GIANT MOTORSPORTS INC
Form 10-K
April 15, 2008

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

FORM 10-K

x Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2007

OR

o Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number 000-50243

GIANT MOTORSPORTS, INC.
(Exact name of Registrant as Specified in its Charter)

Nevada (State or other jurisdiction of incorporation or organization)	33-1025552 (IRS Employer Identification No.)
13134 Route 62 Salem, Ohio (Address of principal executive offices)	44460 (Zip Code)

(440) 439-9480
(Registrant's Telephone Number, Including Area Code)

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

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

Common Stock, .001 par value per share
(Title of Class)

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

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

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

Indicate by check mark whether registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.
Yes o No x

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

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

The aggregate market value of the common equity of the registrant held by non-affiliates as of April 14, 2008 was approximately $3,884,495 as computed by reference to the closing price of the common stock on the Over-the-Counter Bulletin Board as of the last business day of the registrant’s most recently completed second fiscal quarter, June 29, 2007 ($0.30). As of April 14, 2008, the number of issued and outstanding shares of common stock of the registrant was 12,948,316.

GIANT MOTORSPORTS, INC.

FORM 10-K

FISCAL YEAR ENDED DECEMBER 31, 2007

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

PART I

ITEM 1. BUSINESS

General

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

We are a Nevada corporation with our principal offices located at 13134 State Route 62, Salem Ohio 44460, Tel. (440) 439-9480. Our web sites are: www.andrewscycles.com, www.chicagocycle.com and www.giantcorporate.com . Information on our websites do not constitute part of this report.

Development of Our Business

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

W.W. Cycles Subsidiary

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

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

Chicago Cycles Subsidiary

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

- $1,250,000 on the date of closing; and

- $1,675,000 through the issuance to Kings Motorsports of a 6% $1,675,000 aggregate principal amount note (the "King's Note").

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, and was payable in full on May 31, 2007, bearing interest at the rate of prime plus one percent (8.25% as of December 31, 2007). This loan was renewed on October 25, 2007 under the same terms and conditions with a maturity date of August 31, 2010. Our payment obligations under this term loan are personally guaranteed by Russell Haehn and Gregory Haehn. This loan is also secured by a first priority lien on all of our assets (including, without limitation, the Chicago Cycles Assets). As of December 31, 2007, the outstanding amount of this term loan, including accrued interest thereon, was $607,680.

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

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

Products

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

We are a retail dealer of power sports products, and sell our products in superstores that operate under the names “Andrews Cycles” and “Chicago Cycles.” Our Andrews Cycles subsidiary is located in Salem, Ohio, had approximately 50 employees, as of April 14, 2008, and sells power sports products to customers residing within an approximate 200 square mile area of its facilities. Our Chicago Cycles operations are located in Skokie, Illinois, has approximately 68 employees as of April 14, 2008, and sells power sports products to customers residing within an approximate 200 square mile area of its facilities. Both Andrews Cycles and Chicago Cycles also sell power sports products and parts through our websites specifically dedicated to those businesses.

In each of fiscal years ended December 31, 2007 and 2006, sales of motorcycles, ATV's and other power sports products, including accessories, accounted for approximately 97% of our total revenues generated during such periods.

Servicing and Repairs

In addition to product sales, we also provide servicing and repair services for the products we sell as a courtesy to our customers. These services, which are provided by mechanics, include crash repairs (body work) and normal wear and tear installation and repairs such as brake replacement, repair of exhaust systems, shock absorber replacement, battery replacement, oil changes and tune-ups. During our fiscal years ended December 31, 2007 and 2006, servicing and repairs accounted for approximately 3% and 2.3%, respectively, of our total revenues generated during such periods. Servicing and repairs have always been an insignificant portion of our business. We do not have any plans to increase this part of our business, in the future, as we do not believe that servicing and repairs offers any opportunity for producing significant income for our business.

Competition

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

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

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

Principal Suppliers of our Products

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

· American Honda Motor Company, Inc.;

· Yamaha Motor Corporation;

· American Suzuki Motor Corporation;

· Kawasaki Motors Corp. U.S.A., Inc.;

· Ducati North America; and

· Polaris Industries, Inc.

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

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

Market for our Products and Services

According to the Motorcycle Industry Council, an organization that provides sales information for the motorcycle industry, sales of motorcycles in the United States in 2007 modestly decreased to 949,644 units (including scooters, street bikes, off-road bikes and dual sport vehicles (vehicles used both on and off streets)). This was lower than the 1,022,332 units sold in the United States in 2006, representing a 7.1% decrease. These statistics generally cover sales of the major U.S. and Japanese brands. These statistics do not include Chinese imports, which best estimates place at between 250,000 and 300,000 units sold in 2007. The Chinese manufacturers do not report unit sales, but we believe the above are reasonable estimates. Reductions in sales were primarily attributable to a decrease in sales of off-road bikes, which declined 16.8% from 2006, and to a decrease in sales of street bikes, which declined by 4.9% from 2006. In addition, sales of ATV’s declined 14.7% from 2006.

We believe that our 2% reduction in sales during 2007 as compared to 2006 was attributable to the reduction in ATV sales in 2007, as sales of ATV's represented approximately 50% of overall unit sales at our Andrew Cycles location and approximately 20% of unit sales at Chicago Cycles.

The industry is highly fragmented with over 9,000 franchises being operated within approximately 4,000 motorcycle dealerships, the majority of which we believe are individually owned. We also believe that many dealership owners are motorcycle enthusiasts with minimal business training and limited capital.

Business Plan

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

· accounting;

· finance;

· insurance;

- employee benefits;
- strategic planning;

3

- marketing;
- purchasing; and
- management information systems (MIS).

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

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

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

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

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

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

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

Sales and Marketing

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

Floor Plan Financing

We are dependent to a significant extent on our ability to finance the purchase of inventory, which in the motorcycle and power sports retail industries involves significant sums of money in the form of floor plan financing. As of December 31, 2007, the Company had $24,748,401 of floor plan notes payable. Substantially all the assets of our dealerships are pledged to secure such indebtedness, which may impede our ability to borrow from other sources. We currently have floor plan facilities with a variety of lenders, including primarily GE Commercial Distribution Finance Corporation, Fifth Third Bank, Kawasaki Motors Finance Company, and American Honda Finance. Several of such lenders are associated with manufacturers with whom we have dealership agreements. Consequently, deterioration of our relationship with a manufacturer could adversely affect our relationship with the affiliated floor plan lender and vice versa.

Government Regulation

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

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

Employees

As of April 14, 2008, we had approximately 118 employees (excluding our two executive officers), 50 of whom are employed at our Andrews Cycles dealership and the other 68 of whom are employed at our Chicago Cycles dealership. All of our employees were employed on a full-time basis including 2 executives, 55 salespersons, six administrative persons, 38 service technicians and 17 clerical persons. We are not a party to a collective bargaining agreement with our employees and we believe that our relationship with our employees is satisfactory.

Properties

Our principal executive offices are located at our recently expanded 75,000 square foot facility at 13134 State Route 62, Salem Ohio 44460, which is also the offices and showroom for our Andrews Cycles dealership. We lease this facility from an affiliated entity controlled by Russell A. Haehn, our Chairman, Chief Executive Officer and a controlling shareholder. On October 1, 2006 we entered into a new lease for this facility, effective as of January 1, 2007 and continuing through December 2016, at a rental rate of $24,000 per month. The lease provides for two consecutive five-year renewal terms at a rental rate to be negotiated.

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

A NOTE ABOUT FORWARD-LOOKING STATEMENTS

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

ITEM1.A. RISK FACTORS

You should carefully review and consider the following risks as well as all other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and the notes to those statements. If we were to suffer any adverse circumstance described herein, the value of our common stock could decline. To the extent any of the information contained in this annual report constitutes forward-looking information, the risk factors set forth below are cautionary statements identifying important factors that could cause our actual results for various financial reporting periods to differ materially from those expressed in any forward-looking statements made by or on our behalf and could materially adversely effect our financial condition, results of operations or cash flows. See also, “A Note About Forward-Looking Statements.”

RISKS RELATED TO OUR BUSINESS

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

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

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

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

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

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

Risks associated with our inability to identify suitable acquisition candidates.

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

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

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

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

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

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

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

Dependence on Floor Plan Financing.

