GIANT MOTORSPORTS INC
Form 10-Q
November 15, 2004

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 September 30, 2004

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 [ ]

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act)

Yes [ ] No [X]

As of November 12, 2004 the registrant had 10,425,000 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

September 30, 2004 and December 31, 2003

	2004 (Unaudited)	2003 (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,204,726	$ 587,917
Accounts receivable, net	4,078,762	1,285,106
Accounts receivable, affiliates	-	315,343
Inventories	14,243,801	10,986,080
Deferred federal income taxes	159,000	-
Note receivable, officer	802,247	679,405
Prepaid expenses	99,339	8,000
TOTAL CURRENT ASSETS	20,587,875	13,861,851
PROPERTY AND EQUIPMENT, NET	1,083,050	425,177
OTHER ASSETS		
Intangibles, net	1,588,950	-
Deferred federal income taxes	137,000	-
Deposits	41,000	16,000
TOTAL OTHER ASSETS	1,766,950	16,000
	$ 23,437,875	$ 14,303,028

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

GIANT MOTORSPORTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

CONDENSED CONSOLIDATED BALANCE SHEETS

September 30, 2004 and December 31, 2003

2004 2003

	(Unaudited)	(Audited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Lines of credit	$ 450,000	$ 450,000
Notes payable, floor plans	15,281,124	11,575,660
Notes payable	1,699,000	-
Accounts payable, trade	842,144	675,042
Accrued expenses	244,506	178,412
Accrued income taxes	559,000	-
Deferred service contract income	442,230	80,000
Customer deposits	872,515	215,632
Current portion of long-term debt	238,563	97,073
TOTAL CURRENT LIABILITIES	20,629,082	13,271,819
DEFERRED FEDERAL INCOME TAXES	22,700	-
DEFERRED SERVICE CONTRACT INCOME	402,940	-
LONG-TERM DEBT, NET	1,041,680	-
TOTAL LIABILITIES	22,096,402	13,271,819
COMMITMENTS - NOTE I		
STOCKHOLDERS' EQUITY		
Common stock, $.001 par value at September 30, 2004; Authorized 75,000,000 shares at September 30, 2004; Issued and outstanding 10,425,000 shares at September 30, 2004 and 8,000,000 shares at December 31, 2003	10,425	8,000
Paid-in capital	648,534	1,023,209
Retained earnings	682,514	-
TOTAL STOCKHOLDERS' EQUITY	1,341,473	1,031,209
	$ 23,437,875	$ 14,303,028

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

GIANT MOTORSPORTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the nine and three months ended September 30, 2004 and 2003

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
OPERATING INCOME				
Sales	$ 58,937,527	$ 36,588,424	$ 25,773,937	$ 12,501,727
Finance, insurance and extended service revenues	1,339,985	671,403	551,150	220,720
TOTAL OPERATING INCOME	60,277,512	37,259,827	26,325,087	12,722,447
COST OF MERCHANDISE SOLD	52,996,143	33,695,725	23,099,271	11,492,906
GROSS PROFIT	7,281,369	3,564,102	3,225,816	1,229,541
OPERATING EXPENSES				
Selling expenses	3,705,101	1,941,759	1,762,275	623,546
General and administrative expenses	1,916,998	1,031,567	741,949	366,969
	5,622,099	2,973,326	2,504,224	990,515
INCOME FROM OPERATIONS	1,659,270	590,776	721,592	239,026
OTHER INCOME AND (EXPENSES)				
Other income, net	17,313	56,921	9,940	50,453
Interest expense, net	(508,369)	(247,837)	(202,296)	(90,275)
Loss on sale of assets	-	(1,300)	-	-
	(491,056)	(192,216)	(192,356)	(39,822)
INCOME BEFORE INCOME TAXES	1,168,214	398,560	529,236	199,204
INCOME TAXES	485,700	-	240,100	-
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ 682,514	$ 398,560	$ 289,136	$ 199,204
BASIC EARNINGS PER SHARE	$ 0.07	$ 0.05	$ 0.03	$ 0.03
DILUTED EARNINGS PER SHARE	$ 0.06	$ 0.05	$ 0.02	$ 0.03
WEIGHTED AVERAGE SHARES OUTSTANDING				
BASIC	10,425,000	8,000,000	10,425,000	8,000,000
DILUTED	11,408,333	8,000,000	12,275,000	8,000,000

