

GIANT MOTORSPORTS INC
Form 424B3
November 14, 2007

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

PROSPECTUS SUPPLEMENT NO. 2

**DATED NOVEMBER 14, 2007
TO
PROSPECTUS DATED JUNE 13, 2007

GIANT MOTORSPORTS, INC.**

This Prospectus Supplement supplements information contained in our Prospectus dated June 13, 2007, 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 June 13, 2007, as supplemented by Supplement No. 1 to the Prospectus, dated August 14, 2007. 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 Quarterly Report on Form 10-Q of Giant Motorsports, Inc. for the quarterly period ended September 30, 2007, filed with the Securities and Exchange Commission on November 14, 2007.

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 6 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 14, 2007

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

FORM 10-Q

(Mark One)

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the quarterly period ended September 30, 2007

OR

☐ Transition report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 000-50243

GIANT MOTORSPORTS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Nevada
(State or Other Jurisdiction of Incorporation or
Organization)

33-1025552
(I.R.S. Employer Identification No.)

13134 State Route 62, Salem, Ohio
(Address of Principal Executive Offices)

44460
(Zip Code)

(440) 332-8534

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the 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 ☒ No ☐

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 ☒

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

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Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date. As of November 9, 2007 the registrant had 12,452,651 shares of common stock, \$.001 par value, issued and outstanding.

GIANT MOTORSPORTS, INC.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

GIANT MOTORSPORTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2007 Unaudited	December 31, 2006 Audited
CURRENT ASSETS		
Cash and cash equivalents	\$ 355,566	\$ 156,530
Accounts receivable, net	3,108,680	3,803,718
Accounts receivable, employees	15,436	0
Inventories	17,893,340	21,267,135
Deferred tax assets	125,000	113,900
Prepaid expenses	28,948	10,131
TOTAL CURRENT ASSETS	21,526,970	25,351,414
FIXED ASSETS, NET	1,769,067	2,004,274
OTHER ASSETS		
Intangibles, net	1,688,950	1,688,950
Deposits	45,600	41,000
TOTAL OTHER ASSETS	1,734,550	1,729,950
TOTAL ASSETS	\$ 25,030,587	\$ 29,085,638

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

GIANT MOTORSPORTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2007 Unaudited	December 31, 2006 Audited
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 816,135	\$ 1,513,665
Notes payable, floor plans	15,541,323	20,885,887
Note payable, officer	169,953	352,500
Accounts payable, trade	1,250,713	1,987,152
Accrued expenses	613,906	493,939
Income taxes payable	430,200	-
Customer deposits	624,397	196,246
TOTAL CURRENT LIABILITIES	19,446,627	25,429,389
DEFERRED TAX LIABILITIES	15,500	20,600
LONG-TERM DEBT, NET	467,933	-
TOTAL LIABILITIES	19,930,060	25,449,989
COMMITMENTS		
STOCKHOLDERS' EQUITY		
Preferred stock, \$.001 par value, authorized 5,000,000 shares 5,000 shares designated Series A Convertible, \$1,000 stated value 2,450 and 2,450 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	2,450,000	2,450,000
Common stock, \$.001 par value, authorized 75,000,000 shares 12,452,651 and 11,791,747 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	12,453	11,792
Additional paid-in capital	2,053,218	1,868,592
Additional paid-in capital - Options	93,426	93,426
Additional paid-in capital - Warrants	1,724,800	1,724,800
Additional paid-in capital - Beneficial conversions	1,303,400	1,303,400
Issuance cost on preferred series A shares convertible	(786,762)	(786,762)
Accumulated deficit	(1,750,008)	(3,029,599)
TOTAL STOCKHOLDERS' EQUITY	5,100,527	3,635,649
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 25,030,587	\$ 29,085,638

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

GIANT MOTORSPORTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE AND THREE MONTH PERIODS ENDED SEPTEMBER 30, 2007 and 2006

