GIANT MOTORSPORTS INC
Form 10-Q
May 14, 2007

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

FORM 10-Q

(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, 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	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)

(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 |X| 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 |X|

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

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date. As of May 10, 2007 the registrant had 12,213,126 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

	March 31, 2007 Unaudited	December 31, 2006 Audited
CURRENT ASSETS		
Cash and cash equivalents	$ 817,595	$ 156,530
Accounts receivable, net	3,580,012	3,803,718
Accounts receivable, employees	14,882	-
Inventories	20,656,889	21,267,135
Deferred tax assets	361,000	113,900
Prepaid expenses	33,831	10,131
TOTAL CURRENT ASSETS	25,464,209	25,351,414
FIXED ASSETS, NET	1,904,693	2,004,274
OTHER ASSETS		
Intangibles, net	1,688,950	1,688,950
Deposits	41,000	41,000
TOTAL OTHER ASSETS	1,729,950	1,729,950
TOTAL ASSETS	$ 29,098,852	$ 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

	March 31, 2007 Unaudited	December 31, 2006 Audited
CURRENT LIABILITIES		
Current portion of long-term debt	$ 1,449,949	$ 1,513,665
Notes payable, floor plans	19,845,378	20,885,887
Note payable, officer	270,223	352,500
Accounts payable, trade	3,114,164	1,987,152
Accrued expenses	627,285	493,939
Customer deposits	615,737	196,246
TOTAL CURRENT LIABILITIES	25,922,736	25,429,389
DEFERRED TAX LIABILITIES	14,200	20,600
TOTAL LIABILITIES	25,936,936	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		
March 31, 2007 and December 31, 2006, respectively	2,450,000	2,450,000
Common stock, $.001 par value, authorized 75,000,000 shares		
12,213,126 and 11,791,747 shares issued and outstanding at		
March 31, 2007 and December 31, 2006, respectively	12,213	11,792
Additional paid-in capital	1,960,874	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	(3,596,035)	(3,029,599)
TOTAL STOCKHOLDERS' EQUITY	3,161,916	3,635,649
	$ 29,098,852	$ 29,085,638

TOTAL LIABILITIES AND
STOCKHOLDERS' EQUITY

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

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GIANT MOTORSPORTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months ended March 31,

	2007 (Unaudited)	2006 (Unaudited)
REVENUES		
Sales	$ 20,034,116	$ 17,783,777
Finance, insurance and extended service revenues	871,788	605,860
TOTAL REVENUES	20,905,904	18,389,637
COST OF SALES	18,428,636	15,842,217
GROSS PROFIT	2,477,268	2,547,420
OPERATING EXPENSES		
Selling expenses	1,790,171	2,045,931
General and administrative expenses	1,002,609	1,171,179
	2,792,780	3,217,110
LOSS FROM OPERATIONS	(315,512)	(669,690)
OTHER INCOME AND (EXPENSE)		
Other income, net	4,706	4,096
Gain on sale of asset	184	-
Interest expense, net	(416,611)	(275,558)
	(411,721)	(271,462)
LOSS BEFORE PROVISION (BENEFIT) FOR TAXES	(727,233)	(941,152)
PROVISION (BENEFIT) FOR INCOME TAXES	(253,500)	-
LOSS BEFORE PREFERRED DIVIDENDS	(473,733)	(941,152)
PREFERRED DIVIDENDS	92,703	126,722
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (566,436)	$ (1,067,874)
BASIC LOSS PER SHARE	$ (0.05)	$ (0.11)
DILUTED LOSS PER SHARE	$ (0.05)	$ (0.11)
WEIGHTED AVERAGE SHARES OUTSTANDING		
BASIC	11,936,889	10,532,973
DILUTED	11,936,889	10,532,973