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

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GIANT MOTORSPORTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2004 and 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 682,514	$ 398,560
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	109,420	55,923
Deferred federal income taxes	(273,300)	-
(Increase) in accounts receivable, net	(2,793,656)	(153,567)
(Increase) decrease in inventories	(3,257,721)	872,263
Increase (decrease) in floor plan liability	3,705,464	(1,324,372)
(Increase) in prepaid expenses	(91,339)	(72,186)
Increase (decrease) in customer deposits	656,883	(3,488)
Increase in deferred service contract income	765,170	80,000
Increase (decrease) in accounts payable trade	167,102	(1,930)
Increase in accrued income taxes	559,000	-
Increase (decrease) in accrued expenses	66,094	(162,219)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	295,631	(311,016)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(681,243)	(74,297)
Increase in deposits	(25,000)	-
Decrease (increase) in accounts receivable affiliates	315,343	(121,708)
(Increase) in notes receivable from officers	(122,842)	(250,616)
NET CASH (USED IN) INVESTING ACTIVITIES	(513,742)	(446,621)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings on note	500,000	-
Long-term borrowings on note	1,250,000	-
Loans from affiliate	-	104,899
Payments on long-term debt	(66,830)	(95,366)
Payments on short-term debt	(476,000)	-
Distributions	(366,000)	(30,002)
Issue 2,600,000 stock warrants	15,000	-
Repurchase 8,000,000 shares of common stock	(21,250)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	834,920	(20,469)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	616,809	(778,106)
CASH AND CASH EQUIVALENTS, beginning of Year	587,917	780,372
CASH AND CASH EQUIVALENTS, end of quarter	$ 1,204,726	$ 2,266

OTHER SUPPLEMENTARY CASH FLOW INFORMATION		
Short-term borrowings incurred for the acquisition of assets	$ 1,675,000	$ -
Interest paid for the nine months	$ 515,720	$ 258,766

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

GIANT MOTORSPORTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2004 and 2003
(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, 2003 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.

Principles of Consolidation:

The condensed consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries. All significant intercompany 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. The Company periodically maintains cash deposits in financial institutions in excess of the federally insured limits.

Contracts in Transit:

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

Allowance for Doubtful Accounts:

Accounts are written off when management determines that an account is uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful accounts is determined to reduce the Company's receivables to their carrying value, which approximates fair value. The allowance is estimated based on historical collection experience, specific review of individual customer accounts, and current economic and business conditions. Historically, the Company has not incurred any significant credit related losses. Management has determined that an allowance of $25,000 is necessary at September 30, 2004 and December 31, 2003.

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 (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 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.

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

Property and Equipment:

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

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

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

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 September 30, 2004

Income Taxes:

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

At September 30, 2004, income taxes are provided for amounts currently due and deferred amounts arising from temporary differences between income for financial reporting and income tax purposes.

Advertising Costs:

Advertising costs are expensed when incurred. Charges to operations amounted to $815,241 and $653,465 for the nine months ended September 30, 2004 and 2003 respectively.

Earnings Per Share of Common Stock:

Historical net income per share is computed using the weighted average number of shares of common shares outstanding. Diluted earnings per share (EPS) includes additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants.