	Nine months ended		Three Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUES				
Sales	\$ 76,501,606	\$ 79,835,854	\$ 22,348,068	\$ 24,080,728
Finance, insurance and extended service revenues	2,810,347	2,791,031	750,838	786,094
TOTAL REVENUES	79,311,953	82,626,885	23,098,906	24,866,822
COST OF SALES	66,772,340	70,362,596	19,243,945	21,149,746
GROSS PROFIT	12,539,613	12,264,289	3,854,961	3,717,076
OPERATING EXPENSES				
Selling expenses	6,396,637	7,304,663	2,041,189	2,473,357
General and administrative expenses	3,337,222	3,397,002	1,119,452	1,029,394
	9,733,859	10,701,665	3,160,641	3,502,751
INCOME FROM OPERATIONS	2,805,754	1,562,624	694,320	214,325
OTHER INCOME AND (EXPENSE)				
Other income, net	77,194	33,368	47,555	12,171
Gain on sale of asset	184	-	-	-
Interest expense, net	(1,004,254)	(935,157)	(260,698)	(355,465)
	(926,876)	(901,789)	(213,143)	(343,294)
INCOME BEFORE PROVISION (BENEFIT) FOR TAXES	1,878,878	660,835	481,177	(128,969)
PROVISION (BENEFIT) FOR INCOME TAXES	414,000	398,700	(69,500)	(27,100)
INCOME BEFORE PREFERRED DIVIDENDS	1,464,878	262,135	550,677	(101,869)
PREFERRED DIVIDENDS	185,287	273,526	92,584.00	146,804
NET INCOME ATTRIBUTABLE TO				
COMMON SHAREHOLDERS	\$ 1,279,591	\$ (11,391)	\$ 458,093	\$ (248,673)
BASIC INCOME PER SHARE	\$ 0.11	\$ (0.00)	\$ 0.04	\$ (0.02)
DILUTED INCOME PER SHARE	\$ 0.04	\$ (0.00)	\$ 0.02	\$ (0.02)
WEIGHTED AVERAGE SHARES OUTSTANDING				

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BASIC	12,148,380	10,965,213	12,291,232	11,492,324
DILUTED	28,827,954	10,965,213	28,549,427	11,492,324

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

GIANT MOTORSPORTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30,

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,464,878	\$ 262,135
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	331,081	325,691
Deferred federal income tax credit (net)	(16,200)	104,200
Bad debt expense	35,261	-
(Gain) on sale of asset	(184)	-
(Increase) in accounts receivable, net	659,777	77,440
(Increase) in accounts receivable, employees	(15,436)	(4,378)
(Increase) decrease in inventories	3,373,795	(4,102,515)
(Increase) decrease in prepaid expenses	(18,817)	25,971
Decrease in prepaid taxes	-	119,500
Increase in customer deposits	428,151	15,713
Increase (decrease) in accounts payable trade	(736,439)	84,334
Increase (decrease) in floor plan liability	(5,344,565)	3,678,990
Increase in accrued income taxes	430,200	203,500
Increase (decrease) in accrued expenses	119,968	(188,203)
NET CASH PROVIDED BY OPERATING ACTIVITIES	711,470	602,378
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(45,863)	(487,487)
Proceeds from sale of property and equipment	7,000	-
Decrease in accounts receivable affiliates	-	261,667
(Increase) in deposits	(4,600)	-
NET CASH (USED IN) INVESTING ACTIVITIES	(43,463)	(225,820)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(286,424)	(271,124)
Payments on note payable to officer	(182,547)	(193,135)
NET CASH (USED IN) FINANCING ACTIVITIES	(468,971)	(464,259)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	199,036	(87,701)
CASH AND CASH EQUIVALENTS, beginning of Period	156,530	227,301
CASH AND CASH EQUIVALENTS, end of Period	\$ 355,566	\$ 139,600
OTHER SUPPLEMENTARY CASH FLOW INFORMATION		
Debt incurred for acquisition of vehicles and equipment	\$ 56,827	-
Debt incurred for acquisition of sales agreement	-	\$ 100,000
Income taxes paid	-	\$ 158,550
Interest paid	\$ 1,004,254	\$ 579,692
Preferred stock dividends paid in common stock	\$ 185,287	\$ 273,526

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

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 and 2006
(UNAUDITED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

The condensed consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The condensed consolidated financial statements and notes are presented as permitted on Form 10-Q and do not contain information included in the Company's annual consolidated statements and notes. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the December 31, 2006 audited financial statements and accompanying notes thereto. While management believes the procedures followed in preparing these condensed consolidated financial statements are reasonable, the accuracy of the amounts are in some respects dependent upon the facts that will exist, and procedures that will be accomplished by the Company later in the year.

These condensed consolidated financial statements reflect all adjustments, including normal recurring adjustments which, in the opinion of management, are necessary to present fairly the consolidated operations and cash flows for the periods presented.

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, an inactive public company. The acquisition was accounted for as a reverse merger whereby, for accounting purposes, W.W. Cycles, Inc. is considered the accounting acquirer and the historical financial statements of W.W. Cycles, Inc. became the historical financial statements of American Busing Corporation. 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 Noncompetition Agreement with one of the former owners and entered into an Employment Agreement with the other former owner.

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007 and 2006
(UNAUDITED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation:

The condensed 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.

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 necessary at September 30, 2007.

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007 and 2006
(UNAUDITED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognizes it over the life of the contract on a straight-line basis.

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.