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

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GIANT MOTORSPORTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (473,733)	$ (941,152)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	109,487	108,506
Deferred federal income tax credit (net)	(253,500)	-
Provision for doubtful accounts	21,831	-
(Gain) on sale of asset	(184)	-
Decrease in accounts receivable, net	201,875	1,385,365
(Increase) in accounts receivable, employees	(14,882)	(11,013)
(Increase) decrease in inventories	610,246	(6,207,433)
(Increase) in prepaid expenses	(23,700)	(101,370)
Increase in customer deposits	419,491	633,375
Increase in accounts payable trade	1,127,012	612,355
Increase (decrease) in floor plan liability	(1,040,509)	5,294,542
Increase in accrued expenses	133,346	38,108
NET CASH PROVIDED BY OPERATING ACTIVITIES	816,780	811,283
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(16,722)	(454,934)
Proceeds from sale of property and equipment	7,000	-
Decrease in accounts receivable affiliates	-	261,667
NET CASH (USED IN) INVESTING ACTIVITIES	(9,722)	(193,267)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(63,716)	(78,690)
Payments on note payable to officer	(82,277)	(115,490)
NET CASH (USED IN) FINANCING ACTIVITIES	(145,993)	(194,180)
NET INCREASE IN CASH AND CASH EQUIVALENTS	661,065	423,836
CASH AND CASH EQUIVALENTS, beginning of Period	156,530	227,301
CASH AND CASH EQUIVALENTS, end of Period	$ 817,595	$ 651,137
OTHER SUPPLEMENTARY CASH FLOW INFORMATION		
Income taxes paid	$ -	$ 158,550
Interest paid	$ 416,611	$ 277,412
Preferred stock dividends paid in common stock	$ 92,703	$ 126,722

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

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 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
March 31, 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 March 31, 2007.

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.

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
March 31, 2007 and 2006
(UNAUDITED)

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 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.

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, 2007, the Company had $1,101,801 in excess of the federally insured limit.

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
March 31, 2007 and 2006
(UNAUDITED)

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

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 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

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
March 31, 2007 and 2006
(UNAUDITED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 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 $495,506 and $733,474 for the three months ended March 31, 2007 and 2006, respectively.

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

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

	Three Months Ended	
	March 31, 2007	March 31, 2006
Net income (loss) attributed to common shares	$ (566,436)	$ (1,067,874)
Weighted-average common shares outstanding (Basic)	11,936,889	10,532,973
Weighted-average common stock equivalents:		
Warrants	-0-	-0-
Weighted-average common shares outstanding (Diluted)	11,936,889	10,532,973

There are 16,679,574 and 7,191,503 common stock equivalents available at March 31, 2007 and 2006, respectively.

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
March 31, 2007 and 2006
(UNAUDITED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2007.

NOTE C - INVENTORIES

Inventories consisted of vehicles and parts and accessories.

NOTE D - FIXED ASSETS

Fixed assets consisted of the following:

	March 31, 2007
Fixtures and equipment	$ 2,153,076
Vehicles	420,675
Leasehold improvements	587,969
	3,161,720
Less accumulated depreciation	1,257,027
NET FIXED ASSETS	$ 1,904,693

Depreciation expense charged to operations amounted to $109,487 and $108,506 for the three months ended March 31, 2007 and 2006, respectively.

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
March 31, 2007 and 2006
(UNAUDITED)

NOTE E - NOTES PAYABLE - FLOOR PLANS

The Company has various floor plan financing agreements aggregating $19,845,378 at March 31, 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 March 31, 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 $750,086 at March 31, 2007. This amount matures at various times ranging from 2006 to 2009, bearing interest at various rates ranging from 5% to 8% to prime plus 1% per year. The notes are collateralized by substantially all of the Company's assets.

The Company has a $250,000 revolving line of credit with a bank with an outstanding balance of $249,863 at March 31, 2007. The revolving line of credit has no stipulated repayment terms. This loan bears interest at prime plus one percent (9.25% at March 31, 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%. In addition, the Company paid a fee to extend the due date to June 15, 2007. The total outstanding balance on these notes in the aggregate was $450,000 at March 31, 2007.

NOTE G - NOTE PAYABLE - OFFICER

Note payable to officer consisted 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. The balance at March 31, 2007 was $270,223.

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
March 31, 2007 and 2006
(UNAUDITED)

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.

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 non cancellable terms in excess of one year as of March 31, 2007:

Year Ending		Amount
2008	$	1,028,209
2009		1,051,049
2010		1,073,940
2011		1,097,516
2012		1,121,802
	$	5,372,516

The Company also leased two (2) residential locations in Chicago under a month-to-month agreement. The amount charged to rent amounted to $7,950 and $3,800 for the three months ended March 31, 2007 and 2006, respectively.

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
March 31, 2007 and 2006
(UNAUDITED)

NOTE I - INCOME TAXES

Income taxes consisted of the following:

	March 31, 2007	December 31,2006
Current	$ (247,100)	$ (92,700)
Deferred	(6,400)	20,600
	$ (253,500)	$ (72,100)

Income taxes paid amounted to $-0- and $158,550 for the three months ended March 31, 2007 and 2006, respectively.