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

	Nine Months Ended		Three Months Ended	
	September 2004	September 2003	September 2004	September 2003

Net Income	$ 682,514	$ 398,560	$ 289,136	$ 199,204
Weighted-average common shares outstanding (Basic)	10,425,000	8,000,000	10,425,000	8,000,000
Weighted-average common stock equivalents:				
Warrants	2,600,000	0	1,500,000	0
Weighted-average common shares outstanding (Diluted)	11,408,333	8,000,000	12,275,000	8,000,000

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of receivables due from customers and dealers, manufacturers, employees, and finance companies for contracts in transit and is net of an allowance for doubtful accounts of $25,000 at September 30, 2004 and December 31, 2003. Also included in accounts receivable at September 30, 2004 is approximately $481,000 due from Kings Motorsports, Inc., the former owner of Chicago Cycle Center, for contract fundings that were put in their cash account during the transition period. These monies are expected to be reimbursed to the Company by December 31, 2004.

NOTE C - INVENTORIES

Inventories consisted of vehicles and parts and accessories.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	September 30 2004	December 31 2003

Fixtures and equipment	$ 916,986	$ 178,737
Vehicles	252,522	234,558
Leasehold improvements	275,408	264,328
	1,444,916	677,623
Less accumulated depreciation	361,866	252,446
NET PROPERTY AND EQUIPMENT	$ 1,083,050	$ 425,177

Depreciation expense charged to operations amounted to $109,420 and $55,923 for the nine months ended September 30, 2004 and 2003 respectively.

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 $32,408 for the nine months ended September 30, 2004. The notes are expected to be repaid by December 31, 2004.

NOTE F - LINES OF CREDIT

The Company has a $250,000 line of credit with one of its suppliers and a $300,000 revolving line of credit with a bank which aggregate $450,000 at September 30, 2004 and December 31, 2003. The line of credit with the supplier is payable in full by December 2004 but the Company can re-borrow on the line one month subsequent to payoff. 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 September 30, 2004), 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 $15,281,124 at September 30, 2004 and $11,575,660 at December 31, 2003. 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 September 30, 2004). Principal 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 $1,199,000 loan payable to Kings Motorsports, Inc. at September 30, 2004 for the purchase of the assets of Chicago Cycles, Inc. bearing interest at 6%, payable in installments of $274,000 on October 24, 2004 and $925,000 plus accrued interest on April 30, 2005. Also included in notes payable is a $500,000 demand loan, bearing interest at 14%, due on October 15, 2004.

NOTE I - LONG-TERM DEBT

Long-term debt consisted of various notes aggregating $1,280,243 at September 30, 2004 and $97,073 at December 31, 2003. These amounts mature at various times ranging from 2004 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:

	September 30 2004	December 31 2003
Federal:		
Current	$ 619,000	$ -
Deferred	(288,300)	-
	330,700	-
State:		
Current	155,000	-
Deferred	-	-
	155,000	-
TOTALS	$ 485,700	$ -

Income taxes paid amounted to $200,000 and $-0-, respectively, for the nine months ended September 30, 2004 and 2003.

Deferred tax assets (liabilities) consisted of the following:

	September 30 2004	December 31 2003
Deferred tax liabilities - long-term:		
Depreciation	$ (7,700)	$ -
Amortization	(15,000)	-
Gross deferred tax liabilities	(22,700)	-

Deferred tax assets - current and long-term:

Allowance for doubtful accounts	8,500	-
Deferred revenue	287,500	-
Gross deferred tax assets	296,000	-
TOTALS	$ 273,300	$ -

NOTE K - RELATED PARTY TRANSACTIONS

Related Party Transactions:

Accounts receivable, affiliates consisted of the following:

	September 30 2004	December 31 2003
Noninterest bearing advances to and transfer of product at cost to Andrews North, Inc., a corporation in Cleveland, Ohio affiliated through common ownership interest to be repaid within one year	$ -	$ 220,000
Non-interest bearing advances of $-0- at September 30, 2004 and $90,000 at December 31, 2003 and sale of product of $-0- at September 30, 2004 and $5,343 at December 31, 2003 to individuals related to the stockholders of the corporation to be repaid within one year	-	95,343
TOTALS	$ -	$ 315,343

Note receivable officers amounted to $802,247 at September 30,

2004 and $679,405 at December 31, 2003 (See Note E).