We are dependent to a significant extent on our ability to finance the purchase of inventory, which in the motorcycle and power sports retail industries involves significant sums of money in the form of floor plan financing. As of December 31, 2007, we had $24,748,401 of floor plan notes payable. Substantially all the assets of our dealerships are pledged to secure such indebtedness, which may impede our ability to borrow from other sources. We currently have floor plan facilities with a variety of lenders, including primarily GE Commercial Distribution Finance Corporation, Fifth Third Bank, Kawasaki Motors Finance Company, and American Honda Finance. Several of such lenders are associated with manufacturers with whom we have dealership agreements. Consequently, deterioration of our relationship with a manufacturer could adversely affect our relationship with the affiliated floor plan lender and vice versa.

We have substantial outstanding indebtedness.

As of December 31, 2007, based upon our financial statements, our outstanding indebtedness to third parties, including the $24,748,401 of floor plan notes payable under our floor plan financing arrangements was approximately $29,002,778. As of December 31, 2007 approximately $607,680 of our outstanding indebtedness to third parties was represented by debt incurred by us, in connection with the acquisition of Chicago Cycles, which reflected the remaining outstanding amount of the $1,250,000 we borrowed from the Fifth Third Bank, pursuant to a Term Note dated March 12, 2004, to fund the initial $1,250,000 payment for such acquisition. The original loan from Fifth Third Bank matured on May 31, 2004, and we converted the entire $1,250,000 principal amount of this loan to a six (6) year term loan, which bears interest at the rate of prime plus one percent (8.25% at December 31, 2007) and is secured by a first priority lien on all of our assets, including the assets acquired from Chicago Cycles.

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

Sales of motorcycles/power sports products, historically have been cyclical, fluctuating with general economic cycles. During economic downturns, this industry tends to experience similar periods of decline and recession as the general economy. We believe that the industry is influenced by general economic conditions and particularly by consumer confidence, the level of personal discretionary spending, interest rates and credit availability. We believes that the downturn within the industry in 2007 was attributable to the following factors: (i) higher interest rates and decreased access to credit, as consumers face more stringent requirements in order to obtain financing for motorcycle purchases; (ii) rising food and energy costs, leaving consumers with less of their income for discretionary spending; and (iii) overall fears of unemployment. There can be no assurance that the industry will not experience sustained periods of declining sales in the future, and that such decline in sales would not continue to have a material adverse effect on our operations.

Our business experiences seasonal trends.

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

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

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

The retail motorcycle/power sports business is highly competitive.

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

Our business is subject to environmental regulations.

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

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

We are heavily dependent on our management.

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

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

RISKS RELATED TO OUR SECURITIES

We do not expect to pay dividends.

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

Control by Management.

Subject to the requirement for us to obtain the separate approval of the holders of our Series A Shares, with respect to certain matters, our officers and directors may be able to influence matters requiring shareholders approval because they own a majority of our outstanding shares of voting stock. Our executive officers and directors beneficially own in the aggregate 9,020,000 shares of common stock (including options to purchase 1,500,000 shares of common stock at an exercise price of $1.25 per share), or approximately 62.4% of our outstanding shares of common stock. Because our Series A Shares are entitled to vote along with our common stock on all matters presented to our shareholders for approval, our executive officers and directors actually own approximately 46.6% of our outstanding shares of voting stock (giving effect to the voting rights of the 2,450 Series A Shares outstanding at a rate of 2,000 votes for each such preferred share outstanding, and assuming exercise of all options held by such executive officers and directors). This concentration of ownership provides such persons with the ability, except with respect to those matters upon which the holders of the Series A Shares have a separate right of approval, to control and influence all corporate decisions and policies of shareholder voting matters, including, without limitation, the removal of directors. Additionally, except with respect to those matters upon which the holders of the Series A Shares have a separate right of approval, these persons would be able to approve any proposed amendment to our charter, a merger proposal, a proposed sale of assets or other major corporate transaction or a non-negotiated takeover attempt. This concentration of ownership may discourage a potential acquirer from making an offer to buy us, which, in turn, could adversely affect the market price of our common stock and warrants.

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

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

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

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

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

- quarterly variations in our operating results;
- large purchases or sales of common stock;
- actual or anticipated announcements of new products or services by us or competitors;
- acquisitions of new dealerships;

- investor perception of our business prospects or the motorcycle/power sports industry in general;

- general conditions in the markets in which we compete; and

- economic and financial conditions.

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

As of April 14, 2008, there were outstanding Series A Shares convertible into a total of 4,900,000 shares of our common stock and options and warrants to purchase 8,340,000 shares of common stock, with exercise prices ranging from $0.40 to $2.25 per share. If the holders exercise a significant number of these securities at any one time, the market price of the common stock could fall. In the event that the anti-dilution provisions contained in the Series A Shares and the Series A Warrants are triggered and we also issue additional shares of our common stock as dividends on the Series A Shares so that all or a significant portion of our outstanding common stock becomes available for resale, this could cause an even greater reduction in the market price of our common stock. The value of the common stock held by other shareholders will be diluted. The holders of the options and warrants have the opportunity to profit if the market price for the common stock exceeds the exercise price of their respective securities, without assuming the risk of ownership. If the market price of the common stock does not rise above the exercise price of these securities, then they will expire without exercise. The holders of these options and warrants may also exercise their securities if we are able to raise capital privately or from the public on terms more favorable than those provided in these securities. We cannot predict exactly if, or when, such a financing will be needed or obtained. Furthermore, we cannot predict whether any such financing will be available on acceptable terms, or at all.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

This item is not applicable to the Company.

ITEM 2. PROPERTIES

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

LOCATION	PRINCIPAL USES OF SPACE	(IN SQUARE FEET)	LEASE EXPIRATION
Salem, Ohio	Offices, showroom	75,000	December 2016, and may be extended to December 2026
Skokie, Illinois	Offices, showroom and service facility	95,000	May 31, 2015 and may be renewed until May 31, 2025

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

ITEM 3. LEGAL PROCEEDINGS

None.

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

There were no matters submitted to a vote of our security holders during the fourth quarter of our fiscal year ended December 31, 2007.

PART II

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

Our common stock is traded in the over-the-counter market on the Nasdaq OTC Bulletin Board under the symbol "GMOS." The following table shows the price range of the Company's common stock for each quarter ended during the last two fiscal years.

	BID		ASK	
Quarter Ended	High	Low	High	Low
3/31/06	.94	.90	.75	.62
6/31/06	.63	.45	.62	.35
9/30/06	.63	.38	.60	.38
12/31/06	.60	.17	.60	.17
3/31/07	.16	.16	.24	.24
6/30/07	.30	.30	.33	.33
9/30/07	.25	.25	.40	.40
12/31/07	.28	.25	.29	.29

HOLDERS

As of April 14, 2008, there were approximately 36 holders of record of the Company's common stock.

DIVIDENDS

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

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

There is currently one series of preferred stock issued and outstanding: Series A Shares, with 5,000 shares being authorized and 2,450 shares being issued and outstanding. Up to an additional 4,995,000 shares of preferred stock remain authorized. Set forth below is a summary only and it is qualified by our Restated Articles of Incorporation and the Certificate of Designation for our Series A Shares, copies of which are available from the Company upon request.

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

Dividends. The holders of shares of Series A Shares will receive dividends at the rate of $100 per Series A Share per annum, payable, at the option of the Company, in cash or shares of Common Stock, provided that, the dividend rate will be reduced to $70 per Series A Share per annum at such time as and for as long as our shares of common stock issuable upon conversion of the Series A Shares are covered by an effective registration statement. In the event of certain defaults by the Company, the dividend rate will be increased to $200 per Series A Share until the default has been cured. Dividends will accrue and be payable semi-annually, in arrears, on the first day of March and September in each year, beginning March 2006. Dividends payable on the Series A Shares are cumulative and any accrued and unpaid dividends are included in the payment of a liquidation preference to the holders of Series A Shares, as described below.

Liquidation Preference. In the event of a liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the Series A Shares are entitled to receive, after all payments to holders of any securities that rank senior to the Series A Shares, $1,000 per Series A Share, together with an amount equal to the dividends accrued and unpaid thereon (whether or not declared) to the date of final distribution to the holders of Series A Shares, without interest, before any payment shall be made or any assets distributed to the holders of any of the Company's securities that rank junior to the Series A Shares, including the common stock. After the full payment of the liquidation preference to the holders of Series A Shares, they are not entitled to any further participation in any distribution of the Company's assets. At the option of any holder of Series A Shares, a consolidation or merger of the Company with another corporation in which the Company is not the surviving entity, or a sale or transfer of all or part of the Company's assets for cash, securities or other property will be considered a liquidation, dissolution or winding up of the Company.

Conversion.

