GIANT MOTORSPORTS INC
Form 424B3
November 21, 2006

Filed pursuant to Rule 424(b)(3)
Registration Statement File No. 333-131001

PROSPECTUS SUPPLEMENT NO. 1 DATED NOVEMBER 21, 2006
TO
PROSPECTUS DATED FEBRUARY 13, 2006

GIANT MOTORSPORTS, INC.

This Prospectus Supplement supplements information contained in our Prospectus dated February 13, 2006, relating to the offer and sale by the selling shareholders listed in the Prospectus of up to 26,356,000 shares of common stock and warrants to purchase up to 6,314,000 shares of common stock of Giant Motorsports, Inc., and should be read in conjunction with our Prospectus dated February 13, 2006. We will not receive any proceeds from the sale of the shares of common stock or the warrants by selling shareholders.

This Prospectus Supplement includes the attached Annual Report on Form 10-K of Giant Motorsports, Inc. for the fiscal year ended December 31, 2005, filed with the Securities and Exchange Commission on April 17, 2006.

BEFORE PURCHASING ANY OF THE SECURITIES COVERED BY THE PROSPECTUS, CAREFULLY READ AND CONSIDER THE RISK FACTORS INCLUDED IN THE SECTION ENTITLED "RISK FACTORS" BEGINNING ON PAGE 5 OF THE PROSPECTUS. YOU SHOULD BE PREPARED TO ACCEPT ANY AND ALL OF THE RISKS ASSOCIATED WITH PURCHASING THE SECURITIES, INCLUDING A LOSS OF ALL OF YOUR INVESTMENT.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus Supplement is November 21, 2006

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

FORM 10-K

[X] Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2005

OR

[ ] Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 000-50243

GIANT MOTORSPORTS, INC.

(Exact name of Registrant as Specified in its Charter)

Nevada	33-1025552
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

13134 Route 62 Salem, Ohio	44460
(Address of principal executive offices)	(Zip Code)

(440) 332-8534

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act:

Common Stock, $.001 par value per share

(Title of Class)

Series A Warrants to purchase shares of Common Stock, at an exercise price of $.50 per share

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

Indicate by check mark whether registrant: (1) has filed all reports required to be filed 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 by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. Yes [ ] No [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

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

The aggregate market value of the common equity of the registrant held by non-affiliates as of April 12, 2006 was approximately $1,943,482, as computed by reference to the closing price of the common stock on the Over-the-Counter Bulletin Board on such date ($0.60). As of April 12, 2006, the number of issued and outstanding shares of common stock of the registrant was 10,759,138.

GIANT MOTORSPORTS, INC.

FORM 10-K

FISCAL YEAR ENDED DECEMBER 31, 2005

THIS ANNUAL REPORT ON FORM 10-K CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934 AS AMENDED AND ARE SUBJECT TO RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. SEE ITEM 1. "BUSINESS - A NOTE ABOUT FORWARD LOOKING STATEMENTS."

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PART I

ITEM 1. BUSINESS

General

Giant Motorsports, Inc. ("us," "our," "we," the "Company" or "Giant") through our two wholly-owned subsidiaries, owns and operates two retail power sport superstores in the Midwestern United States. Our core brands include Suzuki, Yamaha, Honda, Ducati, Kawasaki and Polaris. Our superstores operate in Salem, Ohio and Chicago, Illinois under the names "Andrews Cycles" and "Chicago Cycles," respectively.

We are a Nevada corporation with our principal offices located at 13134 State Route 62, Salem Ohio 44460, Tel. (330) 332-8534. Our web sites are: www.andrewscycles.com, www.chicagocycle.com and www.giantcorporate.com. Information on our websites do not constitute part of this report.

Development of Our Business

We commenced our motorcycle and powers sports business with the acquisition of our W.W. Cycles subsidiary in January 2004, and shortly thereafter, in April 2004, expanded our business with the acquisition of our Chicago Cycles business.

W.W. Cycles Subsidiary

Our W.W. Cycles subsidiary, which does business under the name Andrews Cycles, commenced business in 1984 as a Honda products dealership. In 1985 Andrews Cycles acquired an existing motorsports dealership and added Yamaha products to its line of motorsports products. Through the acquisition of two additional motorsports dealerships in 1986 and 1987, Andrews Cycles added the Suzuki and Kawasaki brands to its line of motorsports products. From 1987 through January 2004, Andrews Cycles expanded its power sports business by adding Polaris motorcycles to its product line.

On January 16, 2004, we acquired all of the issued and outstanding shares of W.W. Cycles, Inc. ("W.W. Cycles"), from Gregory A. Haehn and Russell A. Haehn, our current officers and directors, and one other employee of W.W. Cycles, in exchange for our issuance of an aggregate of 7,850,000 shares of our common stock, which resulted in W.W. Cycles' becoming our wholly-owned subsidiary. On that same date, our two current officers and directors also purchased an additional 150,000 shares of our common stock from a then shareholder of the Company for an aggregate purchase price of $178,750.Simultaneously with the closing of this acquisition, the then sole director and officer of the Company resigned as a director and officer and was replaced by our current officers and directors. Russell A. Haehn became the Chairman, Chief Executive Officer, Secretary and a Director of the Company and Gregory A. Haehn became the President, Chief Operating Officer, Treasurer and a Director of the Company, which are the same positions in which they currently serve. The Company, which was then called American Busing Corporation, changed its name to Giant Motorsports, Inc., effective as of April 5, 2004. We currently conduct all of our "Andrews Cycles" business through our W.W. Cycles subsidiary.

Chicago Cycles Subsidiary

On April 30, 2004, we acquired substantially all of the assets of King's Motorsports, Inc. (the "Chicago Cycles Assets"), the corporate entity that conducted business under the name Chicago Cycle Center ("King's Motorsports"). We agreed to pay Kings Motorsports a total of $2,925,000 for the Chicago Cycle

Assets, as follows:

- o $1,250,000 on the date of closing; and
- o $1,675,000 through the issuance to Kings Motorsports of a 6% $1,675,000 aggregate principal amount note (the "King's Note"), which Note was payable: (i) $500,000 on July 29, 2004, (ii) $250,000 on October 27, 2004, and (iii) the remaining $925,000, plus accrued but unpaid interest on April 30, 2005.

To fund the amount payable at closing for Chicago Cycles, we borrowed $1,250,000 from The Fifth Third Bancorp Bank (the "Bank"), pursuant to a term loan. This loan, which initially matured on May 31, 2004, was refinanced with the Bank through a term loan amortized over a 72 month period, but is payable in full on May 31, 2007, bearing interest at the rate of prime plus one percent (8% at December 31, 2005). Our payment obligations under this term loan also are personally guaranteed by Russell Haehn and Gregory Haehn. This loan is also secured by a first priority lien on all of our assets (including, without limitation, the Chicago Cycles Assets). As of December 31, 2005, the outstanding amount of this term loan, including accrued interest thereon, was $989,600.

The entire outstanding principal amount of the King's Note and all interest accrued thereon was repaid on October 13, 2005.

Our Chicago Cycles subsidiary commenced business in 1988, under the name Chicago Cycle Center, with its purchase of Ace Honda World. Within its first few months after commencing business Chicago Cycle Center began selling Yamaha motorcycles with its purchase of Yamaha North, a nearby competitor. Shortly thereafter, Can't Beat the Bears, a local Suzuki dealer was acquired. Then in 1990 Chicago Cycle Center added the Ducati brand to its list of products. In November 2000, Chicago Cycle Center was sold to King's Motorsports, the business whose assets we acquired in April 2004.

Products

Our products consist primarily of the sale of new and used motorcycles, all-terrain vehicles ("ATV's"), and scooters. In addition, we sell parts and accessories, extended service contracts, and aftermarket motorcycle products. Our core brands include Honda, Yamaha, Suzuki, Kawasaki, Polaris and Ducati.

We are a retail dealer of power sports products, and sell our products in superstores that operate under the names "Andrews Cycles" and "Chicago Cycles." Our Andrews Cycles subsidiary is located in Salem, Ohio, had approximately 55 employees, as of April 1, 2006, and sells power sports products to customers residing within an approximate 200 square mile area of its facilities. Our Chicago Cycles operations are located in Skokie, Illinois, has approximately 99 employees as of April 1, 2006, and sells power sports products to customers residing within an approximate 200 square mile area of its facilities. Both Andrews Cycles and Chicago Cycles also sell power sports products and parts through our websites specifically dedicated to those businesses.

During our fiscal years ended December 31, 2005, 2004 and 2003, sales of motorcycles, ATV's and other power sports products, including accessories, accounted for approximately 97%, 97% and 98%, respectively, of our total revenues generated during such periods.

Servicing and Repairs

In addition to product sales, we also provide servicing and repair services for the products we sell as a courtesy to our customers. These services, which are provided by mechanics, include crash repairs (body work) and normal wear and tear installation and repairs such as brake replacement, repair of exhaust systems, shock absorber replacement, battery replacement, oil changes and tune-ups. During our fiscal years ended December 31, 2005, 2004 and 2003, servicing and repairs accounted for approximately 3%, 3% and 2%, respectively, of our total revenues generated during such periods. Servicing and repairs have always been an insignificant portion of our business. We do not have any plans to increase this part of our business, in the future, as we do not believe that servicing and repairs offers any opportunity for producing significant income for our business.

Competition

The motorcycle/power sports retailing industry is highly competitive with respect to price, service, location and selection. There are an estimated 4,000 retail stores throughout the United States. We compete with numerous dealerships in each of our market segments, many of which are large and have significant financial and marketing resources. We also compete with private market buyers and sellers of used motorcycles and other power sports products dealers that sell used motorcycles and other power sports products, service center chains and independent shops for service and repair business. Some of these businesses are capable of operating on smaller gross margins than those on which we are capable of operating because they have lower overhead and sales costs.

In many states, dealerships have an exclusive 5 to 10-mile franchised territory, similar to automobile dealerships. While franchised territories can sometimes restrict market entry and subsequently market penetration; franchise restrictions can likewise provide protection from over-saturation.

While we believe that our two current locations are among the larger retail dealerships in the states of Ohio and Illinois, our business represents only a small portion of the retail motorcycle, ATV and other power sports products sales throughout the United States. By implementing our superstore concept through further acquisitions of retail power sports dealerships throughout the United States, we believe that we can provide consumers in acquired markets with wide product diversification. Such diversification, as well as a comprehensive product offering, could result in an increase in our portion of total power sports retail business throughout the United States, and consequently reduce the impact of local competition on our business. There is no assurance that we will ever be able to implement this strategy in such a manner.

Principal Suppliers of our Products

We purchase substantially all of our products from the following manufacturers:

- American Honda Motor Company, Inc.
- Yamaha Motor Corporation
- American Suzuki Motor Corporation
- Kawasaki Motors Corp. U.S.A., Inc.
- Ducati North America
- Polaris Industries, Inc.

Our Andrews Cycles and Chicago Cycles power sports dealerships operate pursuant to dealership agreements with all or most of the manufacturers listed above (or authorized distributors of such manufacturers' products), and we are dependent to a significant extent on our relationship with such manufacturers.

Manufacturers exercise a great degree of control over our dealerships, and the dealership agreements provide for termination or non-renewal for a variety of causes. Many of our dealership agreements require prior approval with respect to acquisitions of other motorcycle and/or power sports dealerships, and a manufacturer may deny our application to make an acquisition or seek to impose further restrictions on us as a condition to granting approval of an acquisition. While these restrictions could adversely affect our business strategy of expanding our operations through the acquisition of other retail dealerships, we believe that we will be able to work with these manufacturers to obtain the approvals required for future acquisitions, although there can be no assurance of our success in doing so.

Market for our Products and Services

According the Bureau of Transportation Statistics ("BTS"), the motorcycle market is expected to record its 13th consecutive year of growth in 2005. The BTS states that a key factor responsible for this growth is product segmentation. BTS also reports that during 2004, industry sales of motorcycles, parts and accessories generated revenues of approximately $12.7 billion, representing an increase of approximately 15.5% over revenues of approximately $11 billion in 2003. During that same period, W.W. Cycles revenues generated from sales of all power sports products, including parts and accessories, increased by nearly 21% from $44.1 million to $53.2 million. BTS also estimates an increase in motorcycle sales in 2005 to $14.6 billion. Revenues from our sales of motorcycles, parts and accessories in 2005, were approximately $103 million, which represents an increase in sales from $77.6 million in 2004. The industry is highly fragmented with over 9,000 franchises being operated within approximately 4,000 motorcycle dealerships, the majority of which we believe are individually owned. We also believe that many dealership owners are motorcycle enthusiasts with minimal business training and limited capital.

Business Plan

It is our plan to maximize the operating and financial performance of our dealerships by achieving certain efficiencies both at the store and corporate levels. We believe this will enhance internal growth and profitability. We have begun, and plan to continue to centralize certain of our administrative functions including:

- accounting;
- finance;
- insurance;
- employee benefits;
- strategic planning;
- marketing;
- purchasing; and

- management information systems (MIS).

We believe that by consolidating these functions we will be able to reduce overall expenses, simplify dealership management, create economies of scale with leveraged buying power and provide a level of expertise that would otherwise be unavailable to each dealership individually. We have identified, without limitation, the following strategic components as potentially integral to our overall success and profitability:

- Super Store Concept. The "Super Store" has proven to be an effective strategy in the successful consolidation of many other retail industries. Super Stores are the choice of consumers nationwide. These large stores represent and imply the widest offerings, the lowest prices, and, we believe, will contribute to the development of a more mainstream motorsports marketplace.

- Sales and Service Effectiveness. Consumers have become more sophisticated in evaluating and purchasing products, as a result of the wide-spread availability of the internet and greater access to information, and, as a result, require a more comprehensive offering, as well as intelligent and informative presentations. Our superstore selling space provides a larger display of products, with a greater choice of brands and styles. We believe that a greater choice of products, under one roof, will lead to a more satisfying shopping experience for customers and, in turn, increased product sales.

- Competitive Workforce Development. A significant portion of the compensation we pay to our sales staff is commission based. We believe that commission-based compensation provides incentive for our salespersons to expend their greatest efforts to sell our products and services. Since their compensation is directly related to sales, our ability to hire successful salespersons is conditioned upon their belief that our dealerships will generate significant traffic and provide the inventory levels necessary to maximize sales opportunities. Our goal to build a "market leader" presence, proper inventory levels and an overall aggressive yet tactful approach, we believe, will attract the successful salespersons we need to sell our products and services.

- Inventory Utilization. We believe that by housing our inventory in one large central facility, and distributing products from that facility to each of our dealerships, on an as-needed basis, we will be able to deliver products to our customers faster than other dealerships which are required to wait, for delivery of out-of-stock products.

- Marketing Efficiencies. With a regional presence, and the use of single creative themes, tested for effectiveness, we believe that we will be able to take advantage of semi-national and possibly national marketing opportunities which typically offer reduced advertising rates based on the utilization of economies of scale. We also plan to maximize our use of cooperative advertising.

- E-Commerce and Mail Order Opportunities. We intend to develop e-commerce and mail order strategies for the sale of parts and accessories that will expand our customer base outside of our dealership territories. We believe that the expansion of our business, over the internet and through mail order business, will assist us in the development of a national presence and create customer interest to visit one of our "Super Stores," although no assurance can be given that it will have such effect. We believe that increased efforts on internet and mail-order sales, will increase revenues and also create additional opportunities for strategic business relationships with dealerships outside of the territories where our dealerships are located, although no assurance can be given.

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o Captive Financing Opportunities. It is our plan to create and implement our own in-house consumer financing facility, by acquiring an outside finance company, entering into a joint-venture relationship with a finance company, or by internally developing our own financing business, in order to provide financing to our customers for the purchase of our products. Such "captive" financing opportunities could represent significant additional revenues, which are currently received by third party manufacturers, banks, or outside financing organizations. We would be then have the ability to sell these loans to third parties in order to minimize our consumer financing risk. In February 2005 we formed Giant Motorsports Acceptance Group Inc., a wholly-owned subsidiary, as a potential vehicle to provide this type of in-house consumer financing. To date, we have not provided any financing through this company. As of the date of this report we do not have plans in the foreseeable future to commence any type of financing operations, but we may provide financing through Giant Motorsports Acceptance Group Inc., in the future, in the event that we determine this to be consistent with our business plan. In the event that we ever commence providing financing for vehicle purchases, this part of our business will become subject to certain additional risks relating to this type of financing business. See Risk Factors, elsewhere in this report, for a discussion of these risks.

Sales and Marketing

We currently market our products through television, radio, print and outdoor advertising. Advertising costs are funded primarily through cooperative advertising programs established by the manufacturers of the products. Under these programs, most dealers have access to approximately $100 per unit sold during the previous year. In addition, many of the larger and better performing dealership groups are able to access additional advertising funds for special circumstances from the manufacturers. It is our normal strategy to acquire and use the maximum amount of advertising funds available to us.

Floor Plan Financing

We are dependent to a significant extent on our ability to finance the purchase of inventory, which in the motorcycle and power sports retail industries involves significant sums of money in the form of floor plan financing. As of December 31, 2005, the Company had $17,159,719 of floor plan notes payable. Substantially all the assets of our dealerships are pledged to secure such indebtedness, which may impede our ability to borrow from other sources. We currently have floor plan facilities with a variety of lenders, including primarily GE Commercial Distribution Finance Corporation, Fifth Third Bank, Kawasaki Motors Finance Company, and American Honda Finance. Several of such lenders are associated with manufacturers with whom we have dealership agreements. Consequently, deterioration of our relationship with a manufacturer could adversely affect our relationship with the affiliated floor plan lender and vice versa.