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007 and 2006
(UNAUDITED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. At September 30, 2007, the Company had \$595,963 in excess of the federally 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, equipment, and leasehold improvements 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	10 years

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 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 the financial statements upon their acquisition. This statement also addresses how goodwill and other

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007 and 2006
(UNAUDITED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill and Other Intangible Assets (Continued):

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 and \$100,000 of other intangible assets associated with a licensing sales agreement. The Company performs its annual impairment test for goodwill at year-end.

	Gross Carrying Amount
Goodwill	\$ 1,588,950
Licensing Agreement	100,000
TOTAL	\$ 1,688,950

Income Taxes:

Income taxes are calculated using the liability method specified by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

At September 30, 2007, income taxes are provided for amounts currently due and deferred amounts arising from temporary differences between income for financial reporting and income tax purposes.

Advertising Costs:

Advertising costs are expensed when incurred. Charges to operations amounted to \$1,057,580 and \$1,880,892 for the nine months ended September 30, 2007 and 2006, respectively.

Earnings Per Share of Common Stock:

Historical net income 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.

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007 and 2006
(UNAUDITED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings Per Share of Common Stock (Continued):

The following is a reconciliation of the computation for basic and diluted EPS:

	Nine Months Ended	
	September 30, 2007	September 30, 2006
Net income attributed to common shares	\$ 1,279,591	\$ (11,391)
Weighted-average common shares outstanding (Basic)	12,148,380	10,965,213
Weighted-average common stock equivalents:		
Warrants	16,679,574	-0-
Weighted-average common shares outstanding (Diluted)	28,827,954	10,965,213

There are 16,674,574 and 11,214,000 common stock equivalents available at September 30, 2007 and 2006, respectively.

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.

NOTE B - ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of receivables due from customers and dealers, manufacturers, employees, and finance companies for contracts in transit and is net of an allowance for doubtful accounts of \$25,000 at September 30, 2007.

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007 and 2006
(UNAUDITED)

NOTE C - INVENTORIES

Inventories consisted of vehicles and parts and accessories.

NOTE D - FIXED ASSETS

Fixed assets consisted of the following:

	September 30, 2007
Fixtures and equipment	\$ 2,202,051
Vehicles	446,917
Leasehold improvements	598,720
	3,247,688
Less accumulated depreciation	1,478,621
NET FIXED ASSETS	\$ 1,769,067

Depreciation expense charged to operations amounted to \$331,081 and \$325,691 for the nine months ended September 30, 2007 and 2006, respectively.

NOTE E - NOTES PAYABLE - FLOOR PLANS

The Company has various floor plan financing agreements aggregating \$15,541,323 at September 30, 2007. 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 18% at September 30, 2007). Principle payments are due upon the sale of the specific unit financed. The floor plans are collateralized by substantially all corporate assets.

NOTE F - LONG-TERM DEBT

Long-term debt consisted of various notes aggregating \$694,205 at September 30, 2007. This amount matures at various times ranging from 2007 to 2011, bearing interest at various rates ranging from 5% to 10% per year. The notes are collateralized by substantially all of the Company's assets.

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007 and 2006
(UNAUDITED)

NOTE F - LONG-TERM DEBT (CONTINUED)

The Company has a \$250,000 revolving line of credit with a bank with an outstanding balance of \$249,863 at September 30, 2007. The revolving line of credit has no stipulated repayment terms. This loan bears interest at prime plus one percent (8.75% at September 30, 2007) and is collateralized by substantially all of the Company's assets.

The Company has two notes with HSK Funding each for \$250,000. Each note bears interest at 15.5%. The notes are due in full on November 30, 2007. The total outstanding balance on these notes in the aggregate was \$340,000 at September 30, 2007.

NOTE G - NOTE PAYABLE - OFFICER

Note payable to officer consisted of a promissory note bearing interest at 6% per year. The loan is payable on demand anytime after October 26, 2007, and as such, has been classified as a current liability. Interest charged to operations amounted to \$12,567 and \$-0- for the nine months ended September 30, 2007 and 2006, respectively. The balance at September 30, 2007 was \$169,953.

NOTE H - LEASES

The Company leases its Illinois subsidiary retail facility under a ten-year agreement with a ten-year renewal option. The agreement was signed and executed in April, 2005, and payments on the lease commenced in August 2005 at a monthly rent of \$33,333 through May 2006 then increased 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 increasing 3% annually for the remaining term of the lease. The Company is also liable for a proportionate share of expenses and taxes over a specified amount. The Company was granted a four (4) 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.

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007 and 2006
(UNAUDITED)

NOTE H - LEASES (CONTINUED)

The Company also leases office space at the Chicago location under a ten-year agreement with a ten-year renewal option. The payments on the lease commenced in August 2005 at a monthly amount of \$15,295 through May 2007, then increasing to \$15,754 per month from June 2007 through May 2008, \$16,226 per month from June 2008 through May 2009 and then increasing 3% annually for the remaining term of the lease.