The Company leases its 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 $344,000 at September 30, 2004.

Charges to operations amounted to $135,000 for the nine months ended September 30, 2004 and 2003.

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 September 30, 2004:

YEAR ENDING	AMOUNT
2004	$ 45,000
2005	180,000
2006	180,000
2007	180,000
2008	180,000
	$ 765,000

NOTE L - SUBSEQUENT EVENTS

The Company is moving it's 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 February 2005. The lease is contingent upon the Village of Skokie granting a special use permit to the Company and can be terminated by either party if the permit is not received by January 31, 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.

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

This document includes statements that 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

The Company's goal is to become one of the largest dealers of powersports 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. The Company is attempting to capitalize upon the consolidation opportunities available and increase its revenues and income by acquiring additional dealers and improving its performance and profitability.

Management plans to maximize the operating and financial performance of its dealerships by achieving certain efficiencies that will enhance internal growth and profitability. By consolidating functions within the Company, management believes it can reduce overall expenses, simplify dealership management and create economies of scale.

The Company 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 the Company's systems and operating strategy.

The Company, together with its two (2) wholly-owned subsidiaries, owns and operates two (2) retail powersports superstores. The Company's core brands include Suzuki, Yamaha, Honda, Ducati and Kawasaki. The Company superstores operate under the names "Andrews Cycles" and "Chicago Cycles." Andrews Cycles is located in Salem, Ohio, has approximately fifty (50) employees as of September 30, 2004 and operates from an approximately thirty-five thousand (35,000) square foot facility. Chicago Cycles is located in Chicago, Illinois, has approximately fifty-five (55) employees and operates from an approximately thirty thousand (30,000) square foot facility. The Company, in October 2004, entered into a ten-year lease for a new sixty-one thousand (61,000) square foot facility in Skokie, Illinois, for its Chicago Cycles operations, which it intends to move into in February 2005. The Company believes Andrews Cycles and Chicago Cycles are two of the largest volume dealers of powersports vehicles in the Midwest.

On April 30, 2004, pursuant to an Asset Purchase Agreement (the "Asset Agreement"), dated as of April 30, 2004 by and among the Company, King's Motorsports, Inc., d/b/a Chicago Cycle

("Chicago Cycle"), Jason Haubner and Jerry Fokas, the two (2) shareholders of Chicago Cycle, the Company acquired (the "Acquisition"), substantially all of the assets of Chicago Cycle (the "Chicago Assets"). In consideration for the Chicago Assets and pursuant to the Asset Agreement, the Company (i) assumed certain specified liabilities of Chicago Cycle, and (ii) agreed to pay to Chicago Cycle $2,925,000, as follows: (a) $1,250,000 at the closing of the Acquisition (the "Initial Payment"), and (b) $1,675,000 through the issuance to Chicago Cycle of a 6% $1,675,000 aggregate principal amount promissory note (the "Note"). The principal amount of the Note matures as follows: (i) $500,000 on July 29, 2004, (ii) $250,000 on October 27, 2004, and (iii) the remaining $925,000, plus accrued but unpaid interest on April 30, 2005. The first $500,000 installment of principal had been repaid as of September 30, 2004. The Note is secured by a second lien on the Chicago Assets pursuant to a Commercial Security Agreement dated as of April 30, 2004, by and among the Company and Chicago Cycle, and guaranteed pursuant to a Guaranty dated April 30, 2004 by and among Chicago Cycle, the Company, Russell Haehn and Gregory Haehn, the current executive officers, directors and controlling shareholders of the Company (each an "Executive," and, collectively, the "Executives").