Government Regulation

Our business is subject to federal, state and local laws, ordinances and regulations which establish various health and environmental quality standards, and liability related thereto, and provide penalties for violations of those standards. Under certain laws and regulations, a current or previous owner or operator of real property may be liable for the costs of removal and remediation of hazardous or toxic substances or wastes on, under, in or emanating from such property. Such laws typically impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances or wastes. Certain laws, ordinances and regulations may impose liability on an owner or operator of real property where on-site contamination discharges into waters of the state, including groundwater. Under certain other laws, generators of hazardous or toxic substances or wastes that send such substances or wastes to disposal, recycling or treatment facilities may be liable for remediation of contamination at such facilities. Other laws, ordinances and regulations govern the generation, handling, storage, transportation and disposal of hazardous and toxic substances or wastes, the operation and removal of underground storage tanks, the discharge of pollutants into surface waters and sewers, emissions of certain potentially harmful substances into the air and employee health and safety.

Business operations subject to such laws, ordinances and regulations include the use, handling and contracting for recycling or disposal of hazardous or toxic substances or wastes, including environmentally sensitive materials such as motor oil, waste motor oil and filters, transmission fluid, antifreeze, refrigerants, waste paint and lacquer thinner, batteries, solvents, lubricants, degreasing agents, gasoline and diesel fuels. Our business is also subject to other laws, ordinances and regulations as the result of the past or present existence of underground storage tanks at our properties. Certain laws and regulations, including those governing air emissions and underground storage tanks, have been amended so as to require compliance with new or more stringent standards as of future dates. We cannot predict what other environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be administered or interpreted or what environmental conditions may be found to exist in the future. Compliance with new or more stringent laws or regulations, stricter interpretation of existing laws or the future discovery of environmental conditions may require additional expenditures on our part, some of which may be material.

Employees

As of April 1, 2006, we had approximately 154 employees (excluding our two executive officers), 55 of whom are employed at our Andrews Cycles dealership and the other 99 of whom are employed at our Chicago Cycles dealership. All of our employees were employed on a full-time basis including 2 executives, 63 salespersons, 40 administrative persons, 27 service technicians and 24 clerical persons. We are not a party to a collective bargaining agreement with our employees and we believe that our relationship with our employees is satisfactory.

Properties

Our principal executive offices are located at our recently expanded 75,000 square foot facility at 13134 State Route 62, Salem Ohio 44460, which is also the offices and showroom for our Andrews Cycles dealership. We lease this facility from an affiliated entity controlled by Russell A. Haehn, our Chairman, Chief Executive Officer and a controlling shareholder. We lease this facility under a ten-year lease at a rental rate of $15,000 per month. The current term expires on October 31, 2009, but may be extended on the same terms for an additional period of two years until October 31, 2011.

We also lease a 95,000 square foot retail facility in Skokie, Illinois, which is used for offices, a showroom and service facility for our Chicago Cycles dealership. We lease this facility from an unaffiliated third party under a ten-year lease with a ten year renewal option. The payments on the lease commenced in August 2005 at a monthly rent of $33,333 through May 2006 then increase to $40,000 per month from June 2006 through May 2007, $45,000 per month from June 2007 through May 2008, $46,667 from June 2008 through May 2009 and then increase 3% annually for the remaining term of the lease. We are also liable for a proportionate share of expenses and taxes over a specified amount.

A NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (including the Exhibits hereto) contains certain "forward-looking statements" within the meaning of the of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995, such as statements relating to our financial condition, results of operations, plans, objectives, future performance and business operations. Such statements relate to expectations concerning matters that are not historical fact. Accordingly, statements that are based on management's projections, estimates, assumptions and judgments are forward-looking statements. These forward-looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "plan," "estimate," "approximately," "intend," and other similar words and expressions, or future or conditional verbs such as "should," "would," "could," and "may." In addition, we may from time to time make such written or oral "forward-looking statements" in future filings with the Securities and Exchange Commission (the "Commission" or "SEC") (including exhibits thereto), in our reports to shareholders, and in other communications made by or with our approval. These forward-looking statements are based largely on our current expectations, assumptions, plans, estimates, judgments and projections about our business and our industry, and they involve inherent risks and uncertainties. Although we believe that these forward-looking statements are based upon reasonable estimates and assumptions, we can give no assurance that our expectations will in fact occur or that our estimates or assumptions will be correct, and we caution that actual results may differ materially and adversely from those in the forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors that could cause our or our industry's actual results, level of activity, performance or achievement to differ materially from those discussed in or implied by any forward-looking statements made by or on behalf of us and could cause our financial condition, results of operations or cash flows to be materially adversely effected. Accordingly, investors and all others are cautioned not to place undue reliance on such forward-looking statements. In evaluating these statements, some of the factors that you should consider include those described below under "Risk Factors" and elsewhere in this annual report.

ITEM 1A RISK FACTORS

You should carefully review and consider the following risks as well as all other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and the notes to those statements. The following risks and uncertainties are not the only ones facing us. Additional risks and uncertainties of which we are currently unaware or which we believe are not material also could materially adversely affect our business, financial condition, results of operations, or cash flows. In any case, the value of our common stock could decline. To the extent any of the information contained in this annual report constitutes forward-looking information, the risk factors set forth below are cautionary statements identifying important factors that could cause our actual results for various financial reporting periods to differ materially from those expressed in any forward-looking statements made by or on our behalf and could materially adversely effect our financial condition, results of operations or cash flows. See also, "A Note About Forward-Looking Statements."

RISKS RELATED TO OUR BUSINESS

Our business is subject to the influence of the manufacturers of motorcycles and the other power sports equipment we sell.

Each of our retail motorcycle and power sports dealerships operates pursuant to dealership agreements between each applicable motorcycle, all terrain vehicle, scooter and personal watercraft manufacturer (or authorized distributor thereof) and the subsidiaries of the Company that operate such dealerships, and we are dependent to a significant extent on our relationship with such manufacturers. Manufacturers exercise a great degree of control over dealerships, and the dealership agreements provide for termination or non-renewal for a variety of causes. Actions taken by manufacturers to exploit their superior bargaining position could have a material adverse effect on our business. Furthermore, many of our dealership agreements require prior manufacturer approval with respect to acquisitions of other motorcycle and/or power sports dealerships, and a manufacturer may deny our application to make an acquisition or seek to impose further restrictions on us as a condition to granting approval of an acquisition.

We are dependent on the Manufacturers of the products we sell.

The success of each of our dealerships is, in large part, dependent upon the overall success of the applicable manufacturers of our motorcycles and other power sports products. Accordingly, our success is linked to the financial condition, management, marketing, production and distribution capabilities of these manufacturers. Events, such as labor strikes, that may adversely affect a manufacturer, may also adversely affect our business. Similarly, the delivery of motorcycles or other power sports products from manufacturers later than scheduled, which may occur particularly during periods of new product introductions, can lead to reduced sales during such periods. Furthermore, any event that causes adverse publicity involving these manufacturers may have an adverse effect on our business regardless of whether such event directly involves any of our dealerships.

Risks associated with our ability to manage expansion as a result of acquisitions.

The growth of our business depends in large part on our ability to manage expansion, control costs in our operations and consolidate dealership acquisitions into existing operations. This strategy will entail reviewing and potentially reorganizing acquired dealership operations, corporate infrastructure and systems and financial controls. Unforeseen expenses, difficulties, complications and delays frequently encountered in connection with the rapid expansion of operations could inhibit our growth and adversely affect our financial condition, results of operations or cash flow.

Risks associated with our inability to identify suitable acquisition candidates.

There can be no assurance that we will be able to identify acquisition candidates that would result in the most successful combinations or that we will be able to consummate acquisitions on acceptable terms. The magnitude, timing and nature of future acquisitions will depend upon various factors, including the availability of suitable acquisition candidates, the negotiation of acceptable terms, our financial capabilities, the availability of skilled employees to manage the acquired companies and general economic and business conditions. In particular, the increasing competition among potential acquirers has resulted in higher prices being paid for attractive targets. If we are unable to acquire other motorcycle and power sports dealerships on acceptable terms we would be unable to realize our business plan which could adversely affect our future business prospects.

We may not be able to obtain required approvals from manufacturers for prospective acquisitions.

The growth of our business through the acquisition of other motorcycle and power sports dealerships will depend on our ability to obtain the requisite manufacturer approvals. There can be no assurance that manufacturers will grant such approvals. While we are not aware of any manufacturers that limit the number of dealerships that may be held by any one company, or the number of dealerships that may be held in any geographic market, we believe that it is currently the policy of some manufacturers to restrict any company from holding contiguous dealerships (i.e. ownership of two dealerships without the existence of an unaffiliated dealership located geographically in between such two dealerships). We believe that our Andrews Cycles and Chicago Cycles distributorships currently are two of the largest volume dealers of power sports products in the Midwestern United States. If we continue to increase our market share for the sales of such products, manufacturers may become more likely to enforce these contiguous ownership restrictions against us. If we are unable to obtain any such required approvals from manufacturers, it could be difficult for us to realize our business plan which could adversely affect our future business prospects.

Manufacturers may impose additional restrictions on our business as a condition of granting approvals for any of our proposed acquisitions.

In connection with any future acquisitions, one or more manufacturers may seek to impose further restrictions on us relating to their approval of an acquisition. For example, manufacturers may condition such approvals upon our agreement to implement certain measures at our existing dealerships, to provide certain additional training to employees and to achieve higher customer satisfaction ratings. If such goals are not attained, we may be precluded from acquiring, whether directly from such manufacturers or through acquisitions, additional dealerships, and it may lead such manufacturers to conclude that they have a basis pursuant to which they may seek to terminate or refuse to renew our existing dealerships with those manufacturers. Furthermore, factors outside our control may cause a manufacturer to reject our application to make acquisitions. Any of these actions by manufacturers could adversely affect our financial condition, results of operations or cash flows.

We may be unable to obtain financing for the acquisitions that are available to us.

Although we do not currently have any plans to raise financing through the sale of any of our securities, we may, in the future, attempt to obtain financing for acquisition opportunities through a combination of loans and equity investments from commercial sources, seller debt financing, issuance of our equity securities as part of the purchase price, and other sources. Commercial sources will tend to come from investment funds, private equity funds, and other non-traditional sources, usually at a very high borrowing cost. Use of our equity securities could result in material dilution to our existing shareholders. There can be no assurance that we will be able to obtain adequate financing for any acquisition, or that, if available, such financing will be on favorable terms.

Dependence on Floor Plan Financing.

We are dependent to a significant extent on our ability to finance the purchase of inventory, which in the motorcycle and power sports retail industries involves significant sums of money in the form of floor plan financing. As of December 31, 2005, we had $17,159,719 of floor plan notes payable. Substantially all the assets of our dealerships are pledged to secure such indebtedness, which may impede our ability to borrow from other sources. We currently have floor plan facilities with a variety of lenders, including primarily GE Commercial Distribution Finance Corporation, Fifth Third Bank, Kawasaki Motors Finance Company, and American Honda Finance. Several of such lenders are associated with manufacturers with whom we have dealership agreements. Consequently, deterioration of our relationship with a manufacturer could adversely affect our relationship with the affiliated floor plan lender and vice versa.

We have substantial outstanding indebtedness.

As of December 31, 2005, based upon our financial statements, our outstanding indebtedness to third parties, including the $17,159,719 of floor plan notes payable under our floor plan financing arrangements was approximately $18,658,198. As of December 31, 2005 approximately $989,600 of our outstanding indebtedness to third parties was represented by debt incurred by us, in connection with the acquisition of Chicago Cycles, which reflected the remaining outstanding amount of the $1,250,000 we borrowed from the Fifth Third Bank, pursuant to a Term Note dated March 12, 2004, to fund the initial $1,250,000 payment for such acquisition. The original loan from Fifth Third Bank matured on May 31, 2004, and we converted the entire $1,250,000 principal amount of this loan to a six (6) year term loan, which bears interest at the rate of prime plus one percent (8% at December 31, 2005) and is secured by a first priority lien on all of our assets, including the assets acquired from Chicago Cycles.

The motorcycle and power sports industries are subject to cyclical movements in the economy.

Sales of motorcycles/power sports products, historically have been cyclical, fluctuating with general economic cycles. During economic downturns, this industry tends to experience similar periods of decline and recession as the general economy. We believe that the industry is influenced by general economic conditions and particularly by consumer confidence, the level of personal discretionary spending, interest rates and credit availability. There can be no assurance that the industry will not experience sustained periods of decline in sales in the future, and that such decline would not have a material adverse effect on our operations.

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Our business experiences seasonal trends.

Our business is seasonal, with a disproportionate amount of our sales occurring in the second and third fiscal quarters. This is particularly the case, as our existing dealerships are in Chicago and Ohio, both of which experience extremely cold winter seasons. In the event that we acquire future dealerships in regions with more temperate climates all year round (e.g. Southern Florida or Southern California), those dealerships may experience less seasonality in sales, although there can be no assurances given that such dealerships would not experience similar seasonal fluctuations.

We are dependent on foreign manufacturers, particularly from Japan, for our products.

A significant portion of the motorcycle and other power sports products sold by us, as well as the components and accessories for these products are of foreign origin - primarily from Japan. Accordingly, we are subject to the import and export restrictions of various jurisdictions and are dependent to some extent upon general economic conditions in and political relations with these foreign countries, particularly Japan. In the event of a severe downturn in the Japanese economy or problems in political or economic relations between the U.S. and Japan, such as, for example, disputes relating to import duties, subsidies, etc., our business could be materially adversely affected.

The retail motorcycle/power sports business is highly competitive.

The motorcycle/power sports retailing industry is highly competitive with respect to price, service, location and selection. There are an estimated 4,000 retail stores throughout the United States. We compete with numerous dealerships in each of our market segments, many of which are large and have significant financial and marketing resources. We also compete with private market buyers and sellers of used motorcycles and other power sports products, dealers that sell used motorcycles and other power sports products, service center chains and independent shops for service and repair business. Some of these businesses are capable of operating on smaller gross margins than those on which we are capable of operating because they have lower overhead and sales costs. Our inability to compete with these other businesses could have a material adverse effect on our operations.

Our business is subject to environmental regulations.

Our business is subject to federal, state and local laws, ordinances and regulations which establish various health and environmental quality standards, and liability related thereto, and provide penalties for violations of those standards. Under certain laws and regulations, a current or previous owner or operator of real property may be liable for the costs of removal and remediation of hazardous or toxic substances or wastes on, under, in or emanating from such property. Such laws typically impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances or wastes. Certain laws, ordinances and regulations may impose liability on an owner or operator of real property where on-site contamination discharges into waters of the state, including groundwater. Under certain other laws, generators of hazardous or toxic substances or wastes that send such substances or wastes to disposal, recycling or treatment facilities may be liable for remediation of contamination at such facilities. Other laws, ordinances and regulations govern the generation, handling, storage, transportation and disposal of hazardous and toxic substances or wastes, the operation and removal of underground storage tanks, the discharge of pollutants into surface waters and sewers, emissions of certain potentially harmful substances into the air and employee health and safety.

Business operations subject to such laws, ordinances and regulations include the use, handling and contracting for recycling or disposal of hazardous or toxic substances or wastes, including environmentally sensitive materials such as motor oil, waste motor oil and filters, transmission fluid, antifreeze, refrigerants, waste paint and lacquer thinner, batteries, solvents, lubricants, degreasing agents, gasoline and diesel fuels. Our business is also subject to other laws, ordinances and regulations as the result of the past or present existence of underground storage tanks at our properties. Certain laws and regulations, including those governing air emissions and underground storage tanks, have been amended so as to require compliance with new or more stringent standards as of future dates. We cannot predict what other environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be administered or interpreted or what environmental conditions may be found to exist in the future. Compliance with new or more stringent laws or regulations, stricter interpretation of existing laws or the future discovery of environmental conditions may require additional expenditures on our part, some of which may be material.

We are heavily dependent on our management.

Our success depends to a large degree upon the skills of our senior management team and current key employees at our subsidiaries. The Company depends particularly upon the following key executives: Gregory A. Haehn, who is our President, Chief Operating Officer and a director, and Russell A. Haehn, who is our Chief Executive Officer and Chairman of the board of directors. In addition, we rely on the management skills of Philip A. Andrews, the general manager of our Andrews Cycles business conducted by our W.W. Cycles subsidiary in Salem, Ohio, and we also rely on Jerry Fokas, the general manager of our Chicago Cycle business conducted by our Chicago Cycles, Inc. subsidiary in Chicago, Illinois.

We do not have employment contracts with either of our officers or Mr. Andrews. We entered into an Employment Agreement with Mr. Fokas, employing him as a general manager of Chicago Cycles for a two (2) year period. In consideration for such employment, we agreed to, among other things, pay to Mr. Fokas (1) a salary of $2,500 per week from May 1, 2004 to April 30, 2005, and $3,000 per week from May 1, 2005 to April 30, 2006, and (2) a quarterly bonus equal to five percent (5%) of Chicago Cycles' quarterly earnings before interest, taxes, depreciation and amortization (as determined by the certified public accounting firm that regularly provides accounting services to Chicago Cycles and/or us).

We maintain Keyman life insurance on the life of Russell A. Haehn in an amount of $2,000,000, with the beneficiary being our W.W. Cycles subsidiary. In addition, we maintain Keyman life insurance on the life of Gregory A. Haehn in an amount of $1,000,000, with the beneficiary being the Company.

In connection with the acquisition of Chicago Cycles, we entered into a Noncompetition Agreement with Jason Haubner, one of the shareholders of Chicago Cycles, pursuant to which Mr. Haubner agreed to limit his business activities, after said acquisition, to those not competing with Chicago Cycles until December 31, 2006. The loss of any of our key officers and employees or the failure to attract, integrate, motivate, and retain additional key employees could have a material adverse effect on our business.

In the event that we ever begin to provide financing to customers, our business could be negatively impacted by customers' defaults on loans provided.

