interim Principal Accounting Officer have concluded that the Company's disclosure controls and procedures are, in fact, adequate and effective to ensure that material information relating to the Company that is required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Commission rules and accumulated and communicated to the Company's management, including its Principal Executive Officer and Interim Principal Accounting Officer, to allow timely decisions regarding required disclosure.

(B) Changes In Internal Controls Over Financial Reporting

In connection with the evaluation of the Company's internal controls during the Company's fiscal quarter ended June 30, 2006, the Company's Principal Executive Officer and Interim Principal Accounting Officer have determined that there are no changes to the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially effect, the Company's internal controls over financial reporting.

10

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 BE A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Edgar Filing: American Racing Capital, Inc. - Form 10QSB

(a) Exhibits:

Exhibit Number	Title of Document	Location
3.2	Certificate of Designation of the Series A Convertible Preferred Stock of American Racing Capital, Inc.	Incorporated by reference to Form 8-K filed on D
10.1	Share Exchange Agreement, dated October 17, 2005, by and among the Company, American Racing Capital, Inc., and the shareholders of American Racing Capital, Inc.	Incorporated by reference to Form 8-K filed on O
10.2	Share Exchange Agreement, dated October 18, 2005, by and among the Company, ARC Development Corporation, and the shareholders of ARC Development Corporation	Incorporated by reference to Form 8-K filed on O
10.3	Securities Purchase Agreement dated July 25, 2006, by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference to Form 8-K filed on A
10.4	Form of Callable Convertible Secured Note by and among New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference to Form 8-K filed on A

11

Exhibit Number	Title of Document	Location
10.5	Form of Stock Purchase Warrant issued to New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference to Form 8-K filed on A
10.6	Registration Rights Agreement dated July 25, 2006 by and among New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference to Form 8-K filed on A
10.7	Security Agreement dated July 25, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference to Form 8-K filed on A
10.8	Intellectual Property Security Agreement dated July 25, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference to Form 8-K filed on A
31.1	Certification by Chief Executive Officer pursuant to	Provided herewith

Edgar Filing: American Racing Capital, Inc. - Form 10QSB

15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

- | | | |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| 31.2 | Certification by Interim Principal Accounting Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Provided herewith |
| 32.1 | Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Provided herewith |
| 32.2 | Certification by Interim Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Provided herewith |

(b) Reports on Form 8-K:

Current Report on Form 8-K filed by the Company on August 4, 2006, whereby the Company disclosed that on July 25, 2006, the Company entered into a Securities Purchase Agreement with the Investors. Under the terms of the Securities Purchase Agreement, the Investors purchased an aggregate of (i) \$2,000,000 in Notes and (ii) warrants to purchase 10,000,000 shares of the Company's Common Stock. The Notes carry an interest rate of 6% per annum and a maturity date of July 25, 2009. The notes are convertible into the Company's Common Stock at the Applicable Percentage of the average of the lowest three (3) trading prices for of the Common Stock during the twenty (20) trading day period prior to conversion. The Applicable Percentage means 50%; provided, however, that the Applicable Percentage shall be increased to (i) 55% in the event that a Registration Statement is filed within thirty days of the closing and (ii) 60% in the event that the Registration Statement becomes effective within one hundred and twenty days from the Closing. In addition, the Company has granted the Investors a security interest in substantially all of its assets and intellectual property as well as registration rights. In connection with the Securities Purchase Agreement, the Company issued to the Investors seven year warrants to purchase 10,000,000 shares of our common stock at an exercise price of \$.30.

12

SIGNATURES

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

August 31, 2006

AMERICAN RACING CAPITAL, INC.

By: /s/ D. Davy Jones

D. Davy Jones
President, Chief Executive Officer,
and Director

By: /s/ A. Robert Koveleski

Edgar Filing: American Racing Capital, Inc. - Form 10QSB

A. Robert Koveleski
Interim Principal Accounting Officer
and Secretary

13