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

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

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

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

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

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

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

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

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

(5) The declaration or payment of any dividends on, purchase, redemption or retirement for value, of any capital stock (other than the Series A Shares), or make any distribution of assets, capital stock, warrants, rights, options, indebtedness or obligations to the Company's shareholders;

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

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

RECENT SALES OF UNREGISTERED SECURITIES

We did not sell any unregistered securities during the year ended December 31, 2007.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information about the Company's common stock that may be issued upon the exercise of stock options under all of our equity compensation plans in effect as of December 31, 2007.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a)) (c)
Equity compensation plan approved by security holders	—	—	—
Equity compensation plan not	)	$ 1.25	0

approved by security holders	1,500,000 (1

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

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

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

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

General.

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

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

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

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

Together with our two wholly-owned subsidiaries, we own and operate two retail power sports superstores. Our core brands include Suzuki, Yamaha, Honda, Ducati, Kawasaki, and Polaris. Our superstores operate under the names “Andrews Cycles” and “Chicago Cycles.” Andrews Cycles is located in Salem, Ohio, has approximately 50 employees and operates from an approximately 75,000 square foot facility. Chicago Cycles is located in the Chicago metropolitan area, has approximately 68 employees and operates from an approximately 95,000 square foot facility in Skokie, Illinois, pursuant to a ten-year lease we entered into in October 2004.

Overview of Economic Trends.

Effects of Increasing Interest Rates

After a two-year period of measured increases in the federal discount rate, beginning in the third quarter of 2006 and continuing through the first quarter of 2008, the Federal Reserve reduced the primary discount rate to 4.75% through the middle of December 2007, and has recently reduced the federal discount rate to 2.50%. Since many of our customers depend on bank financing to purchase our motorcycles and other power sports equipment, changes in interest rates normally have a direct effect on our sales. Our revenue from sales of power sports products during the year ended December 31, 2007 was approximately 2.0% less than for the year ended December 31, 2006. During 2007, $30.0 million of the approximately $95.7 million of our power sports sales (31.5%) were financed. Our sales in 2007 appear to have been materially adversely affected by rising consumer loan interest rates prior to June 2006. It also appears that the reductions in the interest rate have significantly reduced and possibly even eliminated the downward trend in sales. To the extent that the recent reduction in the federal discount rate results in corresponding reductions in consumer loan interest rates, we believe that this could result in an increase in sales of our motorcycles and other power sports products, since it will cost consumers less to finance their purchases. In the event that the Federal Reserve becomes more concerned about inflation in the next six to twelve months, this could result in a change in policy and a decision to commence measured increases in the federal discount rate next year. The uncertainties created in the consumer financing market as a result of corresponding additional increases in interest rates, could reasonably be expected to have a negative impact on the sale of motorcycles due to the increased financing costs to our customers.

Effects of U.S. Credit Markets

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

Effects of Increasing Fuel Costs

Fuel prices rose during 2007 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. While this may have a positive effect on our sales, the effect of fuel prices is not enough to counter the overall economic factors that have resulted in a reduction in motorcycle sales throughout the industry.

Reduction in Production by Manufacturers

We believe that certain manufacturers of the motorcycles we sell have recently begun to reduce the number of units they manufacture, in order to avoid larger inventory levels at the end of the selling seasons, resulting in less product being available for 2008. Because of our position in the market, we believe that we are generally able to receive a larger allocation of motorcycles than many other dealers. Since obtaining larger allocations normally results in potentially higher sales margins and the ability to minimize discounts, the result could lead to a material increase in our 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 2007, 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, as described in the preceding paragraphs, changes in interest rates and the health of the U.S. economy, particularly the availability of credit and the discretionary spending power of potential customers, all will have an impact on our future earnings. Furthermore, 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, and was payable in full on May 31, 2007, bearing interest at prime plus one percent (8.25% as of December 31, 2007). This loan was renewed on October 25, 2007 under the same terms and conditions with a maturity date of August 31, 2010. Our payment obligations under this term loan also are personally guaranteed by Russell Haehn and Gregory Haehn. This loan is also secured by a first priority lien on all of our assets (including, without limitation, the Chicago Cycles assets). As of December 31, 2007, the outstanding amount of this term loan, including accrued interest thereon, was $607,680.

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 Bridge 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 Bridge Lender . As partial consideration for the Bridge Loan, we issued to the Bridge 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 Bridge 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 Bridge 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 Bridge Lender $2,500 in consideration for the extension. In September 2005, the Bridge Lender assigned its rights to $50,000 of the $250,000 principal amount then outstanding to an affiliate of the Bridge 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 providing for interest at the rate of fifteen percent (15%) per annum (the "2005 Bridge Note"). Interest on the 2005 Bridge Note is payable monthly, and all outstanding principal and accrued but unpaid interest was due and payable on March 20, 2006. 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 Bridge 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. The balance as of December 31, 2007 is $119,551.

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 one-half 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. In consideration of a 1% fee on the principal sum, on December 1, 2007, we executed a note to for $320,000, which includes the balance of $70,000 from the Bridge Loan and the balance of $250,000 from the 2005 Bridge Loan (the “2007 Note”). The 2007 Note bears interest at a rate of 15.5% per annum with a maturity date of August 31, 2008. Subsequent to year end, on March 27, 2008, $25,000 of the principal amount was paid, leaving a principal balance of $295,000.

We also have obtained a revolving line of credit with the Bank, in the maximum amount of $250,000. This line of credit bears interest at the rate of prime plus one percent (8.25% as of December 31, 2007), and has no stipulated repayment terms. As of December 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.

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 of 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. During 2006, 420 Series A Shares were converted into 938,500 shares of our common stock. As of December 31, 2007, no additional Series A Shares were converted into shares of common stock. We issued 660,904 and 408,247 shares of common stock, an aggregate of 1,069,151 shares of common stock, to the holders of our Series A Shares, in lieu of cash dividends for the years ended December 31, 2007 and December 31, 2006, respectively. In March 2008, we issued an additional 495,665 shares of common stock in lieu of cash dividends to the holders of our Series A Shares.

Anticipated Funding of Operations.

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

Cash Flow from Operations

During the past eighteen months we have increased our cash flow from operations through a consistent plan of reducing operating costs and increasing profit margins on our sales. We intend to continue this policy throughout 2008. We believe that by keeping our operating costs at the reduced levels we have achieved in 2007, and continuing to increase our profit margins, we will continue to generate sufficient cash flow from operations to fund our business for at least the next twelve months. To the extent that we experience a significantly weaker sales climate during the remainder of 2008, our ability to continue to generate such cash flow could be impaired, notwithstanding our reduced operating costs and increased profit margins.

Bank Financing

We currently have a revolving credit line with Fifth Third Bancorp in a total available amount of $250,000 of which $249,863 was funded at December 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 2007 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 inventory of a new brand of motorcycles, we will most likely be required to raise additional funds through the sale of common stock or preferred stock to consummate any of these acquisitions. It could be difficult for us to raise funds in amounts and on terms sufficient to fund any of these proposed acquisitions.

Funding of Future Acquisitions

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

Results of Operations.

Year ended December 31, 2007 Compared to Year ended December 31, 2006:

	2007	2006	Increase (Decrease)	% Change
Total Revenues	$ 98,696,692	$ 100,751,786	(2,055,094)	(2.0%)
Cost of Sales	$ 84,109,662	$ 86,340,024	(2,230,362)	(2.6%)
Operating Expenses	$ 12,190,626	$ 13,294,060	$ (1,103,434)	(8.3%)
Income from Operations	$ 2,396,404	$ 1,117,702	$ 1,278,702	114.4%
Other Income and (Expense)	$ (1,098,960)	$ (1,371,000)	$ (272,040)	(19.8%)

Income (Loss) before Provision (Benefit) for Income Taxes	$	1,297,444	$	(253,298)	$	1,550,742	NM[1]
Net Income (Loss) before Preferred Dividends	$	766,444	$	(181,198)	$	947,642	NM[1]

1 - Not Meaningful

18

Total Revenues:

Total revenues for the year ended December 31, 2007 were $98,696,692 representing a decrease of $2,055,094 (-2.0%) from the $100,751,786 reported for the year ended December 31, 2006. This decrease in revenues was, we believe, primarily attributable to a substantial reduction in the purchase of motorcycles experienced by most dealers. Sales at our Salem facilities were most affected, representing substantially all of our decrease in revenues between the applicable periods. While it is difficult to determine, with certainty, the reasons for the significant decrease in the sales of motorcycles and other power sports vehicles during 2007, we believe that this reduction in revenues between the two periods is primarily attributable to overall economic factors which have resulted in a reduction in motorcycle sales throughout the industry. We have experienced mixed results so far in 2008, with our Salem store showing a significant weakness in sales, while sales in Chicago are flat.