In the event we choose to provide financing to any of our customers, in the future, to purchase our motorcycles and other power sports equipment, we may assign a substantial portion of these loans to third-party financial institutions in order to reduce our exposure to customer defaults, and will receive a fee from these financial institutions for these assigned loan contracts. With respect to loans that we choose not assign to third parties, or are unable to do so, we will be subject to all of the ordinary risks relating to customer defaults on such loans. In the event that the aggregate amount of these defaults result in losses in excess of the amounts we have made allowances for, this could have an adverse effect on our business, profitability and financial condition. Additionally, if any customer to whom we provide financing is adjudicated a bankrupt person, we may have no means of recourse to collect any of the principal or interest outstanding on such loan. In the event that financing operations ever become a material portion of our business, we intend to establish an evaluation process designed to determine the adequacy of the allowances we establish for loan defaults. While this evaluation process will most likely use historical and other objective information, there would be no assurance that we would not substantially underestimate potential defaults, given that current management of the Company has little experience in the equipment financing business. In such event we could not assure you that our loan reserves would be sufficient to absorb future loan losses or prevent a material adverse effect on our business, profitability or financial condition.

RISKS RELATED TO OUR SECURITIES

We do not expect to pay dividends.

Except for dividends that we are required to pay on our Series A Shares (which dividends may be paid in cash or shares of our common stock, in our sole discretion), we do not currently anticipate paying any cash dividends on any of our capital stock in the foreseeable future. Furthermore, for the foreseeable future, we intend to retain profits, if any, to fund our planned growth and expansion. In the event that we desire to pay dividends on any shares of our capital stock, in the future (other than on the Series A Shares), we are required to obtain the separate approval of the holders of the Series A Shares in order to declare and pay any such dividends. See "Risk Factors - Holders of our Series A Shares have special approval rights on certain matters requiring approval of our board of directors and/or shareholders."

Control by Management.

Subject to the requirement for us to obtain the separate approval of the holders of our Series A Shares, with respect to certain matters, our officers and directors may be able to influence matters requiring shareholders approval because they own a majority of our outstanding shares of voting stock. Our executive officers and directors beneficially own in the aggregate 9,020,000 shares of common stock (including options to purchase 1,500,000 shares of common stock at an exercise price of $1.25 per share), or approximately 73.6% of our outstanding shares of common stock. Because our Series A Shares are entitled to vote along with our common stock on all matters presented to our shareholders for approval, our executive officers and directors actually own approximately 50.4% of our outstanding shares of voting stock (giving effect to the voting rights of the 2,820 Series A Shares outstanding at a rate of 2,000 votes for each such preferred share outstanding, and assuming exercise of all options held by such executive officers and directors). This concentration of ownership provides such persons with the ability, except with respect to those matters upon which the holders of the Series A Shares have a separate right of approval, to control and influence all corporate decisions and policies of shareholder voting matters, including, without limitation, the removal of directors. Additionally, except with respect to those matters upon which the holders of the Series A Shares have a separate right of approval, these persons would be able to approve any proposed amendment to our charter, a merger proposal, a proposed sale of assets or other major corporate transaction or a non-negotiated takeover attempt. This concentration of ownership may discourage a potential acquirer from making an offer to buy us, which, in turn, could adversely affect the market price of our common stock and warrants.

Holders of our Series A Shares have special approval rights on certain matters requiring approval of our board of directors and/or shareholders.

Under the provisions of our certificate of designation designating the rights, preferences and privileges of our Series A Shares, the vote or consent of the holders of at least a majority of our outstanding Series A Shares, voting separately as a class, is required for the approval of certain matters including (i) any alteration or repeal of our articles of incorporation or certificate of designation that adversely affects the rights, preferences or privileges of the Series A Shares, including to create, authorize or issue any series or shares of senior stock or parity stock or to increase the amount of authorized capital stock of any such class; (ii) the creation, authorization or issuance of any series or shares of capital stock convertible into common stock which is on parity with or senior to the Series A Shares in terms of liquidation, dividends or otherwise; (iii) any merger, consolidation or entering into a business combination or similar transaction, other than if (1) we are the surviving entity and (2) our shareholders prior to such transaction continue to hold a majority of our capital stock following the transaction; (iv) the incurrence or permission to exist any inventory or equipment indebtedness or liens relating thereto, except that we are permitted to borrow in connection with institutional financing of inventory and equipment and mortgage financing in connection with acquisitions of real estate; (v) (1) the declaration or payment of any dividends on any of our capital stock (other than the Series A Shares), (2) the purchase, redemption or retirement for value, of any of our capital stock (other than the Series A Shares) or (3) the distribution of our assets, capital stock, warrants, rights, options, indebtedness or obligations to our shareholders; (vi) the sale, transfer or disposal of a material portion of our assets, unless the sale is not of all or substantially all of our assets and is approved by a majority or our independent and disinterested directors; and (vii) entering into any transactions, or agreement or amending or modifying any existing agreement, with any officers, directors or our principal shareholders, or any of their affiliates, which transaction, agreement amendment or modification is not approved by a majority of our independent and disinterested directors.

As a result of the foregoing rights granted to the holders of the Series A Shares, as long as we have any Series A Shares outstanding, we will not be able to (i) effect certain financing through the issuance of securities on parity with or senior to the Series A Shares or (ii) enter into certain merger transactions with other businesses or conduct certain other transactions, without the approval of the holders of a majority of the outstanding Series A Shares. In the event that the interests of the holders of the Series A Shares are not aligned with the interests of our other shareholders, it is likely that the holders of the Series A Shares will act in their own best interests, which could be to the detriment of our other shareholders with respect to any matters for which their approval is required. In addition, these special approval rights may discourage a potential acquiror from making an offer to buy us, which, in turn, could adversely affect the market price of our common stock.

Trading in our common stock is limited and the price of our common stock may be subject to substantial volatility.

Our common stock is traded on the Over the Counter Bulletin Board, and therefore the trading volume is more limited and sporadic than if our common stock were traded on NASDAQ or a national stock exchange such as Amex. Additionally, the price of our common stock may be volatile as a result of a number of factors, including, but not limited to, the following:

- quarterly variations in our operating results;
- large purchases or sales of common stock;
- actual or anticipated announcements of new products or services by us or competitors;
- acquisitions of new dealerships;
- investor perception of our business prospects or the motorcycle/power sports industry in general;
- general conditions in the markets in which we compete; and
- economic and financial conditions.

If outstanding Series A Shares, options and warrants are exercised or converted, the value of those shares of common stock outstanding just prior to the conversion will be diluted.

As of April 12, 2006, there are 2,820 outstanding Series A Shares convertible into a total of 5,640,000 shares of our common stock and options and warrants to purchase 8,340,000 shares of common stock, with exercise prices ranging from $0.50 to $2.25 per share. If the holders exercise a significant number of these securities at any one time, the market price of the common stock could fall. In the event that the anti-dilution provisions contained in the Series A Shares and the Series A Warrants are triggered and we also issue additional shares of our common stock as dividends on the Series A Shares so that all or a significant portion of our outstanding common stock becomes available for resale, this could cause an even greater reduction in the market price of our common stock. The value of the common stock held by other shareholders will be diluted. The holders of the options and warrants have the opportunity to profit if the market price for the common stock exceeds the exercise price of their respective securities, without assuming the risk of ownership. If the market price of the common stock does not rise above the exercise price of these securities, then they will expire without exercise. The holders of these options and warrants may also exercise their securities if we are able to raise capital privately or from the public on terms more favorable than those provided in these securities. We cannot predict exactly if, or when, such a financing will be needed or obtained. Furthermore, we cannot predict whether any such financing will be available on acceptable terms, or at all.

"Penny stock" regulations may impose certain restrictions on the marketability of our securities.

The Securities and Exchange Commission has adopted regulations which generally define a "penny stock" to be any equity security that has a price of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions (including the issuer of the securities having net tangible assets (i.e. total assets less intangible assets and liabilities) in excess of $2,000,000 or average revenue of at least $6,000,000 for the last three years). As a result, our common stock could be subject to these rules that impose additional sales practice requirements on broker-dealers who sell our securities to persons other than established customers and accredited investors (generally persons with a net worth in excess of $1,000,000 or annual income exceeding $200,000, or $300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of such securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a "penny stock," unless exempt, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the Securities and Exchange Commission relating to the "penny stock" market. The broker-dealer must also disclose the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the "penny stock" held in the account and information on the limited market in "penny stocks." Consequently, although the "penny stock" rules do not currently apply to our securities, if these rules do become applicable in the future, this may restrict the ability of broker-dealers to sell our securities.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

This item is not applicable to the Company.

ITEM 2. PROPERTIES

Set forth below is summary information of our current operating facilities:

LOCATION	PRINCIPAL USES OF SPACE	(IN SQUARE FEET)	LEASE EXPIRATION
Salem, Ohio	Offices, showroom	75,000	October 31, 2009, and ma be extended to October 31 2011
Skokie, Illinois	Offices, showroom and service facility	95,000	May 31, 2015 and may b renewed until May 31, 2025

We believe that our operating facilities are adequate for our present purposes and that additional operating facilities, if required, will be available to us on reasonably acceptable terms.

ITEM 3. LEGAL PROCEEDINGS

We are not currently subject to any legal proceedings, and to the best of our knowledge, none are threatened, the results of which would have a material adverse effect on our properties, results of operations or financial condition. Additionally, to our knowledge, neither of our officers and directors are involved in any legal proceedings in which we are an adverse party.

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

There were no matters submitted to a vote of our securityholders during the fourth quarter of our fiscal year ended December 31, 2005.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded in the over-the-counter market on the Nasdaq OTC Bulletin Board under the symbol "GMOS." The following table shows the price range of the Company's common stock since it was initially quoted on November 19, 2003 until December 31, 2005. Prior to April 5, 2004, our common stock traded in the over-the-counter market on the Nasdaq OTC Bulletin Board under the symbol ASBC.

	BID		ASK	
Quarter Ended	High	Low	High	Low
12/31/03	.250	.250	.250	.250
3/31/04	2.20	2.10	2.20	2.10
6/30/04	1.90	1.90	1.90	1.90
9/30/04	.85	.68	.85	.68
12/31/04	1.90	1.80	1.90	1.80
3/31/05	1.30	1.26	1.30	1.26
6/31/05	.61	.60	.61	.60
9/30/05	1.03	.95	1.03	.95
12/31/05	1.01	.58	1.06	.60

DIVIDENDS

Subject to the rights that have been designated to the holders of our Series A Convertible Preferred Stock (the "Series A Shares"), which dividends are payable in cash or shares of our common stock, as determined in our sole discretion, and any other holders of preferred stock that may be authorized by our Board, holders of our common stock are entitled to receive dividends when and if declared by our Board of Directors out of funds legally available. We have not paid any dividends on our common stock. The payment of dividends, if any, in the future is within the discretion of the Board of Directors and is also subject to the approval of the holders of the Series A Shares. The payment of dividends, if any, in the future will depend upon our earnings, capital requirements, financial condition and other relevant factors. Our Board of Directors does not presently intend to declare any dividends in the foreseeable future. Instead, our Board of Directors intends to retain all earnings, if any, for use in our business operations.

Pursuant to our Restated Articles of Incorporation, our Board of Directors is authorized, subject to any limitations prescribed by law, and subject to certain approval right we have provided to the holders of our Series A Shares, to provide for the issuance of up to 5,000,000 shares of preferred stock from time to time in one or more series and to establish the number of shares to be included in each such series and to fix the designation, powers, preferences and relative, participating, optional and other special rights of the shares of each such series and any qualifications, limitations or restrictions thereof. Because the Board of Directors has such power to establish the powers, preferences and rights of each series, it may afford the holders of preferred stock preferences, powers and rights (including voting rights and rights to receive dividends) senior to the rights of the holders of common stock. The issuance of shares of preferred stock, or the issuance of rights to purchase such shares, could be used to discourage an unsolicited acquisition proposal.

There is currently one series of preferred stock issued and outstanding: Series A Shares, with 5,000 shares being authorized and 2,820 shares being issued and outstanding. Up to an additional 4,995,000 shares of preferred stock remain authorized. Set forth below is a summary only and it is qualified by our Restated Articles of Incorporation and the Certificate of Designation for our Series A Shares, copies of which are available from the Company upon request.

Rank. The Series A Shares rank senior to (1) the common stock and (2) each other class or series of preferred stock now or hereafter established by the Board of Directors, the terms of which do not expressly provide that it ranks senior to, or on a parity with, the Series A Shares as to dividend rights and rights on liquidation, winding-up and dissolution of the Company (collectively referred to as "Junior Stock").

Dividends. The holders of shares of Series A Shares will receive dividends at the rate of $100.00 per Series A Share per annum, payable, at the option of the Company, in cash or shares of Common Stock, provided that, the dividend rate will be reduced to $70.00 per Series A Share per annum at such time as and for as long as our shares of common stock issuable upon conversion of the Series A Shares are covered by an effective registration statement. In the event of certain defaults by the Company, the dividend rate will be increased to $200.00 per Series A Share until the default has been cured. Dividends will accrue and be payable semi-annually, in arrears, on the first day of March and September in each year, beginning March 2006. Dividends payable on the Series A Shares are cumulative and any accrued and unpaid dividends are included in the payment of a liquidation preference to the holders of Series A Shares, as described below.

Liquidation Preference. In the event of a liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the Series A Shares are entitled to receive, after all payments to holders of any securities that rank senior to the Series A Shares, $1,000.00 per Series A Share, together with an amount equal to the dividends accrued and unpaid thereon (whether or not declared) to the date of final distribution to the holders of Series A Shares, without interest, before any payment shall be made or any assets distributed to the holders of any of the Company's securities that rank junior to the Series A Shares, including the common stock. After the full payment of the liquidation preference to the holders of Series A Shares, they are not entitled to any further participation in any distribution of the Company's assets. At the option of any holder of Series A Shares, a consolidation or merger of the Company with another corporation in which the Company is not the surviving entity, or a sale or transfer of all or part of the Company's assets for cash, securities or other property will be considered a liquidation, dissolution or winding up of the Company.

Conversion.

Election to Convert. Each Series A Share may initially be converted, at any time, at the election of the holder, into 2,000 shares of our common stock, subject to certain adjustments.

Mandatory Conversion. We have the right, in our sole discretion, to require that all of the outstanding Series A Shares be converted into shares of our common stock at the same conversion rate applicable to a conversion election. We have this right to require conversion at any time: (1) the last trade price of our common stock reported on the OTC Bulletin Board for each of the ten consecutive trading days ending two business days prior to the date of our conversion election exceeds $1.50 per share (subject to certain adjustments, including adjustments for anti-dilution) and (2) the common stock issuable upon conversion of the Series A Shares is covered by an effective registration statement during the entire ten-day period and through the date of the conversion.

Anti-Dilution Adjustments. Subject to certain exceptions, if we issue securities, in the future, at an effective price of less than $.50 per share of common stock (or the then current price as reduced by prior anti-dilution events), then the rate of conversion of the Series A Shares into our common stock will be reduced to the effective price of our common stock as issued. In addition, the rate of conversion may also be reduced as a result of certain recapitalization events, including (1) a split or reverse split of our shares of common stock and (2) the payment of a dividend in shares of our common stock (other than dividends payable on the Series A Shares in common Stock).

Reduction in Conversion Rate due to Default. Upon the occurrence of certain types of defaults, such as a default: (i) under our certificate of designation of the Series A Shares; (ii) under our subscription agreements with the investors in the September 2005 Private Placement; (iii) subject to certain exceptions, of any obligation of indebtedness or financing in excess of $250,000; or (iv) under any material contract, the then applicable conversion rate will be adjusted to an amount equal to 80% of the Conversion Price then in effect.

Voting Rights. Holders of the Series A Shares vote together with the holders of common stock as a single class on all matters submitted to shareholders for a vote and shall have a number of votes equal to 2,000 votes for each Series A Share, subject to certain adjustments. Additionally, the approval of the holders of a majority of the Series A Shares is required for the approval of the following matters:

(1) Any amendment, alteration or repeal of the Articles or the certificate of designation relating to the Series A Shares, if such amendment, alteration or repeal adversely affects the rights, preferences or privileges of the Series A Shares, including the right to create, authorize or issue any series or shares of stock senior to or on parity with the Series A Shares, or to increase the amount of authorized capital stock of any such class;

(2) The creation, authorization or issuance of any series or shares of capital stock convertible into common stock which is on parity with or senior to the Series A Shares in terms of liquidation, dividends or otherwise;

(3) The merger, consolidation or entering into a business combination or similar transaction, other than if (i) the Company is the surviving entity and (ii) the shareholders of the Company prior to such transaction continue to hold a majority of the capital stock of the Company following the transaction;

(4) The incurrence or permission to exist of any inventory or equipment indebtedness or liens relating thereto, except that the Company may borrow in connection with institutional financing of inventory and equipment and mortgage financing in connection with acquisitions of real estate;

(5) The declaration or payment of any dividends on, purchase, redemption or retirement for value, of any capital stock (other than the

Series A Shares), or make any distribution of assets, capital stock, warrants, rights, options, indebtedness or obligations to the Company's shareholders;

(6) The sale or other transfer of a material portion of the Company's assets; provided, however, that such a sale or other transfer will be permitted if (i) it is not of all or substantially all of the Company's assets and (b) is approved by a majority of the independent and disinterested members of the board of directors; and

(7) The entering into any transaction or agreement, or the amendment or modification of any existing agreement, with any officers, directors or principal shareholders of the Company, or any of their affiliates, which transaction, agreement amendment or modification is not approved by a majority of the independent and disinterested members of the board of directors.