The following is a five-year summary of future minimum lease payments under operating leases that have initial or remaining noncancellable terms in excess of one year as of September 30, 2007:

Year Ending	Amount
2008	\$ 1,025,130
2009	1,049,780
2010	1,072,630
2011	1,096,170
2012	1,120,415
	\$ 5,364,125

The Company also leased two (2) residential locations in Chicago under a month-to-month agreement. The amount charged to rent amounted to \$30,600 and \$19,725 for the nine months ended September 30, 2007 and 2006, respectively.

NOTE I - INCOME TAXES

Income taxes consisted of the following:

	September 30, 2007	December 31, 2006
Current	\$ 325,500	\$ (92,700)
Deferred	88,500	20,600
	\$ 414,000	\$ (72,100)

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007 and 2006
(UNAUDITED)

NOTE I - INCOME TAXES (CONTINUED)

Income taxes paid amounted to \$-0- and \$158,550 for the nine months ended September 30, 2007 and 2006, respectively.

Deferred tax assets (liabilities) consisted of the following:

	September 30, 2007	December 31, 2006
Deferred tax assets - current and long term:		
Allowance for doubtful account and net operating loss carryforward	\$ 125,000	\$ 113,900
Deferred tax liabilities - long term:		
Depreciation	(15,500)	(20,600)
TOTALS	\$ 109,500	\$ 93,300

NOTE J - RELATED PARTY TRANSACTIONS

The Company leases its Ohio subsidiary retail facility from a shareholder, who has personally guaranteed the debt on the building, under a five-year agreement with two five-year renewal terms. Charges to operations amounted to \$216,000 and \$171,000 for the nine months ended September 30, 2007 and 2006, respectively.

NOTE K - 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 -0- shares are issued and outstanding at September 30, 2007. On September 16, 2005, the Company issued 2,870 shares of Series A Convertible Preferred stock with a stated value of \$1,000 per share 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. However, the Company was not able to have its Registration Statement declared effective by the original due date and subsequently, each holder of the preferred shares were able to convert their shares at less than the agreed upon factor. This "triggering event" provided a discount on the conversion, and additional shares were provided to those shareholders who did not consent, and subsequently, converted the preferred Series A shares.

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007 and 2006
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NOTE K - PREFERRED STOCK (CONTINUED)

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.

The Company issued 660,904 and 408,247 shares of its common stock as a dividend to all Series A Preferred shareholders for the nine-month period ending September 30, 2007 and 2006, respectively, in accordance with the placement offering provisions.

NOTE L - COMMON STOCK

The Company has 75,000,000 shares of \$.001 par common stock authorized, with 12,452,651 and 11,791,747 issued and outstanding at September 30, 2007 and December 31, 2006, respectively.

The Company issued 660,904 and 408,247 shares of common stock for the nine-month period ending September 30, 2007 and 2006, respectively, to holders of our Preferred Series A, in accordance with the placement offering provisions, as described above on NOTE K.

Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations

The following discussion of our results of operations and financial condition should be read together with the condensed consolidated financial statements and the notes to those statements included elsewhere in this 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 elsewhere in this 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 50 employees and operates from an approximately 75,000 square foot facility. Chicago Cycles is located in the Chicago metropolitan area, has approximately 68 employees and operates from an approximately 95,000 square foot facility in Skokie, Illinois.

Overview of Economic Trends.

Effects of Changes in Interest Rates

After a two-year period of measured increases in the federal discount rate, beginning in the third quarter of 2006 and continuing through the first half of 2007, and the Federal Reserve's maintaining the primary discount rate at 6.25% through the middle of September 2007, it has recently reduced the federal discount rate to 5.25%. Since many of our customers depend on bank financing to purchase our motorcycles and other power sports equipment, changes in interest rates normally have a direct effect on our sales. During 2006, \$32.7 million of the approximately \$97.6 million of our power sports sales (33.5%) were financed. Our sales in 2006 appear to have been materially adversely affected by rising consumer loan interest rates prior to June 2006. It also appears that the pause in interest rate increases, since June 2006, has significantly slowed down and possibly even eliminated the downward trend in sales. To the extent that the recent reduction in the federal discount rate results in corresponding reductions in consumer loan interest rates, we believe that this could result in an increase in sales of our motorcycles and other power sports products, since it will cost consumers less to finance their purchases. In the event that the Federal Reserve becomes more concerned about inflation in the next six to twelve months, this could result in a change in policy and a decision to commence measured increases in the federal discount rate next year. The uncertainties created in the consumer financing market as a result of corresponding additional increases in interest rates, could reasonably be expected to have a negative impact on the sale of motorcycles due to the increased costs to our customers.