Cost of Sales:

Cost of sales for the year ended December 31, 2007 decreased by $2,230,362 (-2.6%) to $84,109,662 during the year ended December 31, 2007, as compared to $86,340,024 for the same period in 2006. This decrease in cost of sales was primarily attributable to a corresponding decrease in sales during 2007 compared with 2006.

Operating Expenses:

Operating expenses for the year ended December 31, 2007 were $12,190,626, a decrease of $1,103,434 (-8.3%) over $13,294,060 for same period in 2006. The aggregate decrease in such costs was principally related to an approximate decrease in marketing costs in the amount of $896,121 and an approximate decrease in insurance costs in the amount of $184,677, which was partially offset by an approximate increase in rental costs in the amount of $238,239 during the year ended December 31, 2007 compared to the same period in 2006.

Income from Operations:

We had income from operations before other income and (expenses) for the year ended December 31, 2007 of $2,396,404 compared to income from operations of $1,117,702 for the same period in 2006, which reflects an increase of $1,278,702 (114.4%). This increase in income from operations during the year ended December 31, 2007 as compared to the same period in 2006, is a result of an increase in gross margins to 14.7% for the year ended December 31, 2007 from 14.3% for the same period in 2006, coupled with a significant reduction in total operating expenses to $12,190,696 for the year ended December 31, 2007 from $13,294,060 for the same period in 2006, a decrease of $1,103,434. Depreciation and amortization increased slightly, and was approximately $441,481 for the year ended December 31, 2007, as compared to $432,338 for the same period in 2006.

Other Income and (Expense):

Other expenses for the year ended December 31, 2007 decreased $272,040 (19.8%) to $1,098,960 from $1,371,000 for the same period in 2006. This decrease in other expenses was primarily attributable to a decrease in net interest expense to $1,272,885 in 2007 from $1,413,383 in 2006, slightly offset by a loss on the sale of a vehicle of $19,539. Other income increased approximately $172,581 as a result of rebate income and other immaterial miscellaneous income.

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

We had income before provision for taxes, for the year ended December 31, 2007 of $1,297,444 as compared with a loss before benefit for taxes of $253,298 for the same period in 2006. This increase in income before provisions for taxes is primarily attributable to a decrease in net interest expense of approximately $131,000 as a result of reduced interest rates, an increase in income from operations of $1,278,70, and an increase in other income of approximately $173,000.

Net Income (Loss) before Preferred Dividends:

We had a net income before preferred dividends of $766,444 for the year ended December 31, 2007, as compared to a net loss of $181,198 for the same period in 2006. This increase in net income to a net income for the year ended December 31, 2007 from a net loss for the same period in 2006 is primarily attributable to the same factors described with respect to income before provision for taxes.

Liquidity and Capital Resources.

Our primary source of liquidity has been cash generated by operations and borrowings under various credit facilities. As of December 31, 2007, we had $919,784 in cash and cash equivalents, compared to $156,530 as of December 31, 2006. Until required for operations, our policy is to invest excess cash in bank deposits and money market funds. Net working capital as of December 31, 2007 was $1,442,703 compared to ($77,975) as of 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 distribution rights for brands.

As of December 31, 2007, we had outstanding indebtedness payable within 12 months in an aggregate amount of approximately $28 million. Of this amount, approximately $25 million is payable to financial institutions in repayment of loans and other credit facilities provided to us and approximately $3 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 2008 models before the 2009 models are released, it could be very difficult for us to sell our remaining inventory of 2008 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.

Management believes from information obtained within the industry that several motorcycle manufacturers will reduce their production in the model year 2008. A reduction in units produced will result in fewer units allocated to most dealerships. However, we believe that because of the number of units sold from our dealerships in 2007 and because allocation of units by dealerships is based upon the number of units a dealership sold during the prior year, we will not be adversely affected by the reduced production in 2008.

With respect to carryover models, while we attempt to limit carryover to 10% of total sales, we are able to benefit from cash incentives provided by manufacturers for most carryover products. These cash incentives minimize our need to reduce prices for carryover 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 publicized offers of large cash rebates generate consumer interest resulting in greater showroom traffic.

Seasonality.

Our two main products - motorcycles and ATV's 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 ATV's 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 as of 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/or when parts are delivered. Sales promotions that are offered to customers are accounted for as a reduction to the sales price at the time of sale. Incentives, rebates and holdbacks offered by manufacturers directly to the Company are recognized at the time of sale if they are vehicle specific, or as earned in accordance with the manufacturer program rules and are recorded as a reduction of cost of merchandise sold.

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

Off-Balance Sheet Arrangements.

We have no off-balance sheet arrangements.

Contractual Obligations.

Not applicable.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements are contained in this Annual Report:

· Report of Independent Registered Public Accounting Firm;

· Consolidated Balance Sheets - December 31, 2007 and 2006;

· Consolidated Statements of Income - Years ended December 31, 2007 and 2006;

· Consolidated Statements of Stockholders' Equity - Years ended December 31, 2007 and 2006;

· Consolidated Statements of Cash Flow - Years ended December 31, 2007 and 2006; and

· Notes to Consolidated Financial Statements.

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

None.

ITEM 9A(T). CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In accordance with the rules required by the SEC for information required to be disclosed, in this annual report, the Company's management evaluated, with the participation of the Company's President and Chief Executive Officer, the effectiveness and the operation of the Company's disclosure controls and procedures. Based upon their evaluation of these disclosure controls and procedures, the President and Chief Executive Officer have concluded that the Company's disclosure controls and procedures were effective for accumulating recording, processing, summarizing and communicating, to the Company's management, to ensure timely decisions regarding disclosure information needed within the time periods specified in the SEC rules and forms.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing adequate internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurances regarding the reliability of our financial reporting for external purposes. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for the preparation of our financial statements; providing reasonable assurances that receipts and expenditures of Company assets are made with management authorization; and providing reasonable assurances that unauthorized acquisition use or disposition of Company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis.

Under the supervision of management, including the two executive officers, an evaluation was conducted to measure the effectiveness of the Company's internal control over financial reporting. This evaluation was based on the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The evaluation was conducted to assess the effectiveness of the Company's internal control as it related to the financial reporting as of

December 31, 2007. Management believes that the Company's internal control over financial reporting was effective as of December 31, 2007. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2007 has not been audited by Bagell, Josephs, Levine & Company LLC, the Company's independent public accounting firm. Management's report was not subject to attestation by the Company's public accounting firm pursuant to temporary rules of the SEC.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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

NAME	AGE	POSITIONS HELD AND TENURE
Russell A. Haehn	60	Chairman, Chief Executive Officer and Director since January 2004
Gregory A. Haehn	62	President, Chief Operating Officer and Director since January 2004

Officers and Directors

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

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

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

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

Agreement to Appoint Additional Director

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

Director Compensation

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

Significant Employees

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

Paul Katsiadas is currently employed by our Chicago Cycles subsidiary as General manager and has served in that position since April 2007. From April 2006 through April 2007 Mr. Katsiadas was sales manager of Chicago Cycles. During the 12-year period prior to his employment with us, Mr. Katsiadas held several management positions within automobile dealerships.

Governance

The Company has not formally appointed an audit committee, and the entire board of directors (two persons) currently serves the function of an audit committee. The Company has not made a determination as to whether any of its directors would qualify as an audit committee financial expert.

Code of Ethics

A code of ethics relates to written standards that are reasonably designed to deter wrongdoing and to promote:

- Honest and ethical conduct, including the ethical handling of actual or perceived conflicts of interest between personal and professional relationships;

- Full, fair, accurate, timely and understandable disclosure in reports and documents that are filed with, or submitted to, the SEC and in other public communications made by an issuer;

- Compliance with applicable governmental laws, rules and regulations;

- The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and

- Accountability for adherence to the code.

The Company has adopted the Giant Motorsports, Inc. Corporate Code of Professional Conduct (the “corporate code of ethics”), a code of ethics that applies to our Chief Executive Officer, Chief Operating Officer, directors, and inclusive for all other employees. The corporate code of ethics is publicly available on our website at www.giantcorporate.com. If we make any substantive amendments to the corporate code of ethics or grant any waiver, including any implicit waiver, from a provision of the code to our Chief Executive Officer and Chief Operating Officer, we will disclose the nature of such amendment or waiver on that website or in a current report on Form 8-K.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended, generally requires our directors and executive officers and persons who own more than 10% of a registered class of our equity securities (“10% owners”) to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Directors and executive officers and 10% owners are required by SEC regulation to furnish us with copies of all Section 16(a) reports they file. To our knowledge, based solely on review of copies of the reports furnished to us and verbal representations that no other reports were required to be filed during the fiscal year ended December 31, 2007, all Section 16(a) filing requirements applicable to our directors, executive officers and 10% owners were met.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the annual and long-term compensation paid for the fiscal years ended December 31, 2007 and 2006 to our Chairman and Chief Executive Officer; and President and Chief Operating Officer (collectively, the "Named Executive Officers"). No other officer received compensation in excess of $100,000 in any of those years.