RECENT SALES OF UNREGISTERED SECURITIES

We have sold the following securities during the year ended December 31, 2005:

In September 2005, the Company sold to accredited investors in a private placement offering (the "September 2005 Private Placement"), 2,870 shares of its newly-designated Series A Convertible Preferred Stock, stated value $1,000 per share (the "Series A Shares"), and common stock purchase warrants (the "Series A Warrants") to purchase up to of 5,740,000 shares of Company's common stock, resulting in the receipt by the Company of $2,870,000 of gross proceeds. In connection with HCFP/Brenner Securities LLC's acting as placement agent in the September 2005 Private Placement, the Company paid it commissions of $229,600 and a nonaccountable expense allowance of $57,400. Additionally, the Company issued the placement agent an option to purchase 287 Series A Shares and Series A Warrants to purchase up to 574,000 shares of common stock. After deduction of all offering expenses, including the placement agent's commissions and nonaccountable expense allowance, the Company received net proceeds of $2,485,163. The securities sold by the Company in the September 2005 Private Placement were exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to the provisions of Section 4(2) of the Securities Act and Regulation D promulgated thereunder. Sales of these securities were made pursuant to the provisions of Rule 506 of Regulation D which provides for an exemption from registration under the Securities Act of 1933, for sales of securities to no more than 35 "accredited investors" (as such term is defined in Rule 501 of Regulation D). Based on the information provided by the investors in the September 2005 Private Placement in their subscription documents, the Company sold securities to 15 accredited investors in compliance with the provisions of Regulation D and filed a Form D with the Securities and Exchange Commission reporting this sale.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information about the Company's common stock that may be issued upon the exercise of stock options under all of our equity compensation plans in effect as of December 31, 2005.

	Number of securities to	Weighted average	Number o remaining future i

Plan Category	be issued upon exercise of outstanding options, warrants and rights	exercise price of outstanding options, warrants and rights	equity plan (exclu reflected
Equity compensation plan approved by securityholders	---	---	
Equity compensation plan not approved by securityholders	1,500,000 (1)	$1.25	

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(1) Reflects options granted to our two executive officers in August 2004 to purchase shares of our common stock.

ITEM 6. SELECTED FINANCIAL DATA

SELECTED FINANCIAL INFORMATION

The selected consolidated financial data presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes thereto included elsewhere in this Annual Report. Our statement of operations data for the years ended December 31, 2005, 2004, 2003 (restated), and 2002 (restated) and our balance sheet data as of December 31, 2005, 2004, 2003 (restated) and 2002 have been derived from our audited consolidated financial statements, all of which except our balance sheet data at December 31, 2003 and 2002, are included elsewhere in this Annual Report. Our statement of operations data for the year ended December 31, 2000, and our balance sheet data as of December 31, 2001, have been derived from our unaudited consolidated financial statements, which are not presented in this Annual Report.

	2001	2002	2003	2004
Net Sales (1)	$29,161,043	$38,461,692	$45,217,270	$77,615,237
Income from Continuing Operations	1,090,557	1,242,854	852,831	2,168,256
Income from Continuing Operations Per Share	0.14	0.16	0.11	0.21
Total Assets	7,504,373	10,084,106	14,303,028	24,017,727
Long-term Debt Obligations	478,471	366,044	547,073	2,636,027
Redeemable Preferred Stock	---	---	---	---
Cash Dividends Declared per Common	---	---	---	---

(1) Does not include revenues from finance, insurance and extended service contracts, which represent less than 3% of total operating income.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our results of operations and financial condition should be read together with the consolidated financial statements and the notes to those statements included elsewhere in this Annual Report. This discussion may contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results anticipated in any forward-looking statements as a result of a variety of factors, including those discussed in "Risk Factors" and elsewhere in this Annual Report.

General.

Our goal is to become one of the largest dealers of power sports vehicles in the United States through acquisitions and internal growth.

The motorsports industry is highly fragmented with an estimated 4,000 retail stores throughout the United States. We are attempting to capitalize upon the consolidation opportunities available and increase our revenues and income by acquiring additional dealers and improving our performance and profitability.

We plan to maximize the operating and financial performance of our dealerships by achieving certain efficiencies that will enhance internal growth and profitability. By consolidating our corporate and administrative functions, we believe we can reduce overall expenses, simplify dealership management and create economies of scale.

We will specifically target dealers in markets with strong buyer demographics that, due to under-management or under-capitalization, are unable to realize their market share potential and can benefit substantially from our systems and operating strategy.

Together with our two wholly-owned subsidiaries, we own and operate two retail power sports superstores. Our core brands include Suzuki, Yamaha, Honda, Ducati and Kawasaki. Our superstores operate under the names "Andrews Cycles" and "Chicago Cycles." Andrews Cycles is located in Salem, Ohio, has approximately 55 employees and operates from an approximately 75,000 square foot facility. Chicago Cycles is located in the Chicago metropolitan area, has approximately 99 employees and operates from an approximately 95,000 square foot facility in Skokie, Illinois, pursuant to a ten-year lease we entered into in October 2004.

Overview of Economic Trends.

Effects of Increasing Interest Rates

Notwithstanding our increase in sales for the year ended December 31, 2005 compared to the same period in 2004, a portion of which was due to our acquisition of Chicago Cycles in April 2004, we believe that if interest rates on consumer loans continue to rise, as they have during the last twelve months, this could reasonably be expected to have a material adverse effect on the sales of our power sports products, and more specifically the sales of new vehicles. In 2005, approximately $25.7 million of the approximately $103.1 million of our power sports sales (25%) were financed. Although we did not experience a material reduction in sales through December 31, 2005, the uncertainties created in the consumer financing market as a result of continuing increases in interest rates, can reasonably be expected to have a negative impact on the sale of new motorcycles in the next 12 to 24 months due to the increased costs to our customers.

We believe that consumer interest in lower-priced used motorcycles will significantly rise, as a result of the increased costs of financing. With the acquisition of our Chicago Cycles dealership we have added sales of used motorcycles to our business. During the year ended December 31, 2005, approximately $4.9 million of Chicago Cycles' approximately $37.7 million in revenues (13%) were generated from sales of used motorcycles. Although our Andrews Cycles dealership has not yet generated material revenues from the sale of used motorcycles, we have commenced sales of used motorcycles at Andrews Cycles in the second half of 2005 and intend to substantially increase sales in 2006. We also intend to increase sales of used motorcycles at Chicago Cycles in 2006. Although there can be no assurance, we believe that our greater focus on sales of lower-priced used motorcycles, which generally provide larger sales margin, will help make up for any reduction in sales of new motorcycles.

Effects of Increasing Fuel Costs

During the fourth quarter of 2005, we experienced an increase in sales of motorcycles and scooters compared to the same period in 2004, some of which we believe is attributable to the spike in gasoline prices during the fourth quarter of 2005. This three month period is historically the slowest period for sales. We believe that it is reasonable to assume that a continued rise in gasoline prices will result in many consumers considering the use of motorcycles and scooters as alternative forms of transportation to automobiles, since motorcycles and scooters provide significantly better gas mileage than automobiles resulting in substantially lower fuel costs. Although there is no absolute certainty as to the direction that gasoline prices will move in 2006 and beyond, recent trends appear to suggest a greater likelihood of increases than reductions, which could have a positive impact on our sales for the next 12 to 24 months.

Reduction in Units by Manufacturers

We believe that certain manufacturers of the motorcycles we sell have recently begun to reduce the number of units they manufacture, normally with respect to some higher-end models, in order to increase the price per unit. Because of our position in the market, we believe that we are generally able to receive a larger allocation of these models than many other dealers. Since this pricing normally results in greater sales margins, reduced unit sales and higher pricing by manufacturers, in the future, could result in a material increase in our revenues and profits, provided that there are a sufficient number of customers willing to pay higher prices for these more limited produced models.

Overall impact on our Future Earnings

Management believes that our earnings for 2005 were negatively affected by the substantial non-recurring expense incurred by the Company in connection with Chicago Cycles' move to its larger facilities, during the first half of the year. This move also had a negative impact on sales for approximately three months, until customers made the transition to our new facilities. Based on our operations during the first three months of 2006, we believe that under our current business structure earnings from our Andrews Cycles and Chicago Cycles subsidiaries will increase at a measured pace during the next 12 to 18 months. We intend to continue to evaluate and analyze our business decisions through effective inventory engagement, as described in greater detail under the heading Inventory Management, included elsewhere in this MD&A. We also foresee promising opportunities to increase our sales of motorcycles and scooters as consumers face substantial increases in gas prices, and give greater consideration to the purchase of motorcycles and scooters which provide significantly greater gas mileage than automobiles. We have even recently commenced an advertising campaign that emphasizes the miles per gallon advantage of riding a motorcycle. At the same time, we face challenges caused by the Federal Reserve's continued increase in interest rates over the past year, which directly increases the cost of financing purchases of our motorcycles and other power sports products. Although we cannot control increases in interest rates, we have recently begun to address this by increasing our focus on the sales of used motorcycles and other equipment, which provide customers with lower price alternatives, and we believe can help to make up for a significant portion of new vehicle sales lost because of higher interest rates. Additionally, in the event that we are able to successfully integrate additional dealerships and/or new brands into our existing business, we believe that this will result in greater sales margins and an even greater increase in earnings. These greater sales margins would be created by the consolidation of expenses through the implementation of our superstore business plan, resulting in greater earnings per unit sold. While it is management's intent to pursue the goals described herein, we cannot assure you that these goals will be achieved at any level.

Loan Transactions.

On April 30, 2004, we paid $1,675,000 of the purchase price for Chicago Cycles by issuing to Kings Motorsports a 6% $1,675,000 aggregate principal amount note (the "Note"), which Note initially provided for payment as follows:

- $500,000 on July 29, 2004;
- $250,000 on October 27, 2004; and
- the remaining $925,000, plus accrued but unpaid interest on April 30, 2005.

We repaid all outstanding principal and interest on the Note, remaining due and payable, on October 13, 2005.

To fund the amount payable at closing for Chicago Cycles, we borrowed $1,250,000 from The Fifth Third Bancorp Bank (the "Bank"), pursuant to a term loan. This loan, which initially matured on May 31, 2004, was refinanced with the Bank through a term loan amortized over a 72 month period, but is payable in full on May 31, 2007, bearing interest at prime plus one percent (8% at December 31, 2005). Our payment obligations under this term loan also are personally guaranteed by Russell Haehn and Gregory Haehn. This loan is also secured by a first priority lien on all of our assets (including, without limitation, the Chicago Cycles assets). As of December 31, 2005, the outstanding amount of this term loan, including accrued interest thereon, was $989,600.

On April 20, 2004, pursuant to a $500,000 aggregate principal amount promissory note bearing interest at the rate of fourteen (14%) percent per annum (the "Bridge Note"), we received, from a third party, an aggregate principal amount bridge loan (the "Bridge Loan"). All outstanding principal on the Bridge Note was due on October 15, 2004. To secure the repayment of principal and interest on the Bridge Note, each of Russell Haehn and Gregory Haehn (i) pledged to the lender 150,000 shares (300,000 shares in the aggregate) of common stock owned by each of them, and (ii) guaranteed all of our payment obligations to the lender. As partial consideration for the Bridge Loan, we issued to the lender a five-year warrant to purchase 100,000 shares of common stock, at an exercise price of $2.25 per share. We also granted the lender certain piggyback registration rights with respect to the shares of common stock underlying the warrant. We used the $500,000 Bridge Loan proceeds for working and operating capital. On October 15, 2004, we repaid $250,000 of the principal amount outstanding under the Bridge Loan. Pursuant to a letter agreement entered into with the lender on October 6, 2004, payment of the remaining $250,000 of principal and all accrued interest thereon was extended until January 15, 2005. We paid the lender $2,500 in consideration for the extension. In September 2005, the lender assigned its rights to $50,000 of the $250,000 principal amount then outstanding to an affiliate of the lender, who in turn converted it into Series A Shares and Series A Warrants in our September 2005 Private Placement. On September 20, 2005, we used net proceeds from our September 2005 Private Placement, in the amount of $203,383.26 to repay the remaining outstanding principal amount of the Bridge Loan and all accrued and unpaid interest thereon.

On December 20, 2005, the third party that provided us the Bridge Loan provided us with a new bridge loan in the principal amount of $250,000 (the "2005 Bridge Loan"). In connection with the 2005 Bridge Loan we issued to the lender a $250,000 principal amount promissory note bearing interest at the rate of fifteen (15%) per annum (the "2005 Bridge Note"). Interest on the 2005 Bridge Note is payable monthly, and all outstanding principal and accrued but unpaid interest was due and payable on March 20, 2006. At December 31, 2005, the outstanding principal amount was $250,000. In March 2006, we repaid $25,000 of the outstanding principal amount and obtained a ninety (90) day extension for the payment of the remaining $225,000. In consideration for this extension we paid the lender $2,500.

We also have obtained a revolving line of credit with the Bank, in the maximum amount of $250,000. This line of credit bears interest at the rate of prime plus one percent (8% at December 31, 2005), and has no stipulated repayment terms. At December 31, 2005, the amount of principal and interest outstanding on this credit line was $249,863. This line of credit is secured by a lien on substantially all of our assets.

Financing Activities.

In September 2005, the Company sold to accredited investors, in a private placement offering (the "September 2005 Private Placement"), 2,870 Series A Shares and warrants to purchase up to of 5,740,000 shares common stock (the "Series A Warrants"), resulting in the receipt by the Company of $2,870,000 of gross proceeds including the repayment of $50,000 of indebtedness outstanding under the Bridge Loan from HSK Funding, Inc., by the conversion of that amount into Series A Shares and Series A Warrants. These securities are convertible into the shares of common stock. After deduction of all offering expenses for the September 2005 Private Placement, including the placement agent's commissions and nonaccountable expense allowance, the Company received net proceeds of $2,485,163. The Company has used these net proceeds for debt repayment legal fees, and general working capital purposes.

Anticipated Funding of Operations.

The amount required to fund the growth our ongoing operations, as well as the means by which we obtain this funding, will be wholly dependent on the magnitude and timeframes we set for any growth in our business. Based on our current expected growth in the next 12 to 24 months, we expect to fund our ongoing operations as follows:

Cash Flow from Operations

We intend to significantly increase our cash flow from operations by growing sales within our current business structure and through the acquisition of other power sports dealers. Based on our current business plan, we believe that we will begin to generate sufficient cash flows from operations to fund the growth of our business during the third quarter of 2007. To the extent that the growth of our business involves the acquisition of other dealers, our ability to do so will depend on the availability of the types of financing discussed below.

Bank Financing

We currently have a revolving credit line with Fifth Third Bancorp in a total available amount of $250,000 of which $249,863 was funded at December 31, 2005. We are currently exploring other bank financing which would provide us with available funding of at least $1,000,000, and would be on more favorable terms than our current revolving credit line with the Bank. Although, we believe that an increased amount of financing should be available to us, as result of our low outstanding indebtedness, we cannot assure you that we will be able to obtain financing in an amount sufficient to meet our needs to grow our business. Certain lending institutions may not be willing to provide debt financing to us, due to the fact that we have granted security interests in virtually all of our inventory and accounts receivable to the manufacturers and other institutions that provide us with floor plan financing for our motorcycles and other power sports equipment. Lenders may refuse to accept subordinated security positions or may require us to accept less favorable terms to provide debt financing, which would make it more difficult for us to replace our current credit line with lines providing more favorable terms and/or increased funding availability.

Equity Financing

Although it is not our intention to raise additional funds through the sale of our equity securities to directly fund our working capital needs, to the extent that the growth of our business involves either the acquisition of other power sports dealers or the acquisition of significant assets out of the ordinary course of our business, such as acquiring a new brand of motorcycles, we will most likely be required to raise additional funds through the sale of common stock or preferred stock to consummate any of these acquisitions. It could be difficult for us to raise funds in amounts and on terms sufficient to fund any of these proposed acquisitions.

Funding of Future Acquisitions

Given our experience in financing the purchase of the Chicago Cycles assets, we believe that the terms of future acquisitions, to the extent that they involve significant amounts of debt financing, will require substantially longer periods of time for repayment, which we anticipate to be at least 48 months, in order for these acquisitions to be financially viable for us. We intend to give careful consideration to these terms when deciding whether to acquire debt financing in connection with future acquisitions.

Results of Operations.

Year ended December 31, 2005 Compared to Year ended December 31, 2004:

	2005	2004	Increase (Decrease)	% Change

Revenues	$ 105,605,067	$ 79,950,855	$ 25,654,212	32%
Cost of Sales	$ 93,327,630	$ 70,025,884	$ 23,301,746	33%
Operating Expenses	$ 11,645,911	$ 7,756,715	$ 3,889,196	50%
Operating Income	$ 631,526	$ 2,168,256	$ (1,536,730)	(71%)
Income b/f Taxes	$ (47,703)	$ 1,580,261	$ (1,627,964)	(103%)
Net Income	$ (8,803)	$ 958,061	$ (966,864)	(101%)

Revenues:

Revenues for the year ended December 31, 2005 were $105,605,067 representing an increase of $25,654,212 (32%) from the $79,950,855 reported for the year ended December 31, 2004. Our results were impacted significantly, in a positive manner, by the acquisition of Chicago Cycles on April 30, 2004, and the inclusion of the additional revenues generated by Chicago Cycles of $39,298,879 in 2005 as compared to only $24,519,662 during the shorter period from May 1, 2004 to December 31, 2004, in the prior year, which reflects a 60% increase in Chicago Cycles' sales. These results also reflect a generally higher level of sales activities at both of our locations and our move to the larger facility in Chicago. Our increase in sales, during the year ended December 31, 2005, also can be attributed to our aggressive marketing and advertising campaigns.

Cost of Sales:

Cost of sales for the year ended December 31, 2005 increased by $23,301,746 (33%) to $93,327,630, compared to $70,025,884 for the same period in 2004. This increase reflects the additional cost of units, in a total amount of $20,814,000, needed to realize the increase in sales, and is also significantly impacted by the inclusion of the costs of Chicago Cycles' sales beginning in April 30, 2004, and our move to the larger facility in Chicago, accounting for approximately $11,412,073 (55%) of this increase in cost of sales.

