GIANT MOTORSPORTS INC
Form 10QSB
May 23, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2005

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	33-1025552
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
13134 State Route 62, Salem, Ohio	44460
(Address of Principal Executive Offices)	(Zip Code)

(330) 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 past 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 [ ]

As of May 18, 2005 the registrant had 10,425,000 shares of common stock, $.001 par value, issued and outstanding.

Transitional Small Business Disclosure Format (Check one): Yes [ ]; No [X]

GIANT MOTORSPORTS, INC.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

GIANT MOTORSPORTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEET

March 31, 2005
(Unaudited)

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 618,986

Accounts receivable, net		3,345,721
Accounts receivable, affiliates		65,823
Inventories		22,903,101
Accounts receivable, employees		91,579
Deferred federal income taxes		8,500
Note receivable, officer		161,790
Prepaid expenses		20,223
	TOTAL CURRENT ASSETS	27,215,723
FIXED ASSETS, NET		1,408,217
OTHER ASSETS		
Intangibles, net		2,026,450
Deposits		84,442
	TOTAL OTHER ASSETS	2,110,892
		$30,734,832

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

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GIANT MOTORSPORTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

March 31, 2005
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Notes payable		$ 1,425,000
Notes payable, floor plans		23,799,965
Accounts payable, trade		1,714,245
Accrued expenses		290,376
Accrued income taxes		325,300
Deferred service contract income		67,500
Customer deposits		624,576
Current portion of non-compete agreement		250,000
Current portion of long-term debt		214,760
	TOTAL CURRENT LIABILITIES	28,711,722
DEFERRED FEDERAL INCOME TAXES		37,400

LONG-TERM PORTION OF NON-COMPETE AGREEMENT		250,000
LONG-TERM DEBT, NET		945,033
	TOTAL LIABILITIES	29,944,155
COMMITMENTS - NOTE I		
STOCKHOLDERS' EQUITY		
Common stock, $.001 par value, authorized 75,000,000 shares 10,425,000 shares issued and outstanding at March 31, 2005		10,425
Paid-in capital		1,014,534
Retained earnings (deficit)		(234,282)
	TOTAL STOCKHOLDERS' EQUITY	790,677
		$ 30,734,832

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

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GIANT MOTORSPORTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months ended March 31, 2005 and 2004

	2005 (Unaudited)	
OPERATING INCOME		
Sales	$ 20,426,807	$
Finance, insurance and extended service revenues	291,200	
TOTAL OPERATING INCOME	20,718,007	
COST OF MERCHANDISE SOLD	18,727,791	
GROSS PROFIT	1,990,216	
OPERATING EXPENSES		
Selling expenses	1,466,384	
General and administrative expenses	915,771	
	2,382,155	
INCOME (LOSS) FROM OPERATIONS	(391,939)	

OTHER INCOME AND (EXPENSES)		
Other income, net		27,570
Interest expense, net		(173,841)
		(146,271)
INCOME (LOSS) BEFORE INCOME TAXES		(538,210)
INCOME TAXES		--
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	$	(538,210)
BASIC EARNINGS (LOSS) PER SHARE	$	(0.05)
DILUTED EARNINGS PER SHARE	$	--
WEIGHTED AVERAGE SHARES OUTSTANDING		10,425,000
BASIC		10,425,000
DILUTED		10,425,000

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

GIANT MOTORSPORTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

For the three months ended March 31, 2005 and 2004

		2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$	(538,210)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation		56,786
Amortization		62,500
Deferred federal income taxes		--
(Increase) in accounts receivable, net		(971,931)
(Increase) in inventories		(6,365,014)
Increase (decrease) in floor plan liability		6,011,259
(Increase) decrease in prepaid expenses		41,652
Increase (decrease) in customer deposits		280,436
(Decrease) in accrued warranty		(22,500)