Name and Positions	Fiscal Year	Salary ($)	Bonus ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Russell A. Haehn,	2007	$ 106,000	-0-	-0-	220,715(1)	$ 326,715
Chairman and	2006	101,500	-0-	-0-	175,335(1)	276,835
Chief Executive Officer						
Gregory A. Haehn,	2007	$ 71,700	-0-	-0-	$ 21,200(2)	$ 92,900
President and	2006	71,600	-0-	-0-	34,430(2)	106,030
Chief Operating Officer						

(1) Other compensation payable to Russell Haehn includes amounts payable to Mr. Haehn directly from manufacturers of certain of the products we sell, as an incentive to sell these products. The total amounts paid to Mr. Haehn during the years set forth in the above table were $208,715 in 2007 and $163,335 in 2006. Mr. Haehn also received an automobile allowance of $12,000 per year in each of those years.

(2) Other compensation payable to Gregory Haehn reflects an automobile allowance of $12,000 in each of 2007 and 2006 and an aggregate of $9,200 paid to Mr. Haehn in 2007 and $22,430 in 2006 directly from manufacturers of certain of the products we sell, as an incentive to sell these products.

Outstanding Equity Awards at Fiscal-Year End

	Option Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date
Russell A. Haehn	1,000,000	—	$ 1.25	8/16/2009
Gregory A. Haehn	500,000	—	$ 1.25	8/16/2009

Employment Agreements

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

25

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of April 14, 2008, we had a total of 12,948,316 shares of common stock issued and outstanding.

The following table sets forth information, as of April 14, 2008, with respect to the beneficial ownership of our common stock by: (i) all directors; (ii) the Named Executive Officers; (iii) all current executive officers and directors as a group; and (iv) each shareholder known by us to be the beneficial owner of more than 5% of our common stock.

Name	Number of Shares Owned Beneficially (1)	Approximate Percent of Class Owned (1)(2)(3)
Russell A. Haehn (4)(6)	5,785,000	41.5%
Gregory A. Haehn (5)(6)	3,235,000	24.1%
All Executive Officers and Directors, as a Group (two persons)	9,020,000	62.4%

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

(2) The percentages shown are calculated based upon 12,948,316 shares of common stock outstanding on April 14, 2008. The numbers and percentages shown include the shares of common stock actually owned as of April 14, 2008 and the shares of common stock that the person or group had the right to acquire within 60 days of April 14, 2008. In calculating the percentage of ownership, all shares of common stock that the identified person or group had the right to acquire within 60 days of April 14, 2008 upon the exercise of options and warrants are deemed to be outstanding for the purpose of computing the percentage of the shares of common stock owned by such person or group, but are not deemed to be outstanding for the purpose of computing the percentage of the shares of common stock owned by any other person.

(3) Notwithstanding each person or group's beneficial ownership of the Company's common stock, since the Series A Shares are entitled to vote together with the common stock on all matters submitted to shareholders for their approval, each person's or groups percentage voting interest (assuming exercise of all options) is: Russell A. Haehn - 30.7%; Gregory A. Haehn - 17.6%; and all executive officers and directors as a group - 46.6%.

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

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

(6) Russell Haehn and Gregory Haehn are brothers.

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We lease our 75,000 square foot facility in Salem, Ohio from an affiliated entity controlled by Russell A. Haehn, our Chairman, Chief Executive Officer and a controlling shareholder. Pursuant to the terms of a lease, effective January 1, 2007, we lease this facility under a 5-year lease, with an additional 5-year term available, at a rental rate of $24,000 per month. We believe that the terms of this arrangement are no less favorable to us than those that would be available for a similar facility leased from a third party in a bona fide arms length transaction.

We made loans in September and November of 2004, in an aggregate amount of approximately $66,000, to Marck's Real Estate, Inc, a corporation owned by Russell A. Haehn and the owner of our Salem, Ohio facilities. These loans were used by Marck's Real Estate to pay construction costs relating to the expansion of our Ohio facilities. We made additional loans to Marck's Real Estate in 2005, and at December 31, 2005 the aggregate outstanding amount of such loans was approximately $261,667. All loans to Russell Haehn and Marck's Real Estate were repaid as of March 31, 2006.

On October 27, 2006, Russell Haehn, our Chairman and Chief Executive Officer provided a working capital loan to us 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 us. The outstanding principal balance of their loan as of December 31, 2007 was $119,551.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

		2007		2006
Annual Audit Fees	$	60,000	$	60,000
Audit-Related Fees	$	55,000(1)	$	36,000(1)
Tax Fees	$	—	$	—
Other Fees	$	—	$	—
Total Fees	$	115,000	$	96,000

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

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

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES

Exhibit Number and Document Description

2.1	Stock Purchase and Reorganization Agreement dated as of December 30, 2003 (1).
2.2	Repurchase Agreement dated December 30, 2003 (1).
2.3	Stock Purchase Agreement dated as of December 30, 2003 (1).
2.4	Share Purchase Agreement dated as of December 30, 2003 (1).
2.5	Asset Purchase Agreement dated April 2004 (Exhibit 2.1) (2).
3.1	Restated Articles of Incorporation of Giant Motorsports, Inc. (3).
3.2	Bylaws of Giant Motorsports, Inc. (4).
4.1	Form of Warrant for 1,000,000 shares of common stock dated January 20, 2004 (1).
4.2	Form of Warrant for 100,000 shares of common stock dated April 19, 2004 (5).
4.3	Stock Option Agreement with Russell A. Haehn (1,000,000 shares) (Exhibit 4.2) (6).
4.4	Stock Option Agreement with Gregory A. Haehn (500,000 shares) (Exhibit 4.3) (6).
4.5	Certificate of Designation of Series A Convertible Preferred Stock (Exhibit 99.1) (7).
4.6	Form of Investor Warrant (September 2005 Private Placement) (Exhibit 99.2) (7).
4.7	Form of Purchase Option (September 2005 Private Placement) (Exhibit 99.3) (7).
4.8	Registration Rights Agreement (September 2005 Private Placement (Exhibit 99.4) (7).
4.9	Specimen stock certificate for shares of common stock (8).
4.10	Specimen stock certificate for Series A Shares (8).
4.11	Specimen Warrant Certificate (9).
4.12	Form of Warrant Agreement between Olde Monmouth Stock Transfer Co., Inc. and the Company (9).
10.1	Agency Agreement between Giant Motorsports, Inc. and HCPF/Brenner Securities LLC dated September 9, 2005 (7).
10.2	Lease dated October 1, 2006, effective January 1, 2007, between Russell A. Haehn d/b/a Marck's Real Estate and W.W. Cycles, Inc. (10).

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

20.3	Management Agreement between King's Motorsports Inc. d/b/a Chicago Cycle and Giant Motorsports, Inc. dated April 2004 (2).
21	Subsidiaries (10).
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-4(a)) (10).
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a)) (10).
32.1	Certificate of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(b)) (10).
32.2	Certificate of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(b)) (10).

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

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

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

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

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

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

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

(8) Filed as an exhibit to the Registration Statement on Form S1/A filed on January 12, 2006 and incorporated herein by reference.

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

(10) Filed herewith.

SIGNATURES

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

GIANT MOTORSPORTS, INC.