Effects of U.S. Credit Markets

During the first half of 2007, the U.S. credit markets have been dealing with the effects of numerous defaults by homeowners on “subprime” mortgage loans. By September 2007 these defaults had also begun to increase with respect to mortgages considered to be of less credit risk than “subprime” mortgages. It is expected that mortgage default rates will continue to increase at least throughout the remainder of 2007 and possibly through the first half of 2008. These defaults have not only had a materially adverse impact on the spending power of the borrowers of such defaulted mortgage loans, but have also reduced the value of investment portfolios containing securities affected by such mortgages. Since motorcycle purchases, in the U.S. and, to a greater extent, purchases of ATV's, are normally purchases for entertainment and sport, and not necessarily for transportation, any significant reduction in discretionary spending power could have an adverse effect on sales of our motorcycles and other power sports products.

Effects of Low Unemployment

Although tightening credit markets may have an adverse impact on discretionary spending, we believe that the current unemployment rate in the United States, which is at a historical low, may have a positive effect on sales of our motorcycles and other power sports equipment, since, we believe that the high level of employment translates into more disposable income and, in turn, more discretionary spending on items such as our motorcycles and other power sports equipment.

Overall impact on our Future Earnings

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. Additionally, as described in the preceding paragraphs, changes in interest rates and the health of the U.S. economy, particularly the availability of credit and the discretionary spending power of potential customers, all will have an impact on our future earnings. 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 could 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.

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 was payable in full on May 31, 2007 (which date was extended by the Bank until August 29, 2007), bearing interest at prime plus one percent (8.75% at September 30, 2007). 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. As of September 30, 2007, the outstanding amount of this term loan, including accrued interest thereon, was \$646,941. The Company is currently in the process of renewing this loan with the Bank, which will become payable in full on August 31, 2010.

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 (the “Bridge Lender”), 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 Bridge Lender 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 Bridge Lender a \$250,000 principal amount promissory note (the "2005 Bridge Note") providing for interest at the rate of fifteen percent (15%) per annum (which rate was subsequently increased to fifteen and ½ percent (15.5%)). Interest on the 2005 Bridge Note is payable monthly, and all outstanding principal and accrued but unpaid interest was initially due and payable on March 20, 2006. In March 2006 we repaid \$25,000 of the outstanding principal amount and at March 31, 2006, the outstanding principal amount was \$225,000. We 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. On June 29, 2006 we repaid an additional \$25,000 of the outstanding principal amount and at September 20, 2006, the outstanding principal amount was \$200,000. On September 20, 2006, we obtained another sixty (60) day extension for the payment of the remaining \$200,000 due on November 20, 2006. We did not pay any additional consideration to the third party for such extension. Payment of the 2005 Bridge Note was further extended to June 15, 2007 in consideration for our payment of \$2,250 to the Bridge Lender for both this extension and the extension for repayment of the 2006 Bridge Note discussed below. We paid an additional \$25,000 of the outstanding principal amount in June 2007. Payment of the 2005 Bridge Note was further extended to November 30, 2007 in consideration for our payment of \$3,750 to the Bridge Lender for both this extension and the extension for repayment of the 2006 Bridge Note discussed below. In July 2007, we paid an additional \$50,000 of the outstanding principal amount. We made additional payments of principal in August and September, aggregating \$35,000 so that on September 30, 2007 the outstanding principal balance of the 2005 Bridge Note was \$90,000. In October we made an additional principal payment of \$10,000. We have continued to make all interest payments on the 2005 Bridge Loan, when due and payable, and intend to make such interest payments on a timely basis during any further extension thereof.

On October 27, 2006, Russell Haehn, the Company's Chairman and Chief Executive Officer provided a working capital loan to the Company in the amount of \$350,000. This loan is evidenced by a promissory note (the "Note") in the principal amount of \$350,000 payable on demand any time after October 26, 2007. The Note bears interest at a rate of 6% per annum and the outstanding principal amount and all accrued interest are payable upon demand or sooner if prepaid by the Company. Although the Note provides that it is payable on demand at any time after October 26, 2007, the Company has prepaid a portion of the outstanding principal amount of the loan so that the balance at September 30, 2007 was \$169,953.

On December 4, 2006, the Bridge Lender provided us with an additional bridge loan in the principal amount of \$250,000 (the "2006 Bridge Loan"). In connection with the 2006 Bridge Loan we issued to the Bridge Lender a \$250,000 principal amount promissory note providing for interest at the rate of fifteen and ½ percent (15.5%) per annum (the "2006 Bridge Note"). Interest on the 2006 Bridge Note is payable monthly, and all outstanding principal and accrued but unpaid interest was due and payable on March 4, 2007. Payment of the 2006 Bridge Note was extended through November 30, 2007, as described above, along with the 2005 Bridge Note. We have continued to make all interest payments on the 2006 Bridge Loan, when due and payable, and intend to make such interest payments on a timely basis during any further extension thereof.