Operating Expenses:

Selling, general and administrative expenses for the year ended December 31, 2005 were $11,645,911, an increase of $3,889,196 (50%) over $7,756,715 for the same period in 2004. The aggregate increase in such costs were principally related to increases of (i) $1,295,882 in compensation payable to our employees ($1,289,410 of which was attributable to payments to employees of Chicago Cycles); (ii) $1,131,084 in advertising and marketing expenses ($717,386 of which was attributable to advertising and marketing expenses of Chicago Cycles); and (iii) $558,718 in rent (approximately $510,000 of which was attributable to the higher rent payable for Chicago Cycle's new facilities). Net interest expense increased approximately $153,356 to $779,943 in the year ended December 31, 2005 as compared to $626,587 for the same period in 2004. This increase is primarily due to (i) the increase in inventory we carried during several periods of 2005 and (ii) an overall increase in interest rates due to the increase in the prime rate.

Operating Income:

We had income from operations before other income (expense) for the year ended December 31, 2005 of $631,526, as compared to income from operations of $2,168,256 for the same period in 2004, which reflects a decrease of $1,536,730 (71%). This decrease in income from operations during the year ended December 31, 2005 as compared to the same period in 2004, is a result of the significant increase in operating expenses, as described above, and in particular, the increase in rent expense relating to our move to the new facility in Chicago.

Unlike in prior periods where the increase in operating expenses was offset, in part, by an increase in margin on our sales from the prior period, our percentage increase in sales in 2005 compared to 2004 was only nominally greater than the increase in our cost of sales between those two periods. Depreciation and amortization was approximately $465,581 for the year ended December 31, 2005, as compared to $165,043 for the same period in 2004.

Income before Taxes:

We had a loss before provision for taxes for the year ended December 31, 2005 of $47,703, as compared with income before provision for taxes of $1,580,261 for the same period in 2004. This decrease of $1,627,964 (103%) in income before taxes during the year ended December 31, 2005 as compared to the same period in 2004, is primarily attributable to the increase in operating expenses, as described above. We received a tax benefit of $38,900 for the year ended December 31, 2005, as a result of our loss during that period, as compared to taxes of $622,200 for the year ended December 31, 2004. Taxes for 2005 were also affected by a net operating loss carryforward from the first quarter of 2005.

Net Income:

We had a net loss of $8,803 for the year ended December 31, 2005, as compared to net income of $958,061 for the same period in 2004. This reflects a decrease of $966,864 (101%) between these comparable periods. This decrease in net income during the year ended December 31, 2005 as compared to the same period in 2004, is attributable to the increase in our operating expenses, as described above. Net income decreased less in percentage terms between 2005 and 2004 than net income before taxes, due to the tax benefit received by us for 2005 compared to taxes that we paid for 2004.

Year ended December 31, 2004 Compared to Year ended December 2003:

	2004	2003	Increase (Decrease)	% Change
Revenues	$ 79,950,855	$ 46,055,843	$ 33,895,012	74%
Cost of Sales	$ 70,025,884	$ 41,229,644	$ 28,796,240	70%
Operating Expenses	$ 7,756,715	$ 3,973,368	$ 3,783,347	95%
Operating Income	$ 2,168,256	$ 852,831	$ 1,315,425	154%
Income b/f Taxes	$ 1,580,261	$ 558,502	$ 1,021,759	183%
Net Income	$ 958,061	$ 558,502	$ 399,559	71%

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Revenues:

Revenues for the year ended December 31, 2004 were $79,950,855 representing an increase of $33,895,012 (74%) from the $46,055,843 reported for the year ended December 31, 2003. Our results were impacted significantly, in a positive manner, by the acquisition of Chicago Cycles on April 30, 2004, and the inclusion of the additional revenues generated by Chicago Cycles of $24,560,732 from that date through December 31, 2004. Our sales increase, during 2004, also can be attributed to our aggressive marketing and advertising campaigns.

Cost of Sales:

Cost of sales for the year ended December 31, 2004 increased by $28,796,240 (70%) to $70,025,884 from $41,229,644 in 2003. This increase reflects the additional cost of our motorcycle and other power sports equipment inventory, in a total amount of approximately $26,780,000, needed to realize the increase in sales, and is also significantly impacted by the inclusion of the costs of Chicago Cycles' sales from April 30, 2004, in the amount of $24,560,732 accounting for approximately $21,223,542 (30%) of this increase in cost of sales.

Operating Expenses:

Selling, general and administrative expenses for the year ended December 31, 2004 were $7,756,715, an increase of $3,783,347 (95%) over $3,973,368 in 2003. The aggregate increase in such costs were principally related to (i) additional selling, general and administrative expenses relating to Chicago Cycles, commencing April 30, 2004, which accounted for $3,383,803 of this increase, or approximately 89% of this increase and (ii) approximately $359,596 of legal, accounting and auditing fees, incurred during 2004, which was significantly more than comparable expenses during the same period in 2003, which additional fees were associated with the requirements of becoming a public entity and the ongoing compliance and maintenance requirements ("Public Company Expenses"). Net interest expense increased approximately $325,560 from $300,937 in 2003 to $626,587 in 2004, which reflects an increase of approximately 108% from 2003. This increase is primarily due to (i) interest payable by the Company of approximately $11,712 relating to the loans we acquired to pay for Chicago Cycles, (ii) interest payable of approximately $6,555 relating to the Bridge Loan, and (iii) an increase in interest bearing floor plan inventory, in a total amount of $5,537,896, a significant portion of which is attributable to the floor plan inventory of Chicago Cycles, which accounted for additional net interest expense of approximately $179,173 in 2004.

Operating Income:

Income from operations for the year ended December 31, 2004 increased by $1,315,425 to $2,168,256, as compared to $852,831 in 2003, which reflects an increase of approximately 154%. Income from operations in 2004 was also substantially affected by the addition of Chicago Cycles' operations on April 30, 2004, which accounted for $366,034 of this increase in income, or approximately 17% of this increase. This generally is a result of the $33,895,012 increase in sales described above, $24,560,732 of which is attributable to the addition of the sales of Chicago Cycles from April 30, 2004.

Income before Taxes:

We had income before provision for taxes for the year ended December 31, 2004 of $1,580,261, as compared with income before provision for taxes of $558,502 for 2003. This increase of $1,021,759 (183%) in income before taxes for the year ended December 31, 2004 as compared to 2003, is primarily a result of our greater sales of $79,950,855 in 2004, as compared to $46,055,843 in 2003, and, to a somewhat lesser extent, an increase in gross margin on our sales from 10% to 12% between these two periods. As described above, $24,560,732 of this increase in sales is attributable to the addition of the sales of Chicago Cycles from April 30, 2004. The income tax increase to $622,200 in 2004, as compared to no income tax payable in 2003, is a result of the Company's tax filing status that changed from an S- Corp in 2003 to a C-Corp effective on January 1, 2004.

Net Income:

We had net income for the year ended December 31, 2004 of $958,061 as compared to $558,502 for 2003. This reflects an increase of $399,559 (71%) from 2003 to 2004. As discussed above, net income in 2004 was substantially affected by the addition of the Chicago Cycles operations, which contributed an additional $24,560,732 to our sales in 2004. The increase in net income for these comparable periods would have been even greater, except for the additional $622,200 provision for income taxes for the year ended December 31, 2004, as described above.

Liquidity and Capital Resources.

Our primary source of liquidity has been cash generated by operations and borrowings under various credit facilities. At December 31, 2005, we had $227,301 in cash and cash equivalents, compared to $1,862,187 at December 31, 2004. Until required for operations, our policy is to invest excess cash in bank deposits and money market funds. Net working capital at December 31, 2005 was $1,128,856 compared to $(399,303) at December 31, 2004. The Company's increase in net working capital at December 31, 2005, was mostly attributable to the $2,870,000 of gross proceeds raised by it in the September 2005 Private Placement.

The Company receives floor plan financing from six different motorcycle manufacturers for whom the Company sells the manufacturers' products. The Company uses such floor plan financing to assist it in financing and carrying the Company's inventory necessary to achieve the Company's sales goals. Such manufacturers' collateral includes all unit inventory plus a general lien on all assets of Andrews Cycles and Chicago Cycles.

The Company has acquired the loans described under the heading Loan Transactions above. As a result of the September 2005 Private Placement, the Company also raised additional cash from financing activities of approximately $2,485,000 for use in connection with its operations. Although the Company believes that the proceeds raised in its private placement, along with its current borrowing facilities together with its cash generated from operations, will be adequate to meet its working capital requirements for its current operating levels, the Company may in the future attempt to raise additional financing through the sale of its debt and/or equity securities.

Inventory Management.

We believe that successful inventory management is the most important factor in determining our profitability. In the power sports business, and particularly as it relates to the sale of motorcycles, there is normally a limited timeframe for the sale of current year models. For example, if we are unable to sell a significant portion of our 2006 models before the 2007 models are released, it could be very difficult for us to sell our remaining inventory of 2006 models. Therefore, our goal is to limit sales of carryover products (i.e. products that remain in inventory after the release of new models) to no more than 10% of our total sales each year. This is accomplished by making all of our purchasing decisions based on sales information for the prior year and then utilizing aggressive sales and marketing techniques during the early part of a model year in order to assure the timely sale of our products.

Additionally, by limiting our carryover to 10% of total sales, we also are able to benefit from cash incentives provided by manufacturers with respect to most of these products. These cash incentives minimize our need to reduce prices for these models, as our customers are provided with cash reimbursement directly from the manufacturers. Similarly, we are able to use the cash incentives provided on our carryover products to promote new models, as the incentives generate greater showroom traffic.

Seasonality.

Our two main products - motorcycles and all terrain vehicles ("ATVs") are subject to seasonality. Traditionally, the motorcycle season begins in late February or early March and runs until September. In September/October, the sale of ATVs increases while motorcycle sales decrease.

Impact of Inflation.

General inflation in the economy has driven the operating expenses of many businesses higher, and, accordingly we have experienced increased salaries and higher prices for supplies, goods and services. We continuously seek methods of reducing costs and streamlining operations while maximizing efficiency through improved internal operating procedures and controls. While we are subject to inflation as described above, our management believes that inflation currently does not have a material effect on our operating results, but there can be no assurance that this will continue to be so in the future.

Critical Accounting Policy and Estimates.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, as promulgated by the PCAOB. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, fixed assets, inventory, accounts receivable, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Set forth below are the policies that we have identified as critical to our business operations and the understanding of our results of operations or that involve significant estimates. For detailed discussion of other significant accounting policies see Note A, Summary of Significant Accounting Policies, of Notes to Consolidated Financial Statements, contained elsewhere in this Annual Report.

Intangibles and Long-lived Assets - Goodwill is tested for impairment on an annual basis, or more frequently if events or circumstances indicate that impairment may have occurred. The Company is subject to financial statement risk to the extent that intangible assets become impaired due to decreases in the fair market value of the related underlying business.

We estimate the depreciable lives of our property and equipment, including any leasehold improvements, and review them on an on-going basis. The Company believes that the long-lived assets are appropriately valued. However, the assumptions and estimates used may change, and the Company may be required to record impairment to reduce the carrying value of these assets.

Revenue Recognition: Vehicle Sales - The Company records revenue when vehicles are delivered and title has passed to the customer, when vehicle service or repair work is performed and when parts are delivered. Sales promotions that are offered to customers are accounted for as a reduction to the sales price at the time of sale. Incentives, rebates and holdbacks offered by manufacturers directly to the Company are recognized at the time of sale if they are vehicle specific, or as earned in accordance with the manufacturer program rules and are recorded as a reduction of cost of merchandise sold.

Revenue Recognition: Finance, Insurance and Extended Service Revenues - The Company arranges financing for customers through various financial institutions and receives a commission from the lender equal to the difference between the interest rates charged to customers and the interest rates set by the financing institution. The Company also receives commissions from the sale of various third party insurance products to customers and extended service contracts. These commissions are recorded as revenue at the time the customer enters into the contract. The Company is not the obligor under any of these contracts. In the case of finance contracts, a customer may prepay or fail to pay their contract, thereby terminating the contract. Customers may also terminate extended service contracts, which are fully paid at purchase, and become eligible for refunds of unused premiums. In these circumstances, a portion of the commissions the Company receives may be charged back based on the relevant terms of the contracts. The revenue the Company records relating to commissions is net of an estimate of the ultimate amount of charge backs the Company will be required to pay. Such estimates of chargeback experience are based on our historical chargeback expense arising from similar contracts. The Company also acts as the warrantor on certain extended service contracts and defers the revenue and recognizes it over the life of the contract on a straight-line basis.

Off-Balance Sheet Arrangements.

We have no off-balance sheet arrangements.

Contractual Obligations.

We have entered into various contractual obligations, which may be summarized as follows:

Contractual Obligations	Payments Due By Period			
	Total	Less than 1 year	1-3 years	3
Long-Term Debt Obligations	$1,498,479	$714,623	$783,856	
Capital (Finance) Lease Obligations	--	--	--	
Operating Lease Obligations	$5,986,632	$466,666	$1,660,674	$1
Purchase Obligations	As Needed			
Other Long-Term Liabilities Reflected on the Company's Balance Sheet under the GAAP of the Primary Financial Statements	---	---	---	
Total	$7,485,111	$1,181,289	$2,444,530	$1

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is exposed to market risk in the ordinary course of its business. These risks are primarily related to changes in short-term interest rates. The potential impact of the Company's exposure to these risks is presented below:

Interest Rates.

Floor Plan Financing

We purchase new and used vehicle inventory by utilizing floor plan financing provided by lending institutions, as well as manufacturers of certain of the products we sell, including Kawasaki Motor Finance Company and America Honda Finance. We had outstanding indebtedness under floor plan notes of $17,159,719 and $17,788,706, at December 31, 2005 and December 31, 2004, respectively. Interest rates in connection with our floor plan financing generally fluctuate based on the prime rate, the type of product being financed and the length of time that such product remains on the floor plan. During the year ended December 31, 2005, interest rates on our floor plan financing have ranged from a low of 4.8% to a high of 16.25%. Since we are dependent to a significant extent on our ability to finance the purchase of inventory, increases in the prime rate of interest could have a significant negative impact on our income from operations, as a result of the greater interest we will be required to pay with respect to our floor plan financing. While increases in the prime rate did not have a significant impact on our floor plan financing in 2005, continued increases would, in all likelihood, result in a reduction in our income from operations in 2006 and thereafter. Although we cannot determine the precise impact of rate increases, we believe that we would begin to experience a material negative impact on our financial condition if the prime rate were to increase to 10% from its current rate of 7.75%.

Line of Credit

We also have an existing revolving credit line with Fifth Third Bancorp, the interest rate of which also fluctuates with the prime rate, at prime plus one percent. Since the outstanding indebtedness of this line of credit was $249,863 and $250,000 at December 31, 2005 and December 31, 2004, respectively, we do not believe that fluctuations in the prime rate will have more than a slight negative impact on our income from operations.

Hedging Activities

We normally invest any available cash in short-term investments and do not currently have any investment strategies to hedge against increases in interest rates. Additionally, although we do not currently intend to commence any such hedging investments in the future, in the event that we determine that there is a substantial risk that increases in interest rates would have a material negative impact on our business, we may consider such hedging strategies at that time.

Foreign Exchange Rates

We are not currently, and have not in the past, been subject to fluctuations in exchange rates of foreign currencies against the U.S. Dollar, since virtually all of the vehicles, accessories and parts that we purchase in connection with our business are purchased from the U.S. subsidiaries of Japanese manufacturers in U.S. Dollars. Additionally, all of our product sales are made in the United

States in U.S. Dollars. In the event that our business model changes in the future, and we either purchase products in foreign currencies such as Japanese Yen, or sell products outside of the United States, for which we accept payment in foreign currencies, we could become subject to exchange rate fluctuations at that time.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements are contained in this Annual Report:

- Report of Independent Registered Public Accounting Firm;
- Consolidated Balance Sheets - December 31, 2005 and 2004;
- Consolidated Statements of Income - Years ended December 31, 2005, 2004 and 2003;
- Consolidated Statements of Stockholders' Equity - Years ended December 31, 2005, 2004 and 2003;
- Consolidated Statements of Cash Flow - Years ended December 31, 2005, 2004 and 2003; and
- Notes to Consolidated Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Our management evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report (December 31, 2005). Based on this evaluation, our principal executive officer and our principal financial officer have concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures were effective. Disclosure controls and procedures mean our controls and other procedures that are designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. There have been no changes in our internal control over financial reporting that occurred during the year ended December 31, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

Set forth below are the names, ages, and positions of each of our executive officers and directors, together with such person's business experience during the past five (5) years. Their business experience is based on information provided by each of them to us. Directors are to be elected annually at our annual meeting of shareholders and served in that capacity until the earlier of their resignation, removal or the election and qualification of their successor. Executive officers are elected annually by our Board of Directors to hold office until the earlier of their death, resignation, or removal.

NAME	AGE	POSITIONS HELD AND TENURE
Russell A. Haehn	58	Chairman, Chief Executive Officer and Director since January 2004
Gregory A. Haehn	59	President, Chief Operating Officer and Director since January 2004

Officers and Directors

Russell A. Haehn has been the Chairman, Chief Executive Officer and Secretary of the Company since the acquisition of W.W. Cycles, in January 2004, and holds the same positions with W.W. Cycles since such time. Prior to such acquisition, Mr. Haehn had been the Vice President and a director of W.W. Cycles since its inception in 1984. From 1990 to 2000, Mr. Haehn also was the founder, President, a director and the sole shareholder of Andrew Cycles Incorporated, which was an importer and exporter of motorcycles.

Gregory A. Haehn has been the President, Chief Operating Officer, Treasurer and a director of the Company since the acquisition of W.W. Cycles, in January 2004, and holds the same positions with W.W. Cycles since such time. Mr. Haehn, since its inception in 1998, also has been the President, director and sole shareholder of Yukon International Inc., a manufacturer, distributor and retailer of fitness equipment. From May 2000 to December 2000, Mr. Haehn was President of Interactive Marketing Technologies, Inc., a publicly-traded company in the direct marketing business. From 1988 to 1997, Mr. Haehn was the founder, President and sole shareholder of Midwest Motorsports Inc., a power sports dealership in Akron, Ohio which sold motorcycles. Additionally, from 1976 to 1997, Mr. Haehn was the President of Worldwide Auto Parts Inc., a leading regional auto parts supply business in Northeastern Ohio.