By: /s/ Russell A. Haehn

Russell A. Haehn
Chairman and Chief Executive Officer

April 14, 2008

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

April 14, 2008	/s/ Russell A. Haehn Russell A. Haehn Chairman and Chief Executive Officer (principal executive officer)
April 14, 2008	/s/ Gregory A. Haehn Gregory A. Haehn President and Chief Operating Officer (principal financial and accounting officer)

GIANT MOTORSPORTS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2007 and 2006

- - - o o 0 o o - - -

CONTENTS

- - - o o 0 o o - - -

BAGELL, JOSEPHS, LEVINE & COMPANY, L.L.C.
Certified Public Accountants
406 Lippincott Drive, Suite J
Marlton, New Jersey 08053
(856) 346-2828 Fax (856) 396-0022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Giant Motorsports, Inc.
Salem, Ohio

We have audited the accompanying consolidated balance sheets of Giant Motorsports, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of income(loss), stockholders' equity, and cash flows each of the years in the two-year period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Giant Motorsports, Inc. as of December 31, 2007 and 2006, and the results of its operations and its cash flows each of the years in the two-year period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

/s/ BAGELL, JOSPEHS, LEVINE & COMPANY, LLC

BAGELL, JOSEPHS, LEVINE & COMPANY, LLC
Marlton, New Jersey
April 2, 2007

GIANT MOTORSPORTS, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 919,784	$ 156,530
Accounts receivable, net	3,421,107	3,803,718
Inventories	25,626,033	21,267,135
Deferred tax assets	22,000	113,900
Prepaid expenses	28,069	10,131
TOTAL CURRENT ASSETS	30,016,993	25,351,414
FIXED ASSETS, NET	1,666,828	2,004,274
OTHER ASSETS		
Intangibles, net	1,688,950	1,688,950
Deposits	45,600	41,000
TOTAL OTHER ASSETS	1,734,550	1,729,950
	$ 33,418,371	$ 29,085,638

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

F-2

GIANT MOTORSPORTS, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31,

	2007	2006
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 796,510	$ 1,513,665
Notes payable, floor plans	24,748,401	20,885,887
Note payable, officer	119,551	352,500
Accounts payable, trade	1,055,932	1,987,152
Accrued expenses	583,102	493,939
Accrued income taxes	436,200	-
Customer deposits	834,594	196,246
TOTAL CURRENT LIABILITIES	28,574,290	25,429,389
DEFERRED TAX LIABILITIES	13,500	20,600
LONG-TERM DEBT, Net of current portion	428,488	-
TOTAL LIABILITIES	29,016,278	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 shares issued and outstanding at December 31, 2007 and 2006	2,450,000	2,450,000
Common stock, $.001 par value, authorized 75,000,000 shares 12,452,651 and 11,791,747 shares issued and outstanding at December 31, 2007 and 2006, respectively	12,453	11,792
Additional paid-in capital	2,053,218	1,868,592
Additional paid-in capital - Options	93,426	93,426
Additional paid-in capital - Warrants	1,724,800	1,724,800
Additional paid-in capital - Beneficial conversions	1,303,400	1,303,400
Issuance cost on preferred series A convertible	(786,762)	(786,762)
Retained earnings (deficit)	(2,448,442)	(3,029,599)
TOTAL STOCKHOLDERS' EQUITY	4,402,093	3,635,649
	$ 33,418,371	$ 29,085,638

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

F-3

GIANT MOTORSPORTS, INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31,

		2007		2006
REVENUES				
Sales	$	95,699,650	$	97,637,103
Finance, insurance and extended service revenues		2,997,042		3,114,683
TOTAL REVENUES		98,696,692		100,751,786
COST OF SALES		84,109,662		86,340,024
GROSS PROFIT		14,587,030		14,411,762
OPERATING EXPENSES				
Selling expenses		7,973,104		8,313,676
General and administrative expenses		4,217,522		4,980,384
		12,190,626		13,294,060
INCOME FROM OPERATIONS		2,396,404		1,117,702
OTHER INCOME AND (EXPENSE)				
Other income, net		193,464		20,883
Interest expense, net		(1,272,885)		(1,413,383)
Gain (loss) on sale of assets		(19,539)		21,500
		(1,098,960)		(1,371,000)
INCOME (LOSS) BEFORE PROVISION (BENEFITS) FOR TAXES		1,297,444		(253,298)
PROVISION (BENEFIT) FOR TAXES		531,000		(72,100)
INCOME (LOSS) BEFORE PREFERRED DIVIDENDS		766,444		(181,198)
PREFERRED DIVIDENDS		(185,287)		(273,526)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	$	581,157	$	(454,724)
BASIC INCOME (LOSS) PER SHARE		0.05	$	(0.04)
DILUTED INCOME (LOSS) PER SHARE	$	0.02	$	(0.04)
WEIGHTED AVERAGE SHARES OUTSTANDING				
BASIC		12,225,073		11,090,020
DILUTED		28,904,647		11,090,020

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

GIANT MOTORSPORTS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

	Preferred Stock		Common Stock					Paid-in	Issuance	
						Paid-in	Paid-in	capital -	costs	Retained
					Paid-in	capital -	capital -	Beneficial	preferred	earnings
	Shares	Amount	Shares	Amount	capital	Options	Warrants	conversion	series A	(Deficit)
Balance, December 31, 2005	2,870	2,870,000	10,445,000	10,445	641,277	109,442	2,020,480	1,526,840	(786,762)	(2,574,87
Conversion of Series A preferred stock	(420)	(420,000)	938,500	939	954,197	(16,016)	(295,680)	(223,440)	-	
Common shares dividends issued	-	-	408,247	408	273,118	-	-	-	-	(273,52
Net loss for the year ended December 31, 2006	-	-	-	-	-	-	-	-	-	(181,19
Balance, December 31, 2006	2,450	2,450,000	11,791,747	11,792	1,868,592	93,426	1,724,800	1,303,400	(786,762)	(3,029,59
Common shares dividends issued	-	-	660,904	661	184,626	-	-	-	-	(185,28
Net income for the year ended December 31, 2007	-	-	-	-	-	-	-	-	-	766,44
Balance, December 31, 2007	2,450	$ 2,450,000	12,452,651	$ 12,453	$ 2,053,218	$ 93,426	$ 1,724,800	$ 1,303,400	$ (786,762)	$ (2,448,44

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

GIANT MOTORSPORTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 766,444	$ (181,198)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	441,481	432,558
Provision for doubtful accounts	35,373	48,977
Deferred federal income taxes (credit)	84,800	(145,400)
(Gain) on sale of fixed assets	(184)	(21,500)
Loss on disposal of fixed assets	19,723	-
Decrease in accounts receivable, net	347,238	992,938
Increase in accounts receivable, employees	-	4,775
(Increase) in inventories	(4,358,898)	(4,492,066)
Decrease in income taxes receivable	-	119,500
(Increase) decrease in prepaid expenses	(17,938)	64,124
Increase in customer deposits	638,348	109,195
Increase in floor plan liability	3,862,514	3,726,168
(Decrease) in accounts payable trade	(931,220)	(383,217)
Increase (decrease) in accrued expenses	525,363	(160,478)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,413,044	114,376
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(73,482)	(542,865)
Proceeds from sale of fixed assets	7,000	21,500
Decrease in accounts receivable affiliates	-	261,667
(Increase) in deposits	(4,600)	-
NET CASH (USED IN) INVESTING ACTIVITIES	(71,082)	(259,698)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings on note	-	200,000
Payments on long-term debt	(345,759)	(284,814)
Payments received from officer loan	(232,949)	159,365
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(578,708)	74,551
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	763,254	(70,771)
CASH AND CASH EQUIVALENTS, beginning of Year	156,530	227,301
CASH AND CASH EQUIVALENTS, end of Year	$ 919,784	$ 156,530

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

GIANT MOTORSPORTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31,

OTHER SUPPLEMENTARY CASH FLOW INFORMATION	2007	2006
Debt incurred for acquisition of sales agreement	$ -	$ 100,000
Debt incurred for acquisition of vehicles and equipment	$ 57,092	$ -
Interest paid	$ 1,272,885	$ 1,445,662
Income taxes paid	$ 10,000	$ -
Preferred stock dividends paid in common stock	$ 185,287	$ 273,526

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

GIANT MOTORSPORTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

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

Principles of Consolidation:

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

Cash and Cash Equivalents:

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

Contracts in Transit:

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Accounts:

Accounts are written off when management determines that an account is uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful accounts is determined to reduce the Company’s receivables to their carrying value, which approximates fair value. The allowance is estimated based on historical collection experience, specific review of individual customer accounts, and current economic and business conditions. Management has determined that an allowance of $25,000 is sufficient at December 31, 2007 and 2006, respectively.

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/or parts are delivered. Sales promotions that are offered to customers are accounted for as a reduction to the sales price at the time of sale. Incentives, rebates and holdbacks offered by manufacturers directly to the Company are recognized at the time of sale if they are vehicle specific, or as earned in accordance with the manufacturer program rules and are recorded as a reduction of cost of merchandise sold.

Finance, Insurance and Extended Service Revenues:

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments:

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

Inventories:

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

Concentration of Credit Risk:

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

The Company’s policy is to review the amount of credit exposure to any one financial institution and place investments with financial institutions evaluated as being creditworthy. In the ordinary course of business, the Company has bank deposits and overnight repurchase agreements that may exceed federally insured limits. As of December 31, 2007 and 2006, the Company had $821,722 and $301,955, respectively, in excess of the $100,000 insured limit.