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 (8.75% at September 30, 2007), and has no stipulated repayment terms. We are currently extending the payment date of the line of credit to May 31, 2008. At September 30, 2007, 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 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 used these net proceeds for debt repayment legal fees, and general working capital purposes. At September 30, 2007, 420 Series A Shares had been converted into 938,500 shares of our common stock. Additionally, during 2006 and through September 30, 2007, we issued an aggregate of 1,069,151 shares of common stock to the holders of our Series A Shares, in lieu of cash dividends.

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

During the past twelve months we have increased our cash flow from operations through a consistent plan of reducing operating costs and increasing profit margins on our sales. We intend to continue this policy during the remaining quarter of 2007 and throughout the first six months of 2008. With the expected shipment of new product models, during the last two months of 2007, and anticipated increases in sales of these new models beginning in the second quarter of 2008, we hope to further increase our cash flow from operations throughout the second half of 2008. We believe that by keeping our operating costs at the reduced levels we have achieved in 2007, and continuing to increase our profit margins, we will continue to generate sufficient cash flow from operations to fund our business for at least the next twelve months. To the extent that we experience a significantly weaker sales climate during the first six months of 2008, our ability to continue to generate such cash flow could be impaired, notwithstanding our reduced operating costs and increased profit margins.

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 September 30, 2007.

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 we experience a significant downturn in sales of our power sports products and/or 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**Three Months Ended September 30, 2007 Compared With Three Months Ended September 30, 2006.**

	September 30, 2007	September 30, 2006	Increase (Decrease)	% Change
Total Revenues	\$ 23,098,906	\$ 24,866,822	\$ (1,767,196)	7.1%
Cost of Sales	\$ 19,243,945	\$ 21,149,746	\$ (1,905,801)	9.0%
Operating Expenses	\$ 3,160,641	\$ 3,502,751	\$ (342,110)	9.8%
Income from Operations	\$ 694,320	\$ 214,325	\$ 479,995	224.0%
Other Income and (Expense)	\$ (213,143)	\$ (343,294)	\$ 130,151	37.9%
Income (Loss) before Provision (Benefit) for Taxes	\$ 481,177	\$ (128,969)	\$ 610,146	473.1%
Income before Preferred Dividends	\$ 550,677	\$ (101,869)	\$ 652,546	640.6%

Total Revenues:

Total revenues for the three months ended September 30, 2007 were \$23,098,906 representing a decrease of \$1,767,196 (7.1%) from the \$24,866,822 reported for the three months ended September 30, 2006. This reduction in revenues between the two periods is primarily attributable to overall economic factors which have resulted in a reduction in motorcycle sales throughout the industry.

Cost of Sales:

Cost of sales for the three months ended September 30, 2007 was \$19,243,945, which was \$1,905,801 (9.0%) less than cost of sales of \$21,149,746 for the same period in 2006. This decrease in cost of sales was primarily attributable to a corresponding decrease in sales during the third quarter of 2007 compared with the same period in 2006, as described.

Operating Expenses:

Selling, general and administrative expenses for the three months ended September 30, 2007 were \$3,160,641, a decrease of \$342,110 (9.8%) from \$3,502,751 for the same period in 2006. The aggregate decrease in such costs was primarily attributable to a reduction in marketing costs of approximately \$224,000 between the comparable periods.

Income from Operations:

We had income from operations before other income (expense) for the three months ended September 30, 2007 of \$694,320, as compared to income from operations of \$214,325 for the same period in 2006, which reflects an increase in income from operations of \$479,995 (224.0%). This increase in income from operations was primarily attributable to the reduction in our operating expenses and an increase in profit margins between the two periods, which more than offset the reduction in revenues.

Other Income and (Expense):

Other expense for the three months ended September 30, 2007 decreased \$130,151 (37.9%) to \$213,143 from \$343,294 for the same period in 2006. This reduction in other expense was primarily attributable to a reduction in net interest expense between the two periods from \$355,645 during the three months ended September 30, 2006 to \$260,698 for the same period in 2007. This significant reduction in net interest expense was a result of: (i) our having

paid down a portion of the Bank loan and a certain loan provided to us for the purchase of security equipment; (ii) a reduction in the interest rate payable with respect to many of our financing arrangements; and (iii) a reduction of floor plan liabilities, all of which occurred during the three months ended September 30, 2007.