Increase in accounts payable trade	487,259	
Increase (decrease) in accrued income taxes	(68,000)	
Increase in accrued expenses	118,095	
NET CASH (USED IN) OPERATING ACTIVITIES	(907,668)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(359,336)	
Decrease in accounts receivable affiliates`	--	
(Increase) decrease in notes receivable from officers	92,239	
Increase in deposits	(17,202)	
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(284,299)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings on note	--	
Payments on long-term debt	(51,234)	
Distributions	--	
Issue 1,000,000 stock warrants	--	
Repurchase 8,000,000 shares of common stock	--	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(51,234)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,243,201)	
CASH AND CASH EQUIVALENTS, beginning of Period	1,862,187	
CASH AND CASH EQUIVALENTS, end of Period	$ 618,986	$
OTHER SUPPLEMENTARY CASH FLOW INFORMATION		
Covenant not to compete incurred commitment	$ 500,000	$
Long-term borrowings incurred for the acquisition of a vehicle	$ --	$
Interest paid during the year	$ 176,990	$

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005 and 2004
(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-QSB 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, 2004 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 8,000,000 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, 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 Noncompetition Agreement with one of the former owners and entered into an Employment Agreement with the other former owner.

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 March 31, 2005.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued):

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 is 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.

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. At March 31, 2005, the Company had $999,419 in excess of the federally insured limit.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk(continued):
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

Impairment of Long-Lived Assets:
Long-lived assets are reviewed for impairment whenever events such as product discontinuances, product dispositions or other changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds the sum of non-discounted cash flows expected to result from the asset's use and eventual disposition. An impairment loss is measured as the amount by which the carrying amount exceeds its fair value, which is typically calculated using discounted expected future cash flows. The discount rate to these cash flows is based on

the Company's weighted average cost of capital, which represents the blended after-tax costs of debt and equity. There were no indications of impairments at March 31, 2005.

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

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

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs:
Advertising costs are expensed when incurred. Charges to operations amounted to $435,395 and $198,288 for the three months ended March 31, 2005 and 2004 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 were 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.

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

	Three Months Ended March 31 2005	Three Months Ended March 31 2004
Net Income (Loss)	$ (538,210)	$ 187,259
Weighted-average common shares outstanding (Basic)	10,425,000	10,425,000
Weighted-average common stock equivalents:		
Warrants	0	777,778
Weighted-average common shares outstanding (Diluted)	10,425,000	11,202,778

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 March 31, 2005.

NOTE C - INVENTORIES

Inventories consisted of vehicles and parts and accessories.

NOTE D - FIXED ASSETS

Fixed assets consisted of the following:

	March 31 2005
Fixtures and equipment	$ 1,245,524
Vehicles	354,178
Leasehold improvements	282,108
	1,881,810
Less accumulated depreciation	473,593
NET FIXED ASSETS	$ 1,408,217

Depreciation expense charged to operations amounted to $56,786 for the three months ended March 31, 2005.

NOTE E - NOTES RECEIVABLE OFFICERS

Notes receivable officers consisted of advances to officers and advances to companies that the officers own bearing interest at 6% with no stipulated repayment terms. Interest income on these notes amounted to $3,875 for the three months ended March 31, 2005. It is anticipated that the notes will be repaid by December 31, 2005.

NOTE F - LINES OF CREDIT

The Company's has two $250,000 revolving lines of credit with a bank which aggregate $500,000 at March 31, 2005. The revolving line of credit has no stipulated repayment terms. These loans bear interest at 7.5% and prime plus one percent (5.75% at March 31, 2005), respectively, and are collateralized by substantially all of the Company's assets.

NOTE G - NOTES PAYABLE - FLOOR PLANS

The Company has various floor plan financing agreements aggregating $23,799,965 at March 31, 2005. 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 3% to 18% at March 31, 2005). Principle payments are due upon the sale of the specific unit financed. The floor plans are collateralized by substantially all corporate assets.

NOTE H - NOTES PAYABLE

Notes payable consisted of a $925,000 loan payable to Kings Motorsports, Inc. at March 31, 2005 for the purchase of the assets of Chicago Cycles, Inc. bearing interest at 6%, payable in full April 30, 2005.

NOTE I - LONG-TERM DEBT

Long-term debt consisted of various notes aggregating $1,195,033 at March 31, 2005. This amount matures at various times ranging from 2005 to 2007, bearing interest at various rates ranging from 5.75% to 6.85% per year. The notes are collateralized by substantially all of the Company's assets.