Deferred tax assets (liabilities) consisted of the following:

	March 31, 2007	December 31, 2006
Deferred tax assets (liabilities) consisted of the following:		
Deferred tax assets - current and long term:		
Allowance for doubtful account and net operating loss carryforward	$ 361,000	$ 113,900
Deferred tax liabilities - long term:		
Depreciation	(14,200)	(20,600)
TOTALS	$ 346,800	$ 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 $72,000 and $57,000 for each of the three months ended March 31, 2007 and 2006, respectively.

GIANT MOTORSPORTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
March 31, 2007 and 2006
(UNAUDITED)

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 2,450 shares are issued and outstanding at March 31, 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 their preferred Series A shares.

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 421,379 shares of its common stock as a dividend to all Series A Preferred shareholders, 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 12,213,126 and 11,791,747 issued and outstanding at March 31, 2007 and December 31, 2006, respectively.

The Company issued 421,379 shares of common stock to holders of our Preferred Series A, in accordance with the placement offering provisions, as described above in 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 prospectus. This discussion may contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results anticipated in any forward-looking statements as a result of a variety of factors, including those discussed in “Risk Factors” and elsewhere in this prospectus.

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 54 employees and operates from an approximately 75,000 square foot facility. Chicago Cycles is located in the Chicago metropolitan area, has approximately 80 employees and operates from an approximately 95,000 square foot facility in Skokie, Illinois.

Overview of Economic Trends.

Effects of Increasing Interest Rates

Although the Federal Reserve, during the second half of 2006 and through the first quarter of 2007, temporarily paused its policy of raising the discount rate, we believe that increases in consumer loan interest rates, during the two year period immediately preceding this pause has had a material adverse effect on the sales of our power sports products, and more specifically the sales of new vehicles. Our revenues from sales of power sports products during the year ended December 31, 2006 were approximately 5.3% less than for the same period in 2005. Additionally, during 2006, $32.7 million of the approximately $97.6 million of our power sports sales (33.5%) were financed. In the event that the Federal Reserve resumes its policy of measured increases in the discount rate, the uncertainties created in the consumer financing market as a result of corresponding additional increases in interest rates, can reasonably be expected to have a continuing negative impact on the sale of new motorcycles in the next 12 to 24 months due to the increased costs to our customers.

During the early period of these measured increases in consumer interest rates, we believe that we experienced greater consumer interest in lower-priced used motorcycles, as a result of the increased costs of financing. This was also attributable to the addition of Chicago Cycles to our business in April 2004. Additionally, we commenced the sale of used motorcycles sales at our Andrew Cycles dealership in the second half of 2005, but have not yet achieved the level of sales penetration in used motorcycles at Andrews Cycles that we had forecasted. As consumer interest rates continued to climb throughout 2005 and 2006, it appears that these even higher rates began to negatively affect the sales of lower-priced used motorcycles. During the year ended December 31, 2006 approximately $5.08 million of our approximately $97.6 million (5.2%) in revenues from the sales of power sports equipment were generated from sales of used motorcycles compared to approximately $5.93 million of our approximately $103.1 million in revenues (5.75%) from such sales during the same period in 2005. As a result of the current pause in the Federal Reserve's increase in the discount rate, and the possibility that the discount rate may remain at its current level, or even be reduced in the second half of 2007, we believe that the sales of lower-priced used motorcycles will pick up sooner than new motorcycles. Therefore, we will continue to pursue the goal of increasing used motorcycle sales throughout the remainder of 2007 and beyond, at both of our locations. Although there can be no assurance, we believe that our greater focus on sales of lower-priced used motorcycles, which generally provide larger sales margins, will help make up for any reduction in sales of new motorcycles.

Effects of Increasing Fuel Costs

During 2006, we experienced a decrease in sales of motorcycles and scooters compared to the same period in 2005. We believe this decrease resulted, in part, due to a significant reduction in gasoline prices in the latter part of the third quarter. Lower gas prices may have resulted in less incentive for prospective customers to purchase motorcycles or scooters to reduce fuel costs. Notwithstanding this reversal, prices have recently begun to increase again and we believe that it is reasonable to assume that prices will continue their upward trend during the next six to twelve months, which will likely result in many consumers considering the use of motorcycles and scooters as alternative forms of transportation to automobiles, since motorcycles and scooters provide significantly better gas mileage than automobiles resulting in substantially lower fuel costs. Any such increase in the purchase of motorcycles and scooters could have a positive impact on our sales for the next 12 to 24 months.