Income (Loss) before Provision (Benefit) for Taxes:

We had income before benefit for taxes, for the three months ended September 30, 2007 of \$481,177 as compared with a loss before benefit for taxes of \$128,969 for the same period in 2006, which represents an increase in income before benefit of taxes of \$610,146 (473.1%). This increase was attributable to the same factors described with respect to income from operations above and also reflects the reduction in net interest expense between the two periods, as also described above.

Income (Loss) before Preferred Dividends:

We had net income before preferred dividends of \$550,677 for the three months ended September 30, 2007, as compared to a net loss before preferred dividends of \$101,869 for the same period in 2006. This reflects an increase in net income before preferred dividends of \$652,546 (640.6%) between these comparable periods. This increase in net income before preferred dividends during the nine months ended September 30, 2007 as compared to the same period in 2006 is attributable to the same factors described with respect to income before benefit for taxes above. Additionally, we received a benefit for taxes of \$69,500 for the three month period ended September 30, 2007 as compared to a benefit for taxes of only \$27,100 for the same period in 2006, even though we had income of \$610,146 for the three months ended September 30, 2007 compared to a loss of \$128,969 for the same period in 2006. Our ability to receive a benefit for taxes for the three months ended September 30, 2007, despite our recognition of income during that period, resulted from our being able to apply net operating losses for fiscal year 2006 in calculating the taxes payable in the three months ended September 30, 2007.

Nine Months Ended September 30, 2007 Compared With Nine Months Ended September 30, 2006.

	September 30, 2007	September 30, 2006	Increase (Decrease)	% Change
Total Revenues	\$ 79,311,953	\$ 82,626,885	\$ (3,314,932)	4.0%
Cost of Sales	\$ 66,772,340	\$ 70,362,596	\$ (3,590,256)	5.1%
Operating Expenses	\$ 9,733,859	\$ 10,701,665	\$ (967,806)	9.0%
Income from Operations	\$ 2,805,754	\$ 1,562,624	\$ 1,243,130	79.6%
Other Income and (Expense)	\$ (926,876)	\$ (901,789)	\$ (25,087)	2.8%
Income before Provision for Taxes	\$ 1,878,878	\$ 660,835	\$ 1,218,043	184.3%
Income before Preferred Dividends	\$ 1,464,878	\$ 262,135	\$ 1,202,743	458.8%

Total Revenues:

Total revenues for the nine months ended September 30, 2007 were \$79,311,953 representing a decrease of \$3,314,932 from the \$82,626,885 reported for the nine months ended September 30, 2006. This reduction in revenues between the two periods is primarily attributable to overall economic factors which have resulted in a reduction in motorcycle sales throughout the industry. Our revenues would have been significantly less for the nine months ended September 30, 2007, but were impacted significantly by our decision, during the first quarter of 2007, to markdown prices on remaining 2006 inventory that we were unable to sell due to the weak sales environment in 2006. All terrain vehicles ("ATVs") comprised the largest portion of these price cuts, many of which vehicles were sold at less than our cost per unit. Due to these lower prices customers purchased significantly more vehicles in the first quarter of 2007 compared to the same period in 2006, resulting in greater total revenues, even though revenue per unit was less on sales made in the first quarter of 2007.

Cost of Sales:

Cost of sales for the nine months ended September 30, 2007 was \$66,772,340 which was \$3,590,256 (5.1%) less than cost of sales of \$70,362,596 for the same period in 2006. This decrease in cost of sales was primarily attributable to a corresponding decrease in sales during the first nine months of 2007 compared with the same period in 2006, which was partially offset by our reduced price sales, as described above.

Operating Expenses:

Selling, general and administrative expenses for the nine months ended September 30, 2007 were \$9,733,859, a decrease of \$967,806 (9.0%) from \$10,701,665 for the same period in 2006. The aggregate decrease in such costs was primarily attributable to a reduction in marketing costs of approximately \$823,300.

Income from Operations:

We had income from operations before other income (expense) for the nine months ended September 30, 2007 of \$2,805,754, as compared to income from operations of \$1,562,264 for the same period in 2006, which reflects an increase in income from operations of \$1,243,130 (79.6%). This increase in income from operations was primarily attributable to the reduction in our operating expenses and an increase in profit margins between the two periods, which more than offset the reduction in revenues.

Other Income and (Expense):

Other expense for the nine months ended September 30, 2007 increased \$25,087 (2.8%) to \$926,876 from \$901,789 for the same period in 2006. This increase in other expense was primarily attributable to an increase in net interest expense from \$935,157 in the nine month period ended September 30, 2006 to \$1,004,254 during the same period in 2007. Such increase in net interest expense was primarily attributable to the additional interest payable on financed inventory which we were unable to sell due to the weak sales environment during a significant portion of 2006, and because the terms of our inventory financing provide for higher interest rates on inventory held for longer periods. This increase in net interest expense was partially offset by an increase in other income in the approximate amount of \$44,000 which was attributable to the relief of debt associated with Centerpoint Properties.