NOTE J - INCOME TAXES

Income taxes (credit) consisted of the following:

	2005
Federal:	
Current	$ 0
Deferred	28,900
	28,900
State:	
Current	0
Deferred	0
	0
TOTAL	$ 28,900

Income taxes paid amounted to $68,000 for the three months ended March 31, 2005.

Deferred tax assets (liabilities) consisted of the following:

	2005
Deferred tax liabilities - long-term:	
Depreciation	$ (37,400)
Deferred tax assets - current and long-term:	
Allowance for doubtful accounts	8,500
TOTAL	$ (28,900)

NOTE K - RELATED PARTY TRANSACTIONS

Related Party Transactions:

Accounts receivable, affiliates consisted of the following:

	2005
Noninterest bearing advances to Marck's Real Estate, LLC., a limited liability company affiliated through common ownership interest to be repaid within one year	$ 65,823

Note receivable officers amounted to $146,190 at March 31, 2005 (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 $1,200,000 at March 31, 2005.

Charges to operations amounted to $57,000 for the three months ended March 31, 2005.

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

YEAR ENDING	AMOUNT
2005	$ 446,667
2006	693,333
2007	760,000
2008	793,333
2009	811,200
2010	828,336
	$ 4,332,869

NOTE L - SUBSEQUENT EVENTS

The Company is moving its Chicago subsidiary to a building in Skokie, Illinois in 2005. The Company entered into a ten-year lease with a ten-year renewal option for the building on October 26, 2004 and is expected to move into the building in May 2005. The payments on the lease will commence in July 2005 at a monthly rent of $33,333 through May 2006 then increasing 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 will also be liable for a proportionate share of expenses and taxes over a specified amount.

The note payable consisting of $925,000 payable to Kings Motorsports, Inc. which was due April 30, 2005 is currently being renegotiated; however, on May 3, 2005, a principal payment in the amount of $75,000 was made to Kings Motorsports, Inc.

reducing the outstanding balance to $850,000. The parties have exchanged proposals restructuring the note pursuant to a payment plan over an extended period of time. Both parties are evaluating the proposals.

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Item 2. Management's Discussion and Analysis or Plan of Operation

Certain statements in this report, including statements in the following discussion, may constitute forward-looking statements made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. The Company would like to caution readers regarding certain forward-looking statements in this document and in all of its communications to shareholders and others, press releases, securities filings, and all other communications. Statements that are based on management's projections, estimates and assumptions are forward-looking statements. The words "believe," "expect," "anticipate," "intend," "will," and similar expressions generally identify forward-looking statements. While the Company believes in the veracity of all statements made herein, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies and known and unknown risks. Many of the uncertainties and contingencies can affect events and the Company's actual results and could cause its actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company.

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 its revenues and income by acquiring additional dealers and improving its 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 as of December 31, 2004 and operates from an approximately 35,000 square foot facility. Chicago Cycles is located in Chicago, Illinois, has approximately 62 employees and operates from an approximately 30,000 square foot facility. In October 2004, we entered into a ten-year lease for a new 94,000 square foot facility in Skokie, Illinois, for our Chicago Cycles operations, which we intend to move into in May 2005.

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 matures as follows: (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. As of March 31, 2005, we had paid the first two installments under the Note, in the aggregate amount of $750,000. The Note is secured by a second lien on Chicago Cycles' assets, and personally guaranteed by Russell Haehn and Gregory Haehn. Subsequent to March 31, 2005, the date of the financial statements included in this report, we made a principal payment of $75,000 reducing the outstanding principal amount to $850,000. We are currently negotiating an extended payment plan for the payment of the outstanding balance.

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 6.25% per annum. 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 March 31, 2005, the outstanding amount of this term loan, including accrued interest thereon, was $1,175,000.

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. We have not made any additional payments of principal through the date of the filing of this report, however, we have continued to make monthly interest payments at the rate of 14% per annum and are currently negotiating a further extension for the repayment of the remaining principal balance.

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.

Results of Operations.