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

Property and Equipment:

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

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

Fixtures, and equipment	3-7 years
Vehicles	5 years
Leasehold Improvements	10-39 years

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill And Other Intangible Assets:

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 142 "Goodwill and Other Intangible Assets". This statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supercedes APB opinion No. 17, "Intangible Assets". It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in the financial statements upon their acquisition. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The Company, in its acquisitions, recognized $1,588,950 of goodwill 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. As of December 31, 2007, the Company has determined that no impairment is necessary.

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

Income Taxes:

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

At December 31, 2007 and 2006, income taxes are provided for amounts currently due and deferred amounts arising from temporary differences between income for financial reporting and income tax purposes.

Advertising Costs:

Advertising costs are expensed when incurred. Charges to operations amounted to $1,337,397 and $2,198,800 for the years ended December 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.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings (Loss) Per Share of Common Stock (Continued):

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

	Years Ended December 2007	2006
Net income (loss) attributed to common shares	$ 581,157	$ (454,724)
Weighted-average common shares outstanding (Basic)	12,225,073	11,090,020
Weighted-average common stock equivalents:		
Warrants	16,114,000	0
Options	565,574	0
Weighted-average common shares outstanding (diluted)	28,904,647	11,090,020

The Company uses the intrinsic value method to account for warrants granted to executive officers, directors, key employees and advisors for the purchase of common stock. No compensation expense is recognized on the grant date, since at that date, the warrant price equals or is higher than the market price of the underlying common stock. The Company discloses the pro forma effect of accounting for stock warrants under the fair value method. The Company uses the fair value method to account for warrants granted to advisors for the purchase of common stock. There were 16,679,574 and 6,675,000 common stock equivalents available at December 31, 2007 and 2006, respectively.

Use of Estimates:

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

Recent Accounting Pronouncements:

On December 16, 2004, the Financial Accounting Standards Board ("FASB") published Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-Based Payment ("SFAS 123R"). SFAS 123R requires that compensation cost related to share-based payment transactions be recognized in the financial statements. Share-based payment transactions within the scope of SFAS 123R include stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee share purchase plans. The provisions of SFAS 123R are effective for small business issuers as of the first interim period that begins after December 15, 2005. Accordingly, the Company implemented the revised standard in the fourth quarter of fiscal year 2005. For the year ended December 31, 2007, FAS 126R did not have any impact on the financial statements.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued):

On December 16, 2004, FASB issued Financial Accounting Standards No. 153, Exchanges of Non-monetary Assets, an amendment of APB Opinion No. 29, Accounting for Non-monetary Transactions ("FAS 153"). This statement amends APB Opinion 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. Under FAS 153, if a non-monetary exchange of similar productive assets meets a commercial-substance criterion and fair value is determinable, the transaction must be accounted for at fair value resulting in recognition of any gain or loss. FAS153 is effective for non-monetary transactions in fiscal periods that begin after June 15, 2005. The implementation of this standard did not have a material impact on its financial position, results of operations or cash flows.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." SFAS No. 154 replaces Accounting Principles Board ("APB") Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements." SFAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. APB No. 20 previously required that most voluntary changes in accounting principle be recognized by including the cumulative effect of changing to the new accounting principle in net income in the period of the change. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 did not have a material impact on the Company's financial position, results of operations, or cash flows for the year ended December 31, 2007.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140." SFAS No. 155 resolves issues addressed in SFAS No. 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets," and permits fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of the first fiscal year that begins after September 15, 2006. The adoption of SFAS No. 155 did not have a material impact on the Company’s financial position, results of operations, and cash flows for the year ended December 31, 2007.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued):

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140." SFAS No. 156 requires an entity to recognize a servicing asset or liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract under a transfer of the servicer's financial assets that meets the requirements for sale accounting, a transfer of the servicer's financial assets to a qualified special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale or trading securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" and an acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates. Additionally, SFAS No. 156 requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, permits an entity to choose either the use of an amortization or fair value method for subsequent measurements, permits at initial adoption a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights and requires separate presentation of servicing assets and liabilities subsequently measured at fair value and additional disclosures for all separately recognized servicing assets and liabilities. SFAS No. 156 is effective for transactions entered into after the beginning of the first fiscal year that begins after September 15, 2006. The adoption of SFAS No. 156 did not have a material impact on the Company’s financial position, results of operations, and cash flows for the year ended December 31, 2007.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 establishes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact the adoption of this interpretation will have on its future financial statements.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued):

In September 2006, The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurement" ("SFAS No. 157"). This standard provides guidance for using fair value to measure assets and liabilities. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. Prior to SFAS No. 157, the methods for measuring fair value were diverse and inconsistent, especially for items that are not actively traded. The standard clarifies that for items that are not actively traded, such as certain kinds of derivatives, fair value should reflect the price in a transaction with a market participant, including an adjustment for risk, not just the company's mark-to-model value. SFAS No. 157 also requires expanded disclosure of the effect on earnings for items measured using unobservable data. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact of this statement on its future financial statements.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — An Amendment of FASB Statements No. 87, 88, 106, and 132R." This standard requires an employer to: (a) recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status; (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year (with limited exceptions); and (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes will be reported in comprehensive income. The requirement to recognize the funded status of a benefit plan and the disclosure requirements are effective as of the end of the fiscal year ending after December 15, 2006. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. The adoption of FAS 158 is not anticipated to have a material impact on the Company's financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Liabilities, including an amendment of FASB Statement No. 115” (“SFAS No. 159”). SFAS No. 159 permits entities to choose, at specified election dates, to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses shall be reported on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157 “Fair Value Measurements” (“SFAS No. 157”). The Company is currently assessing the impact that SFAS No. 159 will have on its future financial statements.

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

NOTE B - ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

	2007	2006
A/R-Customers and dealers	$ 1,771,686	$ 2,129,416
A/R-Manufacturers	787,201	805,279
A/R-Employees	25,994	4,649
Contracts in transit	861,226	889,374
	3,446,107	3,828,717
Allowance for doubtful accounts	25,000	25,000
	$ 3,421,107	$ 3,803,718

NOTE C - INVENTORIES

Inventories consisted of the following:

	2007	2006
Parts and accessories	$ 2,188,250	$ 1,974,482
Vehicles	23,437,783	19,292,653
TOTALS	$ 25,626,033	$ 21,267,135

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

NOTE D - FIXED ASSETS

Fixed assets consisted of the following:

	2007	2006
Fixtures and equipment	$ 2,132,504	$ 2,151,547
Vehicles	619,002	429,195
Leasehold improvements	813,150	572,776
	3,564,656	3,153,518
Less accumulated depreciation	(1,505,658)	(1,149,244)
NET FIXED ASSETS	$ 1,666,828	$ 2,004,274

Depreciation expense charged to operations amounted to $441,481 and $432,558 in 2007 and 2006, respectively.

During 2007, the Company sold equipment with a cost of $8,520 and accumulated depreciation of $1,704 for proceeds of $7,000 and accordingly recognized a gain in the amount of $184. The company also scrapped several assets with a cost of $103,086 and accumulated depreciation of $83,363 and accordingly recognized a loss in the amount of $19,723.