Income before Provision for Taxes:

We had income before provision for taxes, for the nine months ended September 30, 2007 of \$1,878,878 as compared with income before provision for taxes of \$660,835 for the same period in 2006, which represents an increase of \$1,218,043 (184.3%). This increase was attributable to the same factors described above with respect to income from operations.

Income before Preferred Dividends:

We had net income before preferred dividends of \$1,464,878 for the nine months ended September 30, 2007, as compared to net income before preferred dividends of \$262,135 for the same period in 2006. This reflects an increase in income before preferred dividends of \$1,202,743 (458.8%) between these comparable periods. This increase in net income before preferred dividends during the nine months ended September 30, 2007 as compared to the same period in 2006, is attributable to the same factors described with respect to income before provision for taxes above. Additionally, taxes for the nine month period ended September 30, 2007 were \$414,000 as compared to \$398,700 for the same period in 2006. Although income before provision for taxes was approximately 184% greater for the nine months ended September 30, 2007 as compared to the same period in 2006, provision for taxes was only slightly less in the nine months ended September 30, 2006, since the Company was able to apply net operating losses for fiscal

year 2006 in calculating the taxes paid in the first nine months of 2007.

Liquidity and Capital Resources.

Our primary source of liquidity has been cash generated by operations and borrowings under various credit facilities. At September 30, 2007, we had \$355,566 in cash and cash equivalents compared to \$156,530 at December 31, 2006. Until required for operations, our policy is to invest excess cash in bank deposits and money market funds. Net working capital at September 30, 2007 was \$2,080,343 compared to (\$77,975) at December 31, 2006.

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. As a result of weaker sales during 2006, the Company borrowed an additional \$250,000 in December 2006 from the Bridge Lender. Additionally, in the future the Company may attempt to raise additional financing through the sale of its debt and/or equity securities for expansion of its business including acquisitions of other dealers and brands.

At September 30, 2007 we had outstanding indebtedness payable within 12 months in an aggregate amount of approximately \$2,066,848. Of these amounts, approximately \$816,135 was payable to financial institutions in repayment of loans and other credit facilities provided to us and approximately \$1,250,713 relates to outstanding trade payables. In the event that we are unable to repay all or any portion of these outstanding amounts from cash from operations, we would be required to (i) seek one or more extensions for the payment of such amounts, (ii) refinance such debt to the extent available, (iii) raise additional equity capital or (iv) consummate any combination of the foregoing transactions.

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 2007 models before the 2008 models are released, it could be very difficult for us to sell our remaining inventory of 2007 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 condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed 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 Condensed Consolidated Financial Statements, contained elsewhere in this 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:

	Total	Payments Due By Period			
		Less than 1 year	1-3 years	3-5 Years	More than 5 Years
Contractual Obligations					
Long-Term Debt Obligations	\$ 1,284,068	\$ 816,135	459,054	8,879	—
Capital (Finance) Lease Obligations	10,919,725	1,025,130	3,218,580	3,436,468	3,239,547
Operating Lease Obligations	—	—	—	—	—
Purchase Obligations	As Needed				
Other Long-Term Liabilities Reflected on the Company's Balance Sheet under the GAAP of the Primary Financial Statements	—	—	—	—	—
Total	\$ 12,203,793	\$ 1,841,265	\$ 3,677,634	\$ 3,445,347	\$ 3,239,547

Item 3. 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 \$15,541,323 at September 30, 2007. 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. At September 30, 2007 interest rates on our floor plan financing ranged from a low of 4.8% to a high of 18%. 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. When new model inventory is initially purchased usually there is a period of time when zero interest is paid or accrued. However, interest costs on new inventory will begin to accrue in a subsequent period. 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 7.50%.

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 at September 30, 2007, 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 4. 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 report (September 30, 2007). 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 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 quarter ended September 30, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

The most significant risk factors applicable to the Company are described in Part I, Item 1A (Risk Factors) of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (our "2006 Form 10-K"). There have been no material changes to the risk factors previously disclosed in our 2006 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

- | | |
|------|---|
| 31.1 | Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a)). |
| 31.2 | Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a)). |
| 32.1 | Certification 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 | Certification of the Principal 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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SIGNATURES

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

GIANT MOTORSPORTS, INC.

Date: November 12, 2007

By: /s/ Russell A. Haehn
Name: Russell A. Haehn
Title: Chairman of the Board of Directors,
Chief Executive Officer and Secretary
(Principal Executive Officer)

Date: November 12, 2007

By: /s/ Gregory A. Haehn
Name: Gregory A. Haehn
Title: President, Chief Operating Officer,
Treasurer and a Director
(Principal Financial and Accounting Officer)