Russell Haehn and Gregory Haehn are brothers. The present term of office of each director will expire at the next annual meeting of shareholders.

Our executive officers are elected annually at the first meeting of our board of directors held after each annual meeting of shareholders. Each executive officer holds office until his successor is duly elected and qualified, until his resignation, or until removed in the manner provided by our bylaws.

Agreement to Appoint Additional Director

Until February 2011, we have agreed to appoint a designee of HCFP/Brenner Securities LLC, the placement agent in the September 2005 Private Placement, to serve on our board of directors. In the event that said placement agent does not exercise its right to appoint a designee to our board, it shall have the right to send a representative (who need not be the same individual from meeting to meeting) to observe each meeting of the board of directors. Except as provided herein, there are no arrangements between any director or director nominee of the Company and any other person pursuant to which he was, or will be, selected as a director.

Director Compensation

We have not paid any cash compensation to our directors for their service on the board of directors, and do not have any plans to do so, in the near future. We do not currently maintain liability insurance coverage for the acts of our officers and directors, but we have agreed to obtain liability insurance in an amount not less than $1,500,000, on or around the date that said placement agent's designee commences services on our board, if this shall occur, and will include said placement agent's designee as an insured under such policy.

Significant Employees

Phillip A. Andrews has been the general manager of our W.W. Cycles subsidiary since 1984.

Jerry Fokas has been the general manager of our Chicago Cycles subsidiary since May 2004. Commencing in 2001 and until our acquisition of the Chicago Cycles assets in April 2004, Mr. Fokas was a principal, founder and general manager of King's Motorsports. From 1999 to 2000 Mr. Fokas was the general manager of Schaumburg Honda Suzuki. From 1990 through 1998 Mr. Fokas served as general manager and principal of Northern Illinois Honda (which was later renamed Banzai Motorsports).

Governance

The Company has not formally appointed an audit committee, and the entire board of directors (two persons) currently serves the function of an audit committee. The Company has not made a determination as to whether any of its directors would qualify as an audit committee financial expert. The Company has not yet adopted a code of ethics applicable to its chief executive officer and chief accounting officer, or persons performing those functions, because of the small number of persons involved in management of the Company.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended, generally requires our directors and executive officers and persons who own more than 10% of a registered class of our equity securities ("10% owners") to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Directors and executive officers and 10% owners are required by SEC regulation to furnish us with copies of all Section 16(a) reports they file. To our knowledge, based solely on review of copies of the reports furnished to us and verbal representations that no other reports were required to be filed during the fiscal year ended December 31, 2005, all Section 16(a) filing requirements applicable to our directors, executive officers and 10% owners were met.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth the annual and long-term compensation paid for the fiscal years ended December 31, 2005, 2004 and 2003 to our Chairman and Chief Executive Officer; and President and Chief Operating Officer (collectively, the "Named Executive Officers"). No other officer received compensation in excess of $100,000 in any of those years.

Summary Compensation Table

	Annual Compensation				
Name and Positions	Fiscal Year	Salary	Bonus	Long-Term Compensation Awards Securities Underlying Options (#)	All Compen
(NAMED EXECUTIVE OFFICERS)					
Russell A. Haehn, Chairman and Chief Executive Officer	2003	$88,000(1)	-0-	-0-	$70,0
	2004	$94,500(1)	-0-	1,000,000	$137,0
	2005	$91,000	-0-	-0-	$274,9
Gregory A. Haehn, President and Chief Operating Officer	2004(3)	$26,000	-0-	500,000	$12,0
	2005	$70,700	-0-	-0-	$49,0

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(1) Russell Haehn was employed by W.W. Cycles, the wholly-owned subsidiary of the Company that was acquired in January 2004. Compensation paid to him for fiscal years 2002, 2003 and until January 15, 2004, reflect amounts paid by W.W. Cycles to him.

(2) Other compensation payable to Russell Haehn includes amounts payable to Mr. Haehn directly from manufacturers of certain of the products we sell, as an incentive to sell these products. The total amounts paid to Mr. Haehn during the years set forth in the above table were $29,000 in 2002, $58,000 in 2003, $125,000 in 2004 and $262,935 in 2005. Mr. Haehn also received an automobile allowance of $12,000 per year in each of those years.

(3) Gregory Haehn became an employee of the Company in January 2004.

(4) Other compensation payable to Gregory Haehn reflects an automobile allowance of $12,000 in each of 2004 and 2005 and an aggregate of $37,000 paid to Mr. Haehn in 2005 directly from manufacturers of certain of the products we sell, as an incentive to sell these products.

Employment Agreements

We do not have a written employment agreement with either of our Named Executive Officers.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of April 12, 2006, we had a total of 10,759,138 shares of common stock issued and outstanding.

The following table sets forth information, as of April 12, 2006, with respect to the beneficial ownership of our common stock by: (i) all directors; (ii) the Named Executive Officers; (iii) all current executive officers and directors as a group; and (iv) each shareholder known by us to be the beneficial owner of more than 5% of our common stock.

Name	Number of Shares Owned Beneficially (1)	Approximate Percent of C Owned (1)(2)(3)
Russell A. Haehn (4)(6)	5,785,000	49.2%
Gregory A. Haehn (5)(6)	3,235,000	28.7%
All Executive Officers and Directors, as a Group (two persons)	9,020,000	73.6%

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(1) Beneficial ownership information is based on information provided to the Company. Except as indicated, and subject to community property laws when applicable, the persons named in the table above have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. Except as otherwise indicated, the address of such persons is the Company's offices at 13134 State Route 62, Salem, Ohio 44460.

(2) The percentages shown are calculated based upon 10,759,138 shares of common stock outstanding on April 12, 2006. The numbers and percentages shown include the shares of common stock actually owned as of April 12, 2006 and the shares of common stock that the person or group had the right to acquire within 60 days of April 12, 2006. In calculating the percentage of ownership, all shares of common stock that the identified person or group had the right to acquire within 60 days of April 12, 2006 upon the exercise of options and warrants are deemed to be outstanding for the purpose of computing the percentage of the shares of common stock owned by such person or group, but are not deemed to be outstanding for the purpose of computing the percentage of the shares of common stock owned by any other person.

(3) Notwithstanding each person or group's beneficial ownership of the

Company's common stock, since the Series A Shares are entitled to vote together with the common stock on all matters submitted to shareholders for their approval, each person's or group's percentage voting interest (assuming exercise of all options) is: Russell A. Haehn - 33.2%; Gregory A. Haehn - 19.1%; and all executive officers and directors as a group - 50.4%.

(4) Includes a five-year non-qualified stock option, granted to Mr. Russell Haehn on August 16, 2004, to purchase up to 1,000,000 shares of common stock at an exercise price of $1.25 per share.

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(5) Includes (i) 2,655,000 shares of common stock owned directly by Mr. Haehn and (ii) 80,000 shares of common stock owned by Mr. Haehn's minor children. Does not include an additional 80,000 shares of common stock owned by two other of Mr. Haehn's children for which he disclaims any beneficial ownership. Also includes a five-year non-qualified stock option, granted to Mr. Gregory Haehn on August 16, 2004, to purchase up to 500,000 shares of common stock at an exercise price of $1.25 per share.

(6) Russell Haehn and Gregory Haehn are brothers.

The Company is not aware of any arrangement which might result in a change in control in the future.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We lease our 30,000 square foot facility in Salem, Ohio from an affiliated entity controlled by Russell A. Haehn, our Chairman, Chief Executive Officer and a controlling shareholder. We lease this facility under a 10-year lease at a rental rate of $15,000 per month. The current term expires on October 31, 2009, but may be extended on the same terms for an additional period of two years until October 31, 2011. We believe that the terms of this arrangement are no less favorable to us than those that would be available for a similar facility leased from a third party in a bona fide arms length transaction.

We have provided loans to Gregory A. Haehn, and to Russell A. Haehn, our directors and executive officers, all of which were repaid as of December 31, 2005.

The loans to Gregory A. Haehn reflect advances made in August 2003 and November 2003, to provide him with the necessary funds to purchase his portion of the 150,000 shares of common stock of the Company purchased by he and Russell Haehn from an existing shareholder, in connection with the acquisition of W.W. Cycles by the Company. These loans were repaid, in full, by Mr. Haehn in December 2005.

In 2002, we provided a loan to Andrews North, Inc., a corporation owned by Russell A. Haehn, in the aggregate amount of $104,899, for use for general working capital purposes. This loan has been repaid in full and there are no loans currently outstanding to Andrews North, Inc. In 2002 and 2003, we also made advances to Mr. Haehn in an aggregate amount of approximately $350,000 to pay income taxes payable by him with respect to income allocated to him from W.W. Cycles, which was then a Subchapter S corporation. We also made loans in September and November of 2004, in an aggregate amount of approximately $66,000, to Marck's Real Estate, Inc, a corporation owned by Russell A. Haehn and the owner of our Salem, Ohio facilities. These loans were used by Marck's Real Estate to pay construction costs relating to the expansion of our Ohio facilities. We made additional loans to Marck's Real Estate in 2005, and at December 31, 2005 the aggregate outstanding amount of such loans was approximately $261,667. All loans to Russell Haehn have been repaid, but the loans to Marck's Real Estate remain outstanding. This outstanding loan to Marck's Real Estate may be in violation of certain rules and regulations under the Securities Exchange Act of 1934. If this loan does violate any of those rules and regulations the SEC could bring an enforcement action against us concerning such violation. We expect the entire amount owed by Marck's Real Estate to be repaid no later than August 13, 2006.

We lease an apartment in Chicago, Illinois, from one of our employees, for use by our officers when their services are required at our Chicago Cycles facility. We do not have a written lease and therefore this rental is on a month to month basis. We make rental payments of $1,000 per month for this apartment. We believe that the monthly rental amount reflects the market value of this rental and is not more than we would be required to pay to a third party to rent a similar apartment. Additionally, we believe that the expense incurred for this apartment is equal to or less than the expenses that we would incur to pay for hotel accommodations for our officers.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our principal outside accountant is Bagell, Josephs, Levine & Company, LLC ("Bagell"). Set forth below are the fees and expenses for Bagell for each of the last two years for the following services provided to us:

	2005	2004
Annual Audit Fees	$55,000	$50,000
Audit-Related Fees	$25,500 (1)	$22,000 (2)
Tax Fees	---	---
Other Fees	$21,862 (3)	$25,000 (4)
Total Fees	$102,362	$97,000

(1) Fees paid for quarterly review of financial statements.

(2) Fees paid for quarterly statement review, bookkeeping and other accounting services.

(3) Fees paid for services provided in connection with the Company's Form S-1 Registration Statement, including review of SEC Comment Letter.

(4) Fees paid for audit services relating to the audit of the financial statements of King's Motorsports, Inc. d/b/a Chicago Cycle Center, in connection with our acquisition of the assets of Chicago Cycles.

Our Board of Directors approves each non-audit engagement or service with or by our independent auditor. Prior to approving any such non-audit engagement or service, it is the Board's practice to first receive information regarding the engagement or service that (i) is detailed as to the specific engagement or service, and (ii) enables the Board to make a well-reasoned assessment of the impact of the engagement or service on the auditor's independence. The Board approved all non-audit engagements with, and services provided by, our auditors during 2005.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES

Exhibit Number and Document Description

2.1 Stock Purchase and Reorganization Agreement dated as of December 30, 2003 (1).

2.2 Repurchase Agreement dated December 30, 2003 (1).

2.3 Stock Purchase Agreement dated as of December 30, 2003 (1).

2.4 Share Purchase Agreement dated as of December 30, 2003 (1).

2.5 Asset Purchase Agreement dated April 2004 (Exhibit 2.1) (2).

3.1 Restated Articles of Incorporation of Giant Motorsports, Inc. (3).

3.2 Bylaws of Giant Motorsports, Inc. (4).

4.1 Form of Warrant for 1,000,000 shares of common stock dated January 20, 2004 (1).

4.2 Form of Warrant for 100,000 shares of common stock dated April 19, 2004 (5).

4.3 Stock Option Agreement with Russell A. Haehn (1,000,000 shares) (Exhibit 4.2) (6).

4.4 Stock Option Agreement with Gregory A. Haehn (500,000 shares) (Exhibit 4.3) (6).

4.5 Certificate of Designation of Series A Convertible Preferred Stock (Exhibit 99.1) (7).

4.6 Form of Investor Warrant (September 2005 Private Placement) (Exhibit 99.2) (7).

4.7 Form of Purchase Option (September 2005 Private Placement) (Exhibit 99.3) (7).

4.8 Registration Rights Agreement (September 2005 Private Placement (Exhibit 99.4) (7).

4.9 Specimen stock certificate for shares of common stock (8).

4.10 Specimen stock certificate for Series A Shares (8).

4.11 Specimen Warrant Certificate (9).

4.12 Form of Warrant Agreement between Olde Monmouth Stock Transfer Co., Inc. and the Company (9).

10.1 Agency Agreement between Giant Motorsports, Inc. and HCPF/Brenner Securities LLC dated September 9, 2005 (7).

20.1 Secured Promissory Note dated April 2004 in the principal amount of $1,675,000 (2).

20.2 Commercial Security Agreement dated April 2004 (2).

20.3 Management Agreement between King's Motorsports Inc. d/b/a Chicago Cycle and Giant Motorsports, Inc. dated April 2004 (2).

21 Subsidiaries.*

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-4(a)).*

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a)).*

32.1 Certificate of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(b)).*

32.2 Certificate of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(b).)*

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* Filed herewith

(1) Filed as an exhibit to the Form 8-K filed January 23, 2004 and incorporated herein by reference.

(2) Filed as an exhibit to the Form 8-K filed May 11, 2004 and incorporated herein by reference.

(3) Filed as an exhibit to the Definitive Schedule 14C filed March 15, 2004 and incorporated herein by reference.

(4) Filed as an exhibit to the Form 10-KSB filed April 15, 2005 and incorporated herein by reference.

(5) Filed as an exhibit to the Form 8-K filed on April 21, 2004 and incorporated herein by reference.

(6) Filed as an exhibit to the Form 8-K filed on August 18, 2004 and incorporated herein by reference.

(7) Filed as an exhibit to the Form 8-K filed on September 22, 2005 and incorporated herein by reference.

(8) Filed as an exhibit to the Registration Statement on Form S-1 filed on January 12, 2006 and incorporated herein by reference.

(9) Filed as an exhibit to the Registration Statement on Form 8-A filed on January 19, 2006 and incorporated herein by reference.

SIGNATURES

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

GIANT MOTORSPORTS, INC.

By: /s/ Russell A. Haehn

Russell A. Haehn
Chairman and Chief Executive Officer

April 17, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

April 17, 2006	/s/ Russell A. Haehn Russell A. Haehn Chairman and Chief Executive Officer (principal executive officer)
April 17, 2006	/s/ Gregory A. Haehn Gregory A. Haehn President and Chief Operating Officer (principal financial and accounting officer)

GIANT MOTORSPORTS, INC.

FINANCIAL STATEMENTS

December 31, 2005, 2004 and 2003

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C O N T E N T S

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Giant Motorsports, Inc.
Salem, Ohio

We have audited the accompanying consolidated balance sheets of Giant Motorsports, Inc., as of December 31, 2005 and 2004 and the related consolidated statements of income (loss), changes in stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Giant Motorsports, Inc., as of December 31, 2005 and 2004 and the results of its consolidated operations, changes in stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

As noted in Note P, the Company has restated its previously issued consolidated financial statements for the year ended December 31, 2003 to properly reflect the activity for the reverse merger between American Busing Corporation and W.W. Cycles, Inc. The effect of this restatement was to re-class various components within the stockholders' equity section of the balance sheet and to recalculate the weighted average common shares outstanding. This change had no effect on net income for the year ended December 31, 2003 or the financial position of the Company as of December 31, 2003. The Company corrected the amount of shares issued in the reverse merger in 2003, as the shares were issued in 2004, but inadvertently recorded in 2003.