To fund the $1,250,000 Initial Payment, the Company pursuant to a Term Note dated March 12, 2004, by and among the Company and The Fifth Third Bancorp Bank (the "Bank") borrowed $1,250,000 (the "Initial Loan") from the Bank. The Initial Loan, which matured on May 31, 2004, was refinanced with the Bank through a term loan which is amortized over a seventy-two (72) month period, but is payable in full on May 31, 2007 (the "Term Loan"), which bears interest at the rate of prime plus one percent (1%) per annum. The Company's payment obligations under the Term Loan are guaranteed by the Executives pursuant to a Secured Continuing Guaranty Unlimited dated as of March 12, 2004 by each Executive and the Bank. The Loan is also secured pursuant to a Security Agreement dated March 12, 2004 by and between the Bank and the Company, by a first priority lien on all of the assets of the Company (including, but not limited to, the Chicago Assets).

In connection with the Acquisition and pursuant to the Asset Purchase Agreement, the Company entered into a Noncompetition Agreement ("Noncompetition Agreement"), dated April 30, 2004 with Mr. Haubner, pursuant to which Mr. Haubner agreed to limit his business activities to those not competing with Chicago Cycle until December 31, 2006. In consideration for the Noncompetition Agreement, the Company agreed to (i) pay to Mr. Haubner a monthly fee of $20,833 from January 20, 2005 through December 31, 2006, and (ii) provide Mr. Haubner with certain health insurance coverage.

Pursuant to an Employment Agreement ("Employment Agreement"), dated April 30, 2004 between the Company and Jerry Fokas (the "Employee"), the Company agreed to employ Mr. Fokas as a sales manager for a two (2) year period. In consideration for such employment, the Company agreed to, among other things, pay to the Employee (i) a salary of $2,500 per week from May 1, 2004 to April 30, 2005, and $3,000 per week from May 1, 2005 to April 30, 2006, and (ii) a quarterly bonus equal to five percent (5%) of Chicago Cycle's quarterly earnings before interest, taxes, depreciation and amortization (as determined by the certified public accounting firm that regularly provides accounting services to Chicago Cycle and/or the Company).

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"), the Company received from a third party lender (the "Lender") a $500,000 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 Executive (i) pledged to the Lender 150,000 shares (300,000 shares in the aggregate) of the common stock, par value $0.001 per share, of the Company (the "Common Stock") owned by each such Executive, and (ii) guaranteed the payment of all of the Company's payment obligations to the Lender under the Bridge Note. As partial consideration for the Bridge Loan, the Company issued to the Lender a five (5) year warrant to purchase 100,000 shares of Common Stock (the "Warrant Shares"), at an exercise price of $2.25. The Company also granted to the Lender certain piggyback registration rights with respect to the Warrant Shares. The Company used the $500,000 Bridge Loan proceeds for working and operating capital.

On April 5, 2004, the Company changed its name from American Busing Corporation to Giant Motorsports, Inc.

On January 16, 2004, pursuant to a Stock Purchase and Reorganization Agreement dated as of December 30, 2003 (the "Agreement"), between, among others, the Company, W.W. Cycles, Inc. ("Cycles") and the Executives, the Company issued to the Executives and one (1) other Cycles' employee, an aggregate of 7,850,000 shares of Common Stock in exchange for all of the issued and outstanding shares of the capital stock of Cycles, resulting in Cycles becoming a wholly-owned subsidiary of the Company (the "Initial Acquisition"). On such date, the Executives also purchased an additional 150,000 shares of Common Stock from a then shareholder of the Company for an aggregate purchase price of $178,750. Simultaneously with the Closing of the Initial Acquisition, the then sole director and officer of the Company resigned as a director and officer of the Company and was replaced by the Executives. Russell A. Haehn became the Chairman, Chief Executive Officer, Secretary and a Director of the Company and Gregory A. Haehn became the President, Chief Operating Officer, Treasurer and a Director of the Company.