Revenues:

Revenues for the three months ended March 31, 2005 were $20,426,807 representing an increase of $9,430,717 (86%) from the $10,996,090 reported for the three months ended March 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 during the three months ended March 31, 2005. Additionally, our sales increase can also be attributed to our aggressive marketing and advertising campaigns.

Cost of Sales:

Cost of sales for the three months ended March 31, 2005 increased by $9,016,928 (93%) from 2004. This increase reflects the additional cost of units 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.

Operating Expenses:

Selling, general and administrative expenses for the three months ended March 31, 2005 were $2,382,155, an increase of $1,277,931 (116%) over the same period in 2004. 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, including increases of approximately $385,000 in compensation payable to our salespersons and $250,000 in advertising expenses, during the three months ended March 31, 2005 and (ii) an approximate $100,000 increase in legal, accounting, auditing and other professional fees, during the three months ended March 31, 2005, which additional fees were primarily associated with the ongoing compliance and maintenance requirements of being a public company. Interest expense increased approximately $85,127 to $173,841 in the three months ended March 31, 2005 as compared to the same period in 2004. This increase is primarily due to (i) interest payable by the Company relating to the loans we acquired to pay for Chicago Cycles and the Bridge Loan, and (ii) an increase in interest bearing floor plan inventory, and most significantly the addition of the floor plan inventory of Chicago Cycles.

Operating Income (Loss):

We had a loss from operations before other income (expense) of $391,939 for the three month period ended March 31, 2005, as compared to income from operations of $385,075 for the same period in 2004. This loss from operations during the three months ended March 31, 2005, is a result of the substantial increase in selling, general administration expenses, during such period, as described above under Operating Expenses. Depreciation and amortization was approximately $119,286 for the three months ended March 31, 2005, as compared to $20,374 for the same period in 2004.

Income (Loss) before Taxes:

We had a loss before provision for taxes, for the three months ended March 31, 2005 of $538,210, as compared with income before provision for taxes of $297,259 for the same period in 2004. This loss during the three months ended March 31, 2005, is a result of the substantial increase in selling, general administration expenses, during such period, as described above under Operating Expenses and the expenses related to the integration of Chicago Cycles' new expanded location. We did not have taxable income for the three months ended March 31, 2005, as compared to taxes of $110,000 for the same period in 2004.

Net Income (Loss):

We had a net loss of $538,210 for the three months ended March 31, 2005, as compared to net income of $187,259 for the same period in 2004. As discussed above, this loss during the three months ended March 31, 2005, is a result of the substantial increase in selling, general administration expenses, during such period, as described above under Operating Expenses.

Liquidity and Capital Resources.

Our primary source of liquidity has been cash generated by operations and borrowings under various credit facilities. At March 31, 2005, we had $616,986 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 March 31, 2005 was $(1,495,999) compared to $(399,303) at December 31, 2004. The Company's negative net working capital at March 31, 2005, was mostly attributable to its financing of the acquisition of Chicago Cycles acquisition through short-term debt, as well as an increase in floor plan financing, as a result of the additional inventory acquired in the Chicago Cycles acquisition.

The Company receives floor plan financing from five 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 manufacturer's 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. Although the Company believes that 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.

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 or Plan of Operation 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 financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the 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, 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. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources. These accounting policies are described at relevant sections of this discussion and analysis and in the notes to the consolidated financial statements included in this annual report.

Item 3. Controls and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15d-15e and 15d-15e of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the required time periods. Our Chief Executive Officer and our Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2004. They have concluded that, as of that date, our disclosure controls and procedures were effective at ensuring that required information will be disclosed on a timely basis in our reports filed under the Exchange Act.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

None

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

Not Applicable.

Item 3. Defaults upon Senior Securities

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

None

Item 5. Other Information

None

Item 6. Exhibits And Reports On Form 8-K

(a) Exhibits (Filed herewith)

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-4(a))

32.1 Certification 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 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)).

(b) Reports on Form 8-K

None.

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: May 20, 2005

/s/ Russel A. Haehn

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

Date: May 20, 2005

/s/ Gregory A. Haehn

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