Bagell Josephs, Levine & Company, LLC
Bagell Josephs, Levine & Company, LLC
Gibbsboro, New Jersey

April 8, 2006

GIANT MOTORSPORTS, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2005 and 2004

	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 227,301	$ 1,862,187
Accounts receivable, net	4,850,408	2,465,369
Accounts receivable, affiliates	261,667	65,823
Inventories	16,775,069	16,538,087
Federal income tax receivable	119,500	--
Deferred federal income taxes	--	8,500
Note receivable, officer	--	254,029
Prepaid expenses	74,255	61,875
TOTAL CURRENT ASSETS	22,308,200	21,255,870

PROPERTY AND EQUIPMENT, NET		1,893,967	1,105,667
OTHER ASSETS			
Goodwill		1,588,950	1,588,950
Deposits		41,000	67,240
	TOTAL OTHER ASSETS	1,629,950	1,656,190
		$ 25,832,117	$ 24,017,727

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

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GIANT MOTORSPORTS, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)
December 31, 2005 and 2004

		2005	2004
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
CURRENT LIABILITIES			
Current portion of long-term debt		714,623	1,639,
Notes payable, floor plans		17,159,719	17,788,
Note payable, officer		193,135	
Accounts payable, trade		2,370,369	1,226,
Accrued expenses		654,417	172,
Accrued income taxes		--	393,
Deferred service contract income		--	90,
Customer deposits		87,051	344,
	TOTAL CURRENT LIABILITIES	21,179,314	21,655,
DEFERRED FEDERAL INCOME TAXES		52,100	37,
LONG-TERM DEBT, Net of current portion		783,856	996,
	TOTAL LIABILITIES	22,015,270	22,688,
COMMITMENTS			
STOCKHOLDERS' EQUITY (DEFICIT)			
Preferred stock, $.001 par value, authorized 5,000,000 shares 5,000 shares designated Series A Convertible, $1,000 stated value 2,870 shares issued and outstanding at December 31, 2005, 0 shares issued at December 31, 2004		2,870,000	

Common stock, $.001 par value, authorized 75,000,000 shares 10,445,000 shares issued and outstanding at December 31, 2005 and 10,425,000 shares issue and outstanding at December 31, 2004	10,445	10,
Additional paid-in capital	641,277	1,014,
Additional paid-in capital - Options	109,442	
Additional paid-in capital - Warrants	2,020,480	
Additional paid-in capital - Beneficial conversions	1,526,840	
Issuance cost on preferred series A convertible	(786,762)	
Retained earnings (deficit)	(2,574,875)	303,
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	3,816,847	1,328,
	$ 25,832,117	$ 24,017,

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

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GIANT MOTORSPORTS, INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
For the years ended December 31, 2005, 2004 and 2003

	2005	2004	(
OPERATING INCOME			
Sales	$ 103,117,471	$ 77,615,237	$4
Finance, insurance and extended service revenues	2,487,596	2,335,618	
TOTAL OPERATING INCOME	105,605,067	79,950,855	4
COST OF MERCHANDISE SOLD	93,327,630	70,025,884	4
GROSS PROFIT	12,277,437	9,924,971	
OPERATING EXPENSES			
Selling expenses	7,359,362	5,003,299	
General and administrative expenses	4,286,549	2,753,416	
	11,645,911	7,756,715	
INCOME FROM OPERATIONS	631,526	2,168,256	
OTHER INCOME AND (EXPENSES)			
Other income, net	100,714	38,592	
Interest expense, net	(779,943)	(626,587)	
	(679,229)	(587,995)	

INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	(47,703)	1,580,261	
PROVISION (BENEFIT) FOR INCOME TAXES	(38,900)	622,200	
NET INCOME (LOSS)	(8,803)	958,061	
ACCRETION OF PREFERRED STOCK DIVIDEND	(2,870,000)	--	
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (2,878,803)	$ 958,061	$
BASIC EARNINGS (LOSS) PER SHARE	$ (0.28)	$ 0.09	$
DILUTED EARNINGS (LOSS) PER SHARE	$ (0.28)	$ 0.08	$
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
BASIC	10,435,904	10,425,000	
DILUTED	10,435,904	12,001,503	

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

GIANT MOTORSPORTS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) - RESTATED
For the years ended December 31, 2005, 2004 and 2003

	Preferred Stock		Co
	Shares	Amount	Shares
Balance, December 31, 2002, as restated	--	$ --	7,850,00
Net income for the year ended December 31, 2003	--	--	-
Distributions	--	--	-
Balance, December 31, 2003,	--	--	7,850,00
Effects of reverse merger	--	--	2,575,00

Reallocation of S-Corporation earnings	--	--	-
Retirment of loan	--	--	-
Stock warrants issued as compensation	--	--	-
Distributions	--	--	-
Net income for the year ended December 31, 2004	--	--	-
Balance, December 31, 2004	--	--	10,425,00
Issuance of common stock for services	--	--	20,00
Issuance of preferred stock	2,870,000	2,870,000	-
Allocation of equity proceeds	--	--	-
Net loss for the year ended December 31, 2005	--	--	-
Balance, December 31, 2005	2,870,000	$ 2,870,000	10,445,00

	Paid-in capital	Paid-in capital - Options	Pa
Balance, December 31, 2002, as restated	$ 37,150	$ --	$
Net income for the year ended December 31, 2003	--	--	
Distributions	--	--	
Balance, December 31, 2003,	37,150	--	
Effects of reverse merger	(2,575)	--	
Reallocation of S-Corporation earnings	986,209	--	
Retirment of loan	(21,250)	--	
Stock warrants issued as compensation	15,000	--	
Distributions	--	--	
Net income for the year ended December 31, 2004	--	--	
Balance, December 31, 2004	1,014,534	--	
Issuance of common stock for services	11,580	--	
Issuance of preferred stock	--	--	
Allocation of equity proceeds	(384,837)	109,442	

Net loss for the year ended December 31, 2005	--	--
Balance, December 31, 2005	$ 641,277	$ 109,442

	Paid-in capital - Beneficial conversion	Issuance costs preferred series A
Balance, December 31, 2002, as restated	$ --	$ --
Net income for the year ended December 31, 2003	--	--
Distributions	--	--
Balance, December 31, 2003,	--	--
Effects of reverse merger	--	--
Reallocation of S-Corporation earnings	--	--
Retirment of loan	--	--
Stock warrants issued as compensation	--	--
Distributions	--	--
Net income for the year ended December 31, 2004	--	--
Balance, December 31, 2004	--	--
Issuance of common stock for services	--	--
Issuance of preferred stock	--	--
Allocation of equity proceeds	1,526,840	(786,762)
Net loss for the year ended December 31, 2005	--	--
Balance, December 31, 2005	$ 1,526,840	$ (786,762)

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

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GIANT MOTORSPORTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
For the years ended December 31, 2005, 2004 and 2003

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (8,803)	$ 958,061
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	335,581	165,043
Amortization	130,000	--
Deferred federal income taxes	23,200	28,900
Provision for doubtful accounts	--	--
Loss on sale of property and equipment	--	--
Issuance of common stock for services	11,600	--
(Increase) in accounts receivable, net	(2,385,039)	(1,180,263)
(Increase) in inventories	(236,982)	(5,552,007)
(Increase) in accounts receivable affiliates	(195,844)	--
(Increase) in income taxes receivable	(119,500)	--
(Increase) decrease in prepaid expenses	(12,380)	(53,875)
Decrease in deposits	26,240	--
Increase (decrease) in customer deposits	(257,089)	128,508
Increase (decrease) in floor plan liability	(597,927)	6,213,046
Increase (decrease) in deferred service contract revenue	(90,000)	10,000
Increase (decrease) in accounts payable trade	1,112,323	551,944
Increase in accrued expenses	88,866	387,169
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(2,175,754)	1,656,526
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,123,881)	(741,519)
Proceeds from sale of property and equipment	--	--
Decrease (increase) in accounts receivable affiliates	--	249,520
(Increase) decrease in notes receivable from officers	--	425,376
(Increase) in deposits	--	(51,240)
Covenant not to compete incurred	(130,000)	--
NET CASH (USED IN) INVESTING ACTIVITIES	(1,253,881)	(117,863)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings on note	--	750,000
Long-term borrowings on note	--	1,250,000
Payments on short-term debt	(925,137)	(1,450,000)
Payments on long-term debt	(212,411)	(154,010)
Payments received from officer loan	447,164	--
Distributions	--	(654,133)
Proceeds from stock issuance - net	2,485,133	--
Issuance of 1,000,000 stock warrants	--	15,000
Repurchase of 8,000,000 shares of common stock	--	(21,250)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,794,749	(264,393)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,634,886)	1,274,270
CASH AND CASH EQUIVALENTS, beginning of Year	1,862,187	587,917
CASH AND CASH EQUIVALENTS, end of Year	$227,301	$1,862,187

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

GIANT MOTORSPORTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
For the years ended December 31, 2005, 2004 and 2003

OTHER SUPPLEMENTARY CASH FLOW INFORMATION

Accretion of preferred stock discount	$ 2,870,000	$ --
Stock issued for outside services	$ 11,600	$ --
Short-term borrowings incurred for the acquisition of assets	$ --	$ 1,675,000
Note payable to officer incurred for the acquisition of assets	$ 243,572	$ --
Interest paid	$ 762,736	$ 642,859
Income taxes paid	$ 151,000	$ 200,000

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

GIANT MOTORSPORTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005, 2004 and 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:
Giant Motorsports, Inc., (the Company) through its wholly owned subsidiaries, W.W. Cycles, Inc. doing business as Andrews Cycles and Chicago Cycles, Inc. doing business as Chicago Cycle Center, operates two retail dealerships of motorcycles, all terrain vehicles, scooters and personal watercraft in

northeastern Ohio and northern Illinois. On December 30, 2003, the stockholders of W.W. Cycles, Inc. entered into a Stock Purchase and Reorganization Agreement in which effective January 16, 2004 W.W. Cycles, Inc. was issued an aggregate of 7,850,000 restricted shares of common stock, $.001 par value, of American Busing Corporation in exchange for all of the outstanding shares of the common stock of the Company, resulting in W.W. Cycles, Inc. becoming a wholly-owned subsidiary of American Busing Corporation. The acquisition was accounted for as a reverse merger whereby, for accounting purposes, WW Cycles, Inc. is considered the accounting acquirer and the historical financial statements of WW Cycles, Inc. became the historical financial statements of Giant Motorsports, Inc. Effective April 5, 2004 American Busing Corporation changed its name to Giant Motorsports, Inc. On April 30, 2004, Giant Motorsports, Inc. acquired substantially all of the assets and certain liabilities of Chicago Cycle Center pursuant to an Asset Purchase Agreement and entered into a Non-competition Agreement with one of the former owners and entered into an Employment Agreement with the other former owner.

Principles of Consolidation:
The consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents:
Cash and cash equivalents include amounts held in demand deposit accounts and overnight investment accounts. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Contracts in Transit:
Contracts in transit represent customer finance contracts evidencing loan agreements or lease agreements between the Company, as creditor, and the customer, as borrower, to acquire or lease a vehicle whereby a third-party finance source has given the Company initial, non-binding approval to assume the Company's position as creditor. Funding and approval from the finance source is provided upon the finance source's review of the loan or lease agreement and related documentation executed by the customer at the dealership. These finance contracts are typically funded within ten days of the initial approval of the finance transaction by the third-party finance source. The finance source is not contractually obligated to make the loan or lease to the customer until it gives its final approval and funds the transaction. Until such final approval is given, contracts in transit represent amounts due from the customer to the Company. See Note B for additional information.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Accounts:
Accounts are written off when management determines that an account is uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful accounts is determined to reduce the Company's receivables to their carrying value, which approximates fair value. The allowance is estimated based on historical collection experience, specific review of individual customer accounts, and current economic and

business conditions. Historically, the Company has not incurred any significant credit related losses. Management has determined that an allowance of $25,000 is sufficient at December 31, 2005 and December 31, 2004.

Revenue Recognition:
Vehicle Sales:
The Company records revenue when vehicles are delivered and title has passed to the customer, when vehicle service or repair work is performed and when parts are delivered. Sales promotions that are offered to customers are accounted for as a reduction to the sales price at the time of sale. Incentives, rebates and holdbacks offered by manufacturers directly to the Company are recognized at the time of sale if they are vehicle specific, or as earned in accordance with the manufacturer program rules and are recorded as a reduction of cost of merchandise sold.

Finance, Insurance and Extended Service Revenues:
The Company arranges financing for customers through various financial institutions and receives a commission from the lender equal to the difference between the interest rates charged to customers and the interest rates set by the financing institution. The Company also receives commissions from the sale of various third party insurance products to customers and extended service contracts. These commissions are recorded as revenue at the time the customer enters into the contract. The Company is not the obligor under any of these contracts. In the case of finance contracts, a customer may prepay or fail to pay their contract, thereby terminating the contract. Customers may also terminate extended service contracts, which are fully paid at purchase, and become eligible for refunds of unused premiums. In these circumstances, a portion of the commissions the Company receives may be charged back based on the relevant terms of the contracts. The revenue the Company records relating to commissions is net of an estimate of the ultimate amount of chargebacks the Company will be required to pay. Such estimates of chargeback experience are based on our historical chargeback expense arising from similar contracts. The Company also acts as the warrantor on certain extended service contracts and defers the revenue and recognized it over the life of the contract on a straight-line basis.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments:
Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and debt, including floor plan notes payable. The carrying amount of all significant financial instruments approximates fair value due either to length or maturity or variable interest rates that approximate prevailing market rates.

Inventories:
Parts and accessories inventories are stated at the lower of cost or market using the first-in, first-out method. Vehicle inventories are stated at the lower of cost or market using the specific identification method.

Concentration of Credit Risk:

Financial instruments that potentially subject the Company to credit risk consist of cash equivalents and accounts receivable.

The Company's policy is to review the amount of credit exposure to any one financial institution and place investments with financial institutions evaluated as being creditworthy. In the ordinary course of business, the Company has bank deposits and overnight repurchase agreements that may exceed federally insured limits. As of December 31, 2005 and 2004 the Company had $462,702 and $1,919,786 in excess of the $100,000 insured limit.

Concentration of credit risk, with respect to accounts receivable-customers, is limited through the Company's credit evaluation process. The Company reviews the credit history before extending credit. Generally, the Company does not require collateral from its customers

Property and Equipment:
Property and equipment are stated at cost. Maintenance and repairs that do not add materially to the value of the asset nor appreciably prolong its useful life are charged to expense as incurred. Gains or losses on the disposal of property and equipment are included in the determination of income.

Depreciation of property and equipment and amortization of leasehold improvements are provided using the straight-line method over the following estimated useful lives:

Fixtures, and equipment................................	3-7	years
Vehicles	5	years
Leasehold Improvements.................................	15	years

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill And Other Intangible Assets:
In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 142 "Goodwill and Other Intangible Assets". This statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supercedes APB opinion No. 17, "Intangible Assets". It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in the financial statements upon their acquisition. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The Company, in its acquisitions, recognized $1,588,950 of goodwill. The Company performs its annual impairment test for goodwill at year-end. As of December 31, 2005, the Company has determined that no impairment is necessary.

	Gross Carrying Amount
Goodwill	$ 1,588,950

Income Taxes:
Income taxes are calculated using the liability method specified by Statement of

Financial Accounting Standards No. 109, "Accounting for Income Taxes."

At December 31, 2005 and 2004, income taxes are provided for amounts currently due and deferred amounts arising from temporary differences between income for financial reporting and income tax purposes.

For the year ended December 31, 2003, the Company, with the consent of its shareholders, elected to have its income taxed as an "S" corporation under Section 1362 of the Internal Revenue Code. As such, the Company did not pay corporate income taxes and was not allowed net operating tax loss carry-backs or carryovers as deductions. Instead, the shareholders included their proportionate share of the Company's taxable income or loss on their individual income tax returns.

Advertising Costs:
Advertising costs are expensed when incurred. Charges to operations amounted to $2,296,491, $1,265,407 and $752,371 for the years ended December 31, 2005, 2004 and 2003 respectively.

Earnings (Loss) Per Share of Common Stock:
Historical net income (loss) per share is computed using the weighted average number of shares of common shares outstanding. Diluted earnings per share (EPS) include additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents are not included in the computation of diluted earnings per share when the Company reports a loss because to do so would be anti-dilutive for the periods presented.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings (Loss) Per Share of Common Stock (Continued):
The following is a reconciliation of the computation for basic and diluted EPS:

	Years Ended December		
	2005	2004	2003
Net income (loss) attributed to common shareholders after accretion of preferred stock	$(2,878,803)	$ 958,061	$ 558,502
Weighted-average common shares outstanding (Basic)	10,435,904	10,425,000	7,850,000
Weighted-average common stock equivalents:			
Warrants	0	1,010,929	0
Options	0	565,574	0
Weighted-average common shares outstanding (diluted)	10,435,904	12,001,503	7,850,000

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The Company uses the intrinsic value method to account for warrants granted to executive officer, directors, key employees and advisors for the purchase of common stock. No compensation expense is recognized on the grant date, since at that date, the warrant price equals or is higher than the market price of the underlying common stock. The Company discloses the pro forma effect of accounting for stock warrants under the fair value method. The Company uses the fair value method to account for warrants granted to advisors for the purchase of common stock. There were 7,316,503 common stock equivalents available at December 31, 2005.

Use of Estimates:
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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.

Recent Accounting Pronouncements:
In June 2001, the FASB issued Statement No. 142 "Goodwill and Other Intangible Assets". This Statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, Intangible Assets. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued):
On October 3, 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), that is applicable to financial statements issued for fiscal years beginning after December 15, 2001. The FASB's new rules on asset impairment supersede SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and portions of Accounting Principles Board Opinion 30, "Reporting the Results of Operations." This Standard provides a single accounting model for long-lived assets to be disposed of and significantly changes the criteria that would have to be met to classify an asset as held-for-sale is an important distinction since such assets are not depreciated and are stated at the lower of fair value or carrying amount.

This Standard also requires expected future operating losses from discontinued operations to be displayed in the period(s) in which the losses are incurred, rather than as of the measurement date as presently required. The adoption of SFAS No. 144 did not have an impact on the Company's results of operations or financial position.

FAS No. 131, "Disclosure About Segments of an Enterprise and Related Information" requires that a public company report financial and descriptive information about its reportable operating segments. It also requires that an enterprise report certain information about its products and services, the geographic areas in which they operate and their major customers. In determining the requirements of this pronouncement, Management believes that there is no materially reportable segment information with respect to the Company's operations and does not provide any segment information regarding products and services, major customers, and the material countries in which the Company holds assets and reports revenue.

SFAS No. 145 - "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." Under SFAS No. 4, all gains and losses from extinguishment of debt were required to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. This Statement eliminates SFAS No. 4 and, thus, the exception to applying APB No. 30 to all gains and losses related to extinguishments of debt. As a result, gains and losses from extinguishment of debt should be classified as extraordinary items only if they meet the criteria in APB No. 30. Applying the provisions of APB No. 30 will distinguish transactions that are part of an entity's recurring operations from those that are unusual or infrequent or that meet the criteria for classification as an extraordinary item. The Company does not expect the adoption of SFAS No. 145 to have a material impact on its financial position or results of operations.