Reduction in Units by Manufacturers

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

Overall impact on our Future Earnings

Notwithstanding our downturn in sales during 2006, 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. Assuming that gas prices continue their recent increases, we foresee promising opportunities to increase our sales of motorcycles and scooters as consumers again face substantial increases in gas prices, and give greater consideration to the purchase of motorcycles and scooters which provide significantly greater gas mileage than automobiles. Additionally, while our current business has been affected by the Federal Reserve's increase in interest rates, which directly increases the cost of financing purchases of our motorcycles and other power sports products, the current pause in its policy of measured increases to the discount rate, along with the possibility of reductions in the second half of 2007, could have a positive financial affect on our business. On the other hand, in the event that the Federal Reserve chooses to resume its increase in the discount rate, this would, in all likelihood, continue to negatively impact sales of motorcycles and other power sports equipment. 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.

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

To fund the amount payable at closing for Chicago Cycles, we borrowed $1,250,000 from The Fifth Third Bancorp Bank (the “Bank”), pursuant to a term loan. This loan, which initially matured on May 31, 2004, was refinanced with the Bank through a term loan amortized over a 72 month period, but is payable in full on May 31, 2007 (which date has been automatically extended by the Bank until August 29, 2007), bearing interest at prime plus one percent (9.25% at March 31, 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 (including, without limitation, the Chicago Cycles assets). As of March 31, 2007, the outstanding amount of this term loan, including accrued interest thereon, was $729,200.

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 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 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.

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 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 2005 Bridge Note discussed above. 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 (9.25% at March 31, 2007), and has no stipulated repayment terms, but is due and payable on May 31, 2007. At March 31, 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. The Company is currently involved in negotiations with the Bank to renew this line of credit.

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 March 31, 2007, 420 Series A Shares had been converted into 938,500 shares of our common stock. Additionally, during 2006 and through March 31, 2007, we issued an aggregate of 829,626 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

Notwithstanding the decline in sales, in 2006, as compared to 2005, our goal continues to be to significantly increase our cash flow from operations by growing sales within our current business structure and through the acquisition of other power sports dealers. Based on our current business plan, and assuming that we can resume sales growth consistent with increases achieved prior to 2006, we believe that we will begin to generate sufficient cash flow from operations to fund the growth of our business during the third quarter of 2007. To the extent that the weaker sales climate we experienced during 2006 continues for a sustained period our ability to generate such cash flow could be delayed or may not occur at all. Additionally, to the extent that the growth of our business involves the acquisition of other dealers, our ability to do so will depend on the availability of the types of financing discussed below.

Bank Financing

We currently have a revolving credit line with Fifth Third Bancorp in a total available amount of $250,000 of which $249,863 was funded at March 31, 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 sales of our power sports products continue at the levels experienced in 2006 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 March 31, 2007 Compared With Three Months Ended March 31, 2006.

	March 31, 2007	March 31, 2006	Increase (Decrease)	% Change
Total Revenues	$ 20,905,904	$ 18,389,637	$ 2,516,267	13.7%
Cost of Sales	$ 18,428,636	$ 15,842,217	$ 2,586,419	16.3%
Operating Expenses	$ 2,792,780	$ 3,217,110	$ (424,330)	13.2%
Loss from Operations	$ (315,512)	$ (669,690)	$ (354,178)	52.9%
Other Income and (Expenses)	$ (411,721)	$ (271,462)	$ 140,259	51.7%
Loss before Provision (Benefit) for Taxes	$ (727,233)	$ (941,152)	$ (213,919)	22.7%
Loss before Preferred Dividends	$ (473,733)	$ (941,152)	$ (467,419)	49.7%

Total Revenues:

Total revenues for the three months ended March 31, 2007 were $20,905,904 representing an increase of $2,516,267 (13.7%) from the $18,389,637 reported for the three months ended March 31, 2006. Our results 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 three months ended March 31, 2007 increased by $2,586,419 (16.3%) to $18,428,636, compared to $15,842,217 for the same period in 2006. This increase reflects the additional cost of units booked by the Company in the first quarter of 2007, as a result of the increase in sales.

Operating Expenses:

Selling, general and administrative expenses for the three months ended March 31, 2007 were $2,792,780, a decrease of $424,330 (13.2%) from $3,217,110 for the same period in 2006. The aggregate decrease in such costs was primarily attributable to (i) a reduction in advertising costs of approximately $238,000 and (ii) a reduction in insurance costs of approximately $114,000, between the comparable periods.