Immediately following the Initial Acquisition and the consummation of certain other related transactions, the Company had 10,425,000 issued and outstanding shares of Common Stock, of which the Executives owned in the aggregate, 7,850,000 shares of Common Stock, representing approximately 76.74% of the issued and outstanding shares of Common Stock. Of such amount, Russell A.

Haehn owns 4,710,000 shares of Common Stock, Gregory A. Haehn owns 2,740,000 shares of Common Stock and a third prior shareholder of Cycles owns the remaining 400,000 shares of Common Stock. The Company also issued to a financial advisor six-year warrants to purchase up to 1,000,000 shares of the Common Stock in consideration for financial advisory services provided to Cycles in connection with the Initial Acquisition and to the Company following the Initial Acquisition.

RESULTS OF OPERATIONS

Revenues

Revenues during the third quarter of 2004 were $26,325,087 representing an increase of $13,602,640 (107%) from the $12,722,447 reported for the quarter ending September 30, 2003. Revenues for the first nine months of 2004 were $60,277,512 representing an increase of $23,017,685 (62%) from the $37,259,827 reported for the nine months ending September 30, 2003. Our results, specifically those for the third quarter of 2004, were impacted significantly, in a positive manner, by the acquisition of Chicago Cycle on April 30, 2004, and the inclusion of the additional revenues generated by Chicago Cycle from that date through September 30, 2004. Additionally, our sales increase can also be attributed to our aggressive marketing and advertising campaigns.

Cost of Sales

Cost of sales for the third quarter of 2004 increased by $11,606,365 (101%) from the same period in 2003. Cost of sales for the first nine months of 2004 increased by $19,300,418 (57%) from the same period in 2003. 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 Cycle's sales from April 30, 2004.

Operating Expenses

Selling, general and administrative expenses for the third quarter of 2004 were $2,504,224, an increase of $1,513,709 (153%) over the same period in 2003. Selling, general and administrative expenses for the first nine months of 2004 were $5,622,099, an increase of $2,648,773 (89%) over the same period in 2003. The aggregate increase in such costs were principally related to (i) additional selling, general and administrative expenses relating to Chicago Cycle, commencing April 30, 2004, and (ii) approximately $304,632 of legal, accounting and auditing fees, incurred during the first nine months of 2004, which was significantly more than comparable expenses during the same period in 2003, which additional fees were associated with the requirements of becoming a public entity and the ongoing compliance and maintenance requirements ("Public Company Expenses"). Interest expense increased approximately $112,021 to $202,296 in the third quarter of 2004 as compared to the third quarter of 2003, and $260,532 to $508,369 for the first nine months of 2004 compared to the same period in 2003. This increase is primarily due to (i) interest payable by the Company relating to the Initial Loan, the Term Loan and the Bridge Note, and (ii) an increase in interest bearing floor plan inventory, and most significantly the addition of the floor plan inventory of Chicago Cycle.

Operating Income

Income from Operations for the three months ended September 30, 2004 increased by $482,566 to $721,592, as compared to $239,026 over the same period in 2003. Income from Operations for the first nine months of 2004 increased by $1,068,494 to $1,659,270, as compared to $590,776 over the same period in 2003. Income from Operations in 2004 was also substantially affected by the addition of Chicago Cycle's operations on April 30, 2004 and approximately $304,632 of Public Company Expenses. This generally is a result of an increase of sales.

Income before Taxes, Depreciation and Amortization

Income before provision for taxes, depreciation and amortization, for the three months ended September 30, 2004 was $529,236, which is $330,032 greater than the comparable period last year. Income before provision for taxes, depreciation and amortization, for the first nine months of 2004 was $1,277,634, which is $823,151 greater than the comparable period last year. The income tax increase of $485,700 for the first nine months of 2004, as compared to the same period in 2003, is a result of the Company's tax filing status that changed from an S-Corp in 2003 to a C-Corp effective on January 1, 2004. Depreciation and amortization was approximately $109,420 for the first nine months of 2004 as compared to $55,923 for the comparable period in 2003.