FAS No. 146 - "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The principal difference between this Statement and EITF 94-3 relates to its requirements for recognition of a liability for a cost associated with an exit or disposal activity. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF 94-3, a liability was recognized at the date of an entity's commitment to an exit plan. This Statement is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect the adoption of SFAS No. 146 to have a material impact on its financial position or results of operations.

FAS No. 148, "Accounting for Stock Based Compensation-Transition and Disclosure." This statement was issued to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement is effective for financial statements for fiscal years ending after December 15, 2002.

In January 2003, FASB Interpretation No. 46 ("FIN No. 46"),"Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51," was issued. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns or both. Currently, this standard has no effect on the Company's financial statements.

During April 2003, the Financial Accounting Standards Board issued FAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." FAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under FAS 133, "Accounting for Derivative Instruments and Hedging Activities." The statement requires that contracts with comparable characteristics be accounted for similarly and clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows. FAS 149 is effective for contracts entered into or modified after June 30, 2003, except in certain circumstances, and for hedging relationships designated after June 30, 2003. Currently, this standard has not had a material effect on the Company's financial statements.

In May 2003, the FASB issued "FAS 150", "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". "SFAS 150" requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatorily redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. FAS 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003.

Reclassifications:
Certain amounts from 2003 and 2004 have been reclassified to conform to the 2005 presentation.

NOTE B - ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

	2005	2004
A/R-Customers and dealers	$ 2,770,165	$ 1,444,620
A/R-Manufacturers	1,317,542	720,635
A/R-Employees	9,424	10,000
Contracts in transit	778,277	315,114

	4,875,408	2,490,369
Allowance for doubtful accounts	25,000	25,000
	$ 4,850,408	$ 2,465,369

NOTE C - INVENTORIES

Inventories consisted of the following:

	2005	2004
Parts and accessories	$ 1,958,330	$ 997,414
Vehicles	14,816,739	15,540,673
TOTALS	$ 16,775,069	$ 16,538,087

The Company does not provide for allowances on its vehicle and parts and supplies inventory. With regards to vehicle inventory, all models are specifically identified. Slow moving vehicles are reduced in price via a rebate offered by the manufacturer. Historically, the Company has been successful in selling its vehicle inventory. No allowance is made on the parts and supplies inventory, as this amount is immaterial to the inventory taken as a whole.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2005	2004
Fixtures and equipment	$ 2,016,383	$ 927,017
Vehicles	366,326	286,522
Leasehold improvements	264,328	309,617
	2,647,037	1,523,156
Less accumulated depreciation	(753,070)	(417,489)
NET PROPERTY AND EQUIPMENT	$ 1,893,967	$ 1,105,667

Depreciation expense charged to operations amounted to $335,581 in 2005, $165,043 in 2004 and $74,564 in 2003.

NOTE E - NOTE RECEIVABLE OFFICER

Note receivable officer consisted of advances to an officer and advances to companies that the officer owns bearing interest at 6% with no stipulated repayment terms. Interest income on the note amounted to $-0- in 2005, $42,567 in 2004 and $13,364 in 2003. The note was repaid during the year ended December 31, 2005.

NOTE F - NOTES PAYABLE - FLOOR PLANS

The Company has floor plan financing agreements for the purchase of its new and used vehicle inventory. The floor plans are collateralized by substantially all corporate assets. The following is a summary of floor plan financing agreements:

	2005
Kawasaki Motors Finance Company floor plan agreement provides for borrowings up to $2,300,000. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (ranging from 8.25% to 11.5% at December 31, 2005 and 2004). Principal payments are due upon the sale of the specific units financed.	$ 1,750
American Honda Finance floor plan agreement provides for borrowings up to $2,000,000. Manufacturers at their discretion may increase the borrowings. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan. Principal payments are due upon the sale of the specific units financed.	477

GE Commercial Distribution Finance floor plan agreement for Yamaha units provides for borrowings up to $2,500,000. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (ranging from 6% to 10% at December 31, 2005 and 4.2% to 6.6% at December 31, 2004). Principal payments are due upon the sale of the specific units financed.	1,929
GE Commercial Distribution finance floor plan agreement for Suzuki units provides for borrowings up to $5,000,000. Manufacturers at their discretion may increase the borrowings. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (ranging from 4.8% to 7% at December 31, 2005 and 4.6% to 5.4% at December 31, 2004). Principal payments are due upon the sale of the specific units financed.	5,032
Polaris Acceptance floor plan agreement provides for borrowings up to $500,000. Manufacturers at their discretion may increase the borrowings. The agreement is collateralized by specific units financed (ranging from 12% to 16.25% at December 31, 2005 and 4.75% to 9% at December 31, 2004). Principal payments are due the earlier of date of sale or one year after financing.	433
Fifth Third Bank floor plan agreement provides for borrowings up to $2,500,000. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (7.4% and 5.25% at	

December 31, 2005 and 2004, respectively). Principal payments are due upon the sale of the specific units financed.	1,897
GE Commercial Distribution Finance floor plan agreement for Ducati units provides for borrowings up to $600,000. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (ranging from 4.8% to 9% at December 31, 2005, and 6.25% at December 31, 2004). Principal payments are due upon the sale of the specific units financed.	282

GE Commercial Distribution Finance floor plan agreement for Yamaha units provides for borrowings up to $2,000,000. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (ranging from 6% to 10% at December 31, 2005 and 4.17% to 6.6% at December 31, 2004). Principal payments are due upon the sale of the specific units financed.	1,814
GE Commercial Distribution Finance floor plan agreement for Suzuki units provides for borrowings up to $4,000,000. Manufacturers at their discretion may increase the borrowings. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (ranging from 4.8% to 7% at December 31, 2005 and 4.58% to 5.42% at December 31, 2004). Principal payments are due upon the sale of the specific units financed.	2,310
Fifth Third Bank floor plan agreement provides for borrowing up to $2,500,000. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (7.4% at December 31, 2005 and 5.25% at December 31, 2004). Principal payments are due upon the sale of the specific units financed.	1,230
Fifth Third Bank floor plan agreement provides for borrowing up to $2,500,000. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (7.4% at December 31, 2005 and 5.25% at December 31, 2004). Principal payments are due upon the sale of the specific units financed.	
TOTALS	$ 17,159

GIANT MOTORSPORTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2005, 2004 and 2003

NOTE G - LONG-TERM DEBT

The following is a summary of long-term debt:

	2005
A $250,000 note payable with HSK Funding bearing interest at 15% at December 31, 2005.	$ 250
A $250,000 note payable with HSK Funding bearing interest at 14% at December 31, 2004.	
A $250,000 revolving line of credit at a bank bearing interest at a variable rate of prime plus one percent (8% and 6.25% at December 31, 2005 and 2004, respectively). The loan is collateralized by substantially all the Company's assets and the building owned personally by an officer.	249
Note payable to Kings Motorsports, Inc. bearing interest at 6%, payable in full on April 30, 2005 plus accrued interest collateralized by assets (repaid in 2005).	
Note payable to bank bearing interest at 6.25% payable in monthly installments of $17,360, through May 31, 2007, at which point there is a balloon Payment. The note is collateralized by substantially all Company's assets, and shareholder guarantees.	989
Note payable to bank bearing interest at 8.6%, payable in monthly installments of $537, through May 2007, collateralized by vehicle.	9
	1,498
Less current maturities	714
TOTALS	$ 783

NOTE H - NOTE PAYABLE - OFFICER

Note payable to officer consisted of non-interest bearing advances from an officer of the Company with no stipulated repayment terms. The loan is a demand loan and has been classified as a current liability. The balance at December 31, 2005 and 2004 was $193,135 and $-0-, respectively.

NOTE I - INCOME TAXES

Income taxes (credit) consisted of the following:

	2005	2004	2003
Federal:			
Current	$ (119,500)	$ 593,300	$ 0
Deferred	80,600	28,900	0
TOTALS	$ (38,900)	$ 622,200	$ 0

Income taxes paid were $151,000 and $200,000 for the years ended December 31, 2005 and 2004, respectively, and $-0- for the year ended December 31, 2003.

Deferred tax assets (liabilities) consisted of the following:

	2005	2004	2003
Deferred tax liabilities - long-term:			
Depreciation	$(52,100)	$(37,400)	$ 0
Deferred tax assets - current and long-term:			
Allowance for doubtful accounts	0	8,500	0
TOTALS	$(52,100)	$(28,900)	$ 0

Income tax expense was not recognized in the year 2003 due to the fact the Company was classified as an "S" Corporation, and all tax liability would be a "pass-through" item at the personal level.

NOTE J - RELATED PARTY TRANSACTIONS

Related Party Transactions:

Accounts receivable, affiliates consisted of the following:

	2005	2004

Noninterest bearing advances to Marck's Real Estate, LLC., a limited liability company affiliated through common ownership interest to be repaid within one year	$ 261,667	$ 65,823
TOTALS	$ 261,667	$ 65,823

Note receivable officers amounted to $-0- at December 31, 2005, $254,029 at December 31, 2004 and $679,405 at December 31, 2003 (See Note E).

The Company leases its Ohio subsidiary retail facility from a shareholder under a five-year agreement with two five-year renewal terms. The Company guarantees the debt on the building, which amounted to approximately $1,871,317 at December 31, 2005.

Charges to operations amounted to $228,000 in 2005 and $180,000 in 2004 and 2003.

NOTE K - EMPLOYEE BENEFIT PLANS

The Company sponsors a Simple Retirement Plan for all eligible employees. The Company matches 100% of employee contributions up to 3% of compensation. Charges to operations amounted to $32,139 in 2005, $28,198 in 2004 and $20,870 in 2003.

NOTE L - LEASES

The Company had been leasing its Chicago subsidiary retail facility under a month-to-month agreement for 2003 and 2004. In 2005, the Company moved its operations to a new facility under a ten-year agreement with a ten-year renewal option. The payments on the lease will have commenced in August 2005 at a monthly amount of $33,333 through May of 2006, then increasing to $40,000 per month from June 2006 through May 2007, $5,000 per month from June 2007 through May 2008, $46,667 from June 2008 through May 2009 and then increasing 3% annually for the remaining term of the lease. The Company is also liable for a proportionate share of the expenses and taxes over a specified amount. The Company had been granted a four month rent holiday. Rent expense has been calculated using the straight-line basis over the lease term of ten (10) years to reflect the inclusion of the rent-free period. An additional $256,650 has been accrued to reflect the rent-free period.

NOTE L - LEASES (Continued)

The following is a summary of future minimum lease payments under the operating leases that have initial or remaining non-cancellable terms in excess of one year as of December 31, 2005:

YEAR ENDING	AMOUNT

2006	$ 875,093
2007	947,209
2008	986,159
2009	1,009,810
2010	1,032,905
	$ 4,851,175

The Company also leases an apartment in Chicago under a month-to-month agreement. The amount charged to rent amounted to $12,000, $8,000, and $0 for the years ended December 31 2005, 2004, and 2003, respectively.

NOTE M - COMMON STOCK

The Company has 75,000,000 shares of $.001 par common stock authorized, with 10,445,000 and 10,425,000 issued and outstanding at December 31, 2005 and 2004, respectively. In 2005, the Company issued 20,000 shares for services rendered. The shares were issued at fair market value of $.58 per share.

NOTE N - PREFERRED STOCK

The Company has 5,000,000 shares of preferred stock authorized, with a par value of $.001 per share. Included in these 5,000,000 shares are 5,000 authorized shares of Series A Convertible Preferred stock, of which 2,870 shares are issued and outstanding at December 31, 2005. On September 16, 2005, the Company issued 2,870 shares of Series A Convertible Preferred stock with a stated value of $1,000 to accredited investors in a private placement offering. Each share of Series A Convertible Preferred Stock is convertible into 2,000 shares of the Company's common stock.

The Company also issued in the private placement (i) warrants allowing the investors to purchase up to 5,740,000 shares of the Company's common stock, and (ii) an option allowing the placement agent to purchase 287 shares of Series A Convertible Preferred Stock, and warrants to purchase up to 574,000 shares of common stock.

NOTE N - PREFERRED STOCK (Continued)

In connection with the private placement warrants, the Company reported an accretion of preferred stock discount in the amount of $2,870,000 as a constructive dividend associated with the preferred stock. This amount reduced the amount available for the common stockholders.

The net proceeds from the issuance of the preferred stock were allocated based on the relative fair value of each equity instrument using the Black-Scholes Pricing Model and current market values where applicable. The preferred stock conversion price was less than the market value based on these valuations on the date of issuance; accordingly a preferred stock discount resulted from the allocation of the net proceeds to the other equity instruments issued, which was immediately distributed, as both the stock and the warrants were convertible and vested, respectively.

NOTE O - ACQUISITION OF KINGS MOTORSPORTS, INC.

On April 30, 2004, pursuant to an Asset Purchase Agreement (the "Asset Agreement"), dated April 30, 2004 by and among the Company, King's Motorsports, Inc., d/b/a Chicago Cycle ("Chicago Cycle"), Jason Haubner and Jerry Fokas, the two (2) shareholders of Chicago Cycle, the Company acquired (the "Acquisition"), substantially all of the assets of Chicago Cycle (the "Chicago Assets"). This acquisition is being sought primarily to provide the Company with a larger market share in the industry. All the operations of the acquired entity are included in the Company's income statement from the date of acquisition (April 30, 2004) through December 31, 2004. Through the acquisition, goodwill in the amount of $1,588,950 was recognized, and is being amortized over 15 years for tax purposes. In consideration for the Chicago Assets and pursuant to the Asset Agreement, the Company (i) assumed certain specified liabilities of Chicago Cycle, and (ii) agreed to pay to Chicago Cycle $2,925,000, as follows:

(a) $1,250,000 at the closing of the Acquisition (the "Initial Payment"), and
(b) $1,675,000 through the issuance to Chicago Cycle of a 6%, $1,625,000 aggregate principal amount promissory note (the "Note"). The principal amount of the Note matures as follows:

    (i) $500,000 on July 29, 2004
    (ii) $250,000 on October 29, 2004, and
    (iii) the remaining $925,000, plus accrued but unpaid interest on April 30, 2005. (The balance was repaid in 2005)

The Note was secured by a second lien on the Chicago Assets pursuant to a Commercial Security Agreement dated as of April 30, 2004, by and among the Company and Chicago Cycle, and guaranteed pursuant to a Guaranty dated April 30, 2004 by and among Chicago Cycle, the Company, Russell Haehn and Gregory Haehn, the current executive officers and controlling shareholders of the Company (each an "Executive", and, collectively, the "Executives").

NOTE O - ACQUISITION OF KINGS MOTORSPORTS, INC. (continued)

To fund the $1,250,000 Initial Payment, the Company pursuant to a Term Note dated March 12, 2004, by and among the Company and The Fifth Third Bancorp Bank (the "Bank") borrowed $1,250,000 (the "Initial Loan") from the Bank. The Initial Loan, which matured on May 31, 2004, was refinanced with the Bank through a term loan, which matures on May 31, 2010 (the "Term Loan"), which bears interest at the rate of prime plus one percent (1%) per annum. The Company's payment obligations under the Term Loan are guaranteed by the Executives pursuant to a Secured Continuing Unlimited dated as of March 12, 2004 by each Executive and the Bank. The Loan is also secured pursuant to a Security Agreement dated March 12, 2004 by and between the Bank and the Company, by a first priority lien on all the assets of the Company (including, but not limited to, the Chicago Assets).

In connection with the Acquisition and pursuant to the Asset Purchase Agreement, the Company entered into a Non-Competition Agreement ("Non-Competition Agreement"), dated April 30, 2004 with Mr. Haubner (effective January 1, 2005), pursuant to which Mr. Haubner agreed to limit his business activities to those not competing with Chicago Cycle until December 31, 2005. In consideration for the Non-Competition Agreement, the Company agreed to pay Mr. Haubner a monthly fee of $20,833. Effective June 15, 2005, Mr. Haubner violated the Agreement. The Company has negotiated a total amount to be assigned to the Non-Competition Agreement of $130,000, which was paid in full in 2005.

The following unaudited pro forma information for the years ended December 31, 2004 and 2003 has been presented as if the acquisition occurred on December 31, 2002. The unaudited pro forma information does not necessarily represent the actual results that would have been achieved had the companies been combined at December 31, 2002, nor may they be indicative of future operations. In addition, the following balance sheet indicates the amounts assigned for the various major classes of assets acquired and liabilities assumed in the acquisition of Kings Motorsports, Inc.

NOTE O - ACQUISITION OF KINGS MOTORSPORTS, INC. (continued)

KINGS MOTORSPORTS, INC.
T/A CHICAGO CYCLE CENTER
BALANCE SHEET

ASSETS

ASSETS	
Inventories	$ 7,386,584
Property and equipment	682,700
Goodwill	1,588,950
TOTAL ASSETS	$ 9,658,234
LIABILITIES	
Notes payable, floor plans	$ 6,658,234
Deferred service contract income	75,000

Due to Kings Motorsports	1,675,000
Note payable - Firstar	1,250,000
TOTAL LIABILITIES	$ 9,658,234

	FOR THE YEARS ENDED DECEMBER 31, 2004	2003
Revenues	$ 85,760,237	$ 86,649,493
Net Income	$ 1,021,985	$ 702,427
Net income per share		
Basic	$ 0.098	$ 0.067
Diluted	$ 0.085	$ 0.067
Weighted average common shares outstanding	10,425,000	10,425,000

GIANT MOTORSPORTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2005, 2004 and 2003

NOTE P - RESTATEMENT

The Company has restated it previously issued consolidated financial statements for the year ended December 31, 2003 to properly reflect the activity for the reverse merger between American Busing Corporation and W.W. Cycles, Inc. The effect of this restatement was to re-class various components within the stockholders' equity section of the balance sheet and to recalculate the weighted average common shares outstanding. This change had no effect on net income for the year ended December 31, 2003 or the financial position of the Company as of December 31, 2003. The Company corrected the amount of shares issued in the reverse merger in 2003, as the shares were issued in 2004, but inadvertently recorded in 2003.

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