F-16

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

NOTE E - NOTES PAYABLE - FLOOR PLANS

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

		2007		2006
Kawasaki Motors Finance Company floor plan agreement provides for borrowings up to $2,300,000. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (ranging from 8.5% to 9.5% at December 31, 2007 and 11.25% to 12.75% at December 31, 2006). Principal payments are due upon the sale of the specific units financed.	$	2,291,608	$	2,187,507
GE Commercial Distribution Finance floor plan agreement for Yamaha units provides for borrowings up to $1,900,000. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (ranging from 7.5% at December 31, 2007 and 6% to 11.25% at December 31, 2006). Principal payments are due upon the sale of the specific units financed.		2,595,894		2,715,618
GE Commercial Distribution finance floor plan agreement for Suzuki units provides for borrowings up to $150,000. The manufacturer at its discretion may increase the borrowings. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (ranging from 7.5% to 15% at December 31, 2007 and 8.25% to 9.25% at December 31, 2006). Principal payments are due upon the sale of the specific units financed.		6,448,146		4,719,465
Polaris Acceptance floor plan agreement provides for borrowings up to $600,000. The manufacturer at its discretion may increase the borrowings. The agreement is collateralized by specific units financed. 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 12% to 16.5% at December 31, 2007 and 13% to 17.25% at December 31, 2006). Principal payments are due the earlier of date of sale or one year after financing.		413,700		289,338

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

NOTE E - NOTES PAYABLE - FLOOR PLANS (CONTINUED)

Fifth Third Bank floor plan agreement provides for borrowings up to $2,500,000. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (7.25% at December 31, 2007 and 8.53% at December 31, 2006, respectively). Principal payments are due upon the sale of the specific units financed.	2,725,631	2,041,303
American Honda Finance floor plan agreement provides for borrowings up to $200,000. The manufacturer at its discretion may increase the borrowings. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan. (9.33% at December 31, 2007 and 9.25% at December 31, 2006, respectively). Principal payments are due upon the sale of the specific units financed.	856,782	1,232,277
GE Commercial Distribution Finance floor plan agreement for Ducati units provides for borrowings up to $800,000. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (ranging from 9.5% to 10.50% at December 31, 2007, and 4.8% to 12.25% at December 31, 2006). Principal payments are due upon the sale of the specific units financed.	798,764	356,021
GE Commercial Distribution Finance floor plan agreement for Yamaha units provides for borrowings up to $2,100,000. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (ranging from 7.5% to 10.5% at December 31, 2007 and 8.25% to 11.25% at December 31, 2006). Principal payments are due upon the sale of the specific units financed.	1,210,118	1,824,710
GE Commercial Distribution Finance floor plan agreement for Suzuki units provides for borrowings up to $150,000. The manufacturer at its discretion may increase the borrowings. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (ranging from 7.5% to 8.5% at December 31, 2007 and 3.6% to 9.25% at December 31, 2006). Principal payments are due upon the sale of the specific units financed.	3,545,557	3,400,375

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

NOTE E - NOTES PAYABLE - FLOOR PLANS (CONTINUED)

Fifth Third Bank floor plan agreement provides for borrowing up to $2,500,000. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (7.25% at December 31, 2007 and 8.53% at December 31, 2006). Principal payments are due upon the sale of the specific units financed.	2,062,177	728,883
Kawasaki Motors Finance Company floor plan agreement provides for borrowings up to $1,500,000. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (ranging from 10.5% to 18% at December 31, 2007 and 18% at December 31, 2006). Principal payments are due upon the sale of the specific units financed.	1,494,424	1,358,910
GE Commercial Distribution Finance floor plan agreement for Special Product units provides for borrowings up to $150,000. The manufacturer at its discretion may increase the borrowings. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (10.5% at December 31, 2007). Principal payments are due upon the sale of the specific units financed.	45,015	-0-
GE Commercial Distribution Finance floor plan agreement for CPI units provides for borrowings up to $250,000. Interest is payable monthly and fluctuates with prime and varies based on the type of unit financed and the length of time the unit remains on the floor plan (ranging from 9% to 10.5% at December 31, 2007 and 10.25% at December 31, 2006). Principal payments are due upon the sale of the specific units financed.	260,585	31,480
TOTALS	$ 24,748,401	$ 20,885,887

NOTE F - LONG-TERM DEBT

The following is a summary of long-term debt:

	2007	2006
A $450,000 note payable with HSK Funding bearing interest at 15% at December 31, 2006.	$ -0-	$ 450,000

F-19

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

NOTE F - LONG-TERM DEBT (CONTINUED)

A $330,000 note payable with HSK Funding bearing interest at 15.5% at December 31, 2007.	$	320,000	$	-0-
Note payable to bank bearing interest at 9.96%, payable in monthly installments of $929, through May 2011, collateralized by vehicle.		32,170		-0-
Note payable to bank bearing interest at 6.95%, payable in monthly installments of $897, through June 2009, collateralized by vehicle.		15,285		-0-
A $250,000 revolving line of credit at a bank bearing interest at a variable rate of prime plus 1% (8.25% and 9.25% at December 31, 2007 and 2006, respectively). The loan is collateralized by substantially all the Company's assets and the building owned personally by an officer.		249,863		249,863
Note payable to bank bearing interest at prime plus 1% payable in monthly principal installments of $17,360 plus interest, through August 2010. The note is collateralized by substantially all Company's assets, and shareholder guarantees.		607,680		781,280
Note payable to bank bearing interest at 8.6%, payable in monthly installments of $537, through May 2007, collateralized by vehicle.		-0-		2,522
Note payable to Champion Cycle for the purchase of their Kawasaki license bearing interest at 5%, payable in monthly installments of $10,000 plus interest through June 2007.		-0-		30,000
		1,224,998		1,513,665
Less current maturities		796,510		1,513,665
TOTALS	$	428,488	$	-0-

Future scheduled maturities of long-term debt are:

YEAR ENDING		AMOUNT
2008	$	796,510
2009		222,776
2010		201,181
2011		4,531
2012		-0-
TOTAL	$	1,224,998

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

NOTE G - NOTE PAYABLE - OFFICER

Note payable to officer consisted of non-interest bearing advances from an officer of the Company with no stipulated repayment terms. The loan is a demand loan and has been classified as a current liability. The balance at December 31, 2007 and 2006 was $119,551 and $352,500, respectively.

NOTE H - INCOME TAXES

Income taxes (credit) consisted of the following:		2007		2006
Federal:				
Current	$	492,750	$	(92,700)
Deferred		38,250		20,600
TOTALS	$	531,000	$	(72,100)

Deferred tax assets (liabilities) consisted of the following:

		2007		2006
Deferred tax assets - current and long-term:				
Allowance for doubtful accounts and net operating loss carryforward	$	22,000	$	113,900
Deferred tax liabilities - long-term:				
Depreciation		(38,250)		(20,600)
TOTALS	$	(16,250)	$	(93,300)

NOTE I - 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 $288,000 in 2007 and $228,000 in 2006.

NOTE J - EMPLOYEE BENEFIT PLANS

The Company sponsors a Simple Retirement Plan for all eligible employees. The Company matches 100% of employee contributions up to 3% of compensation. Charges to operations amounted to $32,260 and $34,664 in 2007 and 2006, respectively.

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

NOTE K - LEASES

The Company had been leasing its Chicago subsidiary retail facility under a month-to-month agreement for 2004. In 2005, the Company moved its operations to a new facility under a ten-year agreement with a ten-year renewal option. The payments on the lease commenced in August 2005 at a monthly amount of $33,333 through May of 2006, then increasing to $40,000 per month from June 2006 through May 2007, $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 the expenses and taxes over a specified amount. The Company had been granted a four month rent holiday. Rent expense has been calculated using the straight-line basis over the lease term of ten (10) years to reflect the inclusion of the rent-free period.

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 2006, then increasing to $15,754 per month from June 2006 through May 2007, $16,226 per month from June 2007 through May 2008 and then increasing 3% annually for the remaining term of the lease.

The following is a summary of future minimum lease payments under the operating leases that have initial or remaining non-cancellable terms in excess of one year as of December 31, 2007:

YEAR ENDING		AMOUNT
2008	$	1,031,548
2009		1,055,441
2010		1,078,464
2011		1,102,176
2012		1,126,601
	$	5,394,230

The Company also leased four residential locations in Chicago under month-to-month agreements. The amount charged to rent amounted to $44,400 and $27,675 for the years ended December 31, 2007 and 2006, respectively.

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

NOTE L - 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 December 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 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 was 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 consequently, converted their preferred Series A share.

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.

During the year ended December 31, 2006, four (4) independent Series A Preferred shareholders exercised 420 shares of the conversion feature of the stock, and subject to the provisions of the conversion, received 938,500 shares of common stock.

The Company issued 660,904 and 408,247 shares of its common stock as a dividend to all Series A Preferred shareholders for the years ended December 2007 and 2006, respectively, in accordance with the placement offering provisions.

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

NOTE M - COMMON STOCK

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

The Company issued 660,904 and 408,247 shares of its common stock as a dividend to all Series A Preferred shareholders for the years ended December 31, 2007 and 2006, respectively, in accordance with the placement offering provisions.

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

NOTE N - SUBSEQUENT EVENTS

The Company issued 495,665 shares of its common stock as a dividend to all Series A Preferred shareholders on March 4, 2008 in accordance with the placement offering provisions.

In March 2008, the company settled a dispute with the State of Ohio Attorney General for $35,000 regarding freight and assembly charges to sales that were determined to be improperly advertised to their customers. This amount has been charged to operations during 2007. The Company is also liable for reimbursements to customers who have purchased a vehicle from the dealership in the past two years that file a complaint within 30 days of the agreement. Management feels that this reimbursement will be immaterial to the financial statements and has not recorded a liability for this amount at December 31, 2007.