Net Income

Net income for the three months ended September 30, 2004 was $289,136 as compared to $199,204 for the comparable period in 2003. Net income for the first nine months of 2004 was $682,514 as compared to $398,560 for the comparable period in 2003. As discussed above, net income in 2004 was substantially affected by the addition of the Chicago Cycles operations and approximately $304,632 of Public Company Expenses.

LIQUIDITY AND CAPITAL RESOURCES

Our primary source of liquidity has been cash generated by operations and borrowings under various credit facilities. At September 30, 2004, we had $1,204,726 in cash and cash equivalents, compared to $587,917 at December 31, 2003. Until required for operations, our policy is to invest excess cash in bank deposits and money market funds. Net working capital at September 30, 2004 was $(41,207) compared to $590,032 at December 31, 2003. The Company's negative net working capital at September 30, 2004, was mostly attributable to its financing of the Chicago Cycle Acquisition through short-term debt and an increase in floor plan financing, as a result of the additional inventory acquired in the Chicago Cycle 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 Cycles and Chicago Cycles.

On April 20, 2004, the Company borrowed from a third party lender (the "Lender") the $500,000 Bridge Loan, evidenced by the Bridge Note. All outstanding principal on the Bridge Note is due on October 15, 2004. To secure the repayment of principal and interest on the Bridge Note, each Executive (i) pledged to the Lender 150,000 shares (300,000 shares in the aggregate) of Common Stock owned by each such Executive, and (ii) guaranteed the payment of all of the Company's payment obligations to the Lender under the Bridge Note. As partial consideration for the Bridge Loan, the Company issued to the Lender the Bridge Warrant to purchase 100,000 Warrant Shares at an exercise price of $2.25 per share. The Company also granted to the Lender certain piggyback registration rights with respect to the Warrant Shares. The Company used the $500,000 Bridge Loan proceeds for working and operating capital.

On March 12, 2004, the Company received the $1,250,000 Initial Loan from the Bank, which it used for the Initial Payment for its Acquisition of Chicago Cycle. The Initial Loan matured on May 31, 2004 and was refinanced and replaced with the Term Loan, which is amortized over a period of seventy-two (72) months, but is payable in full on May 31, 2007, and is guaranteed by each of the Executives.

Although the Company believes that its current borrowing facilities together with its cash generated from operations, will be adequate to meet the Company's 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

The Company's 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, the Company has experienced increased salaries and higher prices for supplies, goods and services. The Company continuously seeks methods of reducing costs and streamlining operations while maximizing efficiency through improved internal operating procedures and controls. While the Company is subject to inflation as described above, the Company's management believes that inflation currently does not have a material effect on its operating results, but there can be no assurance that this will continue to be so in the future.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company does not have any material risk with respect to changes in foreign currency exchange rates, commodities prices or interest rates. The Company does not believe that it has any other relevant market risk with respect to the categories intended to be discussed in this item of this Report.

Item 4. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended) as of December 31, 2003, (the "Evaluation Date"), have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective to ensure the timely collection, evaluation, and disclosure of information relating to the Company that would potentially be subject to disclosure under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated under the Act. There were no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to the Evaluation Date.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

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 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

(i) Current Report on Form 8-K filed with the SEC on August 18, 2004 (reporting grants of stock options to the Company's two executive officers).

(ii) Current Report on Form 8-K/A filed with the SEC on July 16, 2004 (filing the required financial statements in connection with the acquisition of Kings Motorsports, Inc. d/b/a Chicago Cycle).

SIGNATURES

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

GIANT MOTORSPORTS, INC.

Date: November 12, 2004

/s/ Russell A. Haehn

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

Date: November 12, 2004

/s/ Gregory A. Haehn

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