Loss from Operations:

We had a loss from operations before other income (expense) for the three months ended March 31, 2007 of $315,512, as compared to a loss from operations of $669,690 for the same period in 2006, which reflects a reduction in losses of $354,178 (52.9%). This reduction in losses from operations during the three months ended March 31, 2007 as compared to the same period in 2006, is a result of the reduction in operating expenses, as described above, and in particular, the reduction in advertising costs. Depreciation and amortization was approximately $109,500 for the three months ended March 31, 2007, as compared to $108,500 for the same period in 2006.

Other Income and (Expenses):

Other expenses for the three months ended March 31, 2007 increased $140,259 (51.7%) to $411,721 from $271,462 for the same period in 2006. This increase in other expenses was primarily attributable to an increase in net interest expense from $275,558 in the three month period ended March 31, 2006 to $416,611 during the same period in 2007. Such increase in net interest expense was primarily attributable to (i) 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 (ii) an increase in the interest rate payable on our inventory financing from 8.25% at March 31, 2006 to 9.25% at March 31, 2007.

Loss before Provision (Benefit) for Taxes:

We had a loss before provision (benefit) for taxes, for the three months ended March 31, 2007 of $727,233 as compared with a loss before provision (benefit) for taxes of $941,152 for the same period in 2006, which represents a reduction of $213,919 (22.7%). This reduction in loss before provision (benefit) for taxes is primarily attributable to the reduction in operating expenses, described above, which was partially offset by the increase in net interest expense, also discussed above.

Loss before Preferred Dividends:

We had a net loss before preferred dividends of $473,733 for the three months ended March 31, 2007, as compared to a net loss before preferred dividends of $941,152 for the same period in 2006. This reflects a reduction in losses before preferred dividends of $467,419 (49.7%) between these comparable periods. This reduction in net loss before preferred dividends during the three months ended March 31, 2007 as compared to the same period in 2006, is attributable to the reduction in our operating expenses, which was partially offset by an increase in net interest expense, both as described above. Net losses before preferred dividends were reduced greater in percentage terms between the three month periods ended March 31, 2007 and 2006 than net losses before taxes, due to the tax benefit of $253,500 received by us for the three months ended March 31, 2007.

Liquidity and Capital Resources.

Our primary source of liquidity has been cash generated by operations and borrowings under various credit facilities. At March 31, 2007, we had $817,595 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 March 31, 2007 was ($458,527) 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 March 31, 2007 we had outstanding indebtedness payable within 12 months in an aggregate amount of approximately $6.1 million. Of these amounts, approximately $1.4 million was payable to financial institutions in repayment of loans and other credit facilities provided to us and approximately $3.1 million 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, fixed assets, inventory, accounts receivable, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Set forth below are the policies that we have identified as critical to our business operations and the understanding of our results of operations or that involve significant estimates. For detailed discussion of other significant accounting policies see Note A, Summary of Significant Accounting Policies, of Notes to Consolidated Financial Statements, contained elsewhere in this Annual Report.

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

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

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

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

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Off-Balance Sheet Arrangements.

We have no off-balance sheet arrangements.

Contractual Obligations.

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

Contractual Obligations	Payments Due By Period				
	Total	Less than 1 year	1-3 years	3-5 Years	More than 5 Years
Long-Term Debt Obligations	$ 1,449,949	$ 1,449,949	--	--	--
Capital (Finance) Lease Obligations	--	--	--	--	--
Operating Lease Obligations	$ 11,838,764	$ 1,028,209	$ 3,222,505	$ 3,390,174	$ 4,197,876
Purchase Obligations	As Needed				
Other Long-Term Liabilities Reflected on the Company's Balance Sheet under the GAAP of the Primary Financial Statements	--	--	--	--	--
Total	$ 13,288,713	$ 2,478,158	$ 3,222,505	$ 3,390,174	$ 4,197,876

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 $19,845,378 at March 31, 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. During the first quarter of 2007 interest rates on our floor plan financing ranged from a low of 3.6% 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. Continued increases would, in all likelihood, result in a reduction in our income from operations in 2007 and thereafter. Although we cannot determine the precise impact of rate increases, we believe that we would begin to experience a material negative impact on our financial condition if the prime rate were to increase to 10% from its current rate of 8.25%.

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 March 31, 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 (March 31, 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 March 31, 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)).

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 11, 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: May 11, 2007

By: /s/ Gregory A. Haehn

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