American Racing Capital, Inc.
Form 10QSB
November 14, 2006

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

FORM 10-QSB

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006

Commission File Number 0-29057

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________________TO ___________________

AMERICAN RACING CAPITAL, INC.
(Exact name of registrant as specified in charter)

| | |
|---|---|
| NEVADA | 87-0631750 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer I.D. No.) |

| | |
|---|---|
| 920 Bollen Circle<br>Gardnerville, NV 89460 | 89448 |
| (Address of principal executive offices) | (Zip) |

Issuer's telephone number, including area code (800) 914-3177

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the past twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |_| No |X|

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes |X| No |_|

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Sections 12, 13 or 15(d)of the Exchange Act subsequent to the distribution of securities under a plan confirmed by a court. |_| Yes |_| No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: AS OF OCTOBER 4, 2006 - 27,791,398 SHARES OF THE ISSUER'S COMMON STOCK, $0.001 PAR VALUE PER SHARE.

----------

Transitional Small Business Disclosure Format: Yes |_] No |X|

PART I
FINANCIAL INFORMATION

INTRODUCTORY NOTE

FORWARD-LOOKING STATEMENTS

This Form 10-QSB contains "forward-looking statements" relating to American Racing Capital, Inc. ("ARC" or the "Company") which represent ARC's current expectations or beliefs including, but not limited to, statements concerning ARC's operations, performance, financial condition and growth. For this purpose, any statements contained in this Form 10-QSB that are not statements of historical fact are forward-looking statements. Without limiting the generality of the foregoing, words such as "may", "anticipation", "intend", "could", "estimate", or "continue" or the negative or other comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, such as losses, dependence on management, variability of quarterly results, and the ability of ARC to continue its growth strategy, certain of which are beyond ARC's control. Should one or more of these risks or uncertainties materialize or should the underlying assumptions prove incorrect, actual outcomes and results could differ materially from those indicated in the forward-looking statements.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.



ITEM 1. FINANCIAL STATEMENTS

AMERICAN RACING CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2006
(Unaudited)

ASSETS

| | |
|---|---|
| CURRENT ASSETS | |
| Cash | $ 380,181 |
| Deposits | 202,000 |
| Total Current Assets | 582,181 |
| PROPERTY AND EQUIPMENT, net | -- |
| TOTAL ASSETS | $ 582,181 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|---|---|
| CURRENT LIABILITIES | |
| Notes payable - related parties | $ 56,664 |

| | |
|---|---|
| Notes payable | 26,000 |
| Accounts payable and accrued expenses | 59,212 |
| Total Current Liabilities | 141,876 |
| CONVERTIBLE NOTES PAYABLE, net | 69,444 |
| TOTAL LIABILITIES | 211,320 |
| STOCKHOLDERS' EQUITY | |
| Preferred stock 10,000,000 shares authorized at $0.001 par value; 2,000,000 shares issued and outstanding | 2,000 |
| Common stock 500,000,000 shares authorized at $0.001 par value; 27,791,398 shares issued and outstanding | 27,791 |
| Additional paid in capital | 6,721,221 |
| Accumulated deficit | (6,380,151) |
| Total Stockholders' Equity | 370,861 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 582,181 |

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



AMERICAN RACING CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(Unaudited)

| | September 30, 2006 | September 30, 2005 |
|---|---|---|
| SALES | $ 5,375 | $ 24,647 |
| COST OF SALES | -- | -- |
| Gross Profit | 5,375 | 24,647 |
| EXPENSES | | |
| Consulting and professional fees | 5,997,869 | 25,000 |
| Administrative | 86,779 | 35,317 |
| TOTAL EXPENSES | 6,084,648 | 60,317 |
| Loss from operations | (6,079,273) | (35,670) |
| OTHER INCOME (EXPENSE) | | |
| Interest expense | (81,944) | -- |
| Other income | -- | -- |
| TOTAL OTHER (EXPENSE) | (81,944) | -- |
| Loss - before provision for income taxes | (6,161,217) | (35,670) |
| Provision for income taxes | -- | -- |
| Net loss | $(6,161,217) | $(35,670) |
| NET LOSS PER COMMON SHARE | | |

| | | |
|---|---|---|
| Basic and diluted | $ (0.38) | $ (0.00) |
| WEIGHTED AVERAGE OUTSTANDING SHARES | | |
| Basic and diluted | 16,391,398 | 491,398 |

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



AMERICAN RACING CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(Unaudited)

| | September 30, 2006 | September 30, 2005 |
|---|---|---|
| SALES | $ 21,622 | $ 71,028 |
| COST OF SALES | -- | -- |
| Gross Profit | 21,622 | 71,028 |
| EXPENSES | | |
| Consulting and professional fees | 5,999,632 | 52,333 |
| Administrative | 144,757 | 63,839 |
| TOTAL EXPENSES | 6,144,389 | 116,172 |
| Loss from operations | (6,122,767) | (45,144) |
| OTHER INCOME (EXPENSE) | | |
| Interest expense | (81,944) | -- |
| Other income | -- | -- |
| TOTAL OTHER INCOME (EXPENSE) | (81,944) | -- |
| Loss - before provision for income taxes | (6,204,711) | (45,144) |
| Provision for income taxes | -- | -- |
| Net loss | $(6,204,711) | $(45,144) |
| NET LOSS PER COMMON SHARE | | |
| Basic and diluted | $ (0.49) | $ (0.09) |
| WEIGHTED AVERAGE OUTSTANDING SHARES | | |
| Basic and diluted | 12,591,398 | 491,398 |

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

AMERICAN RACING CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(Unaudited)

| | September 30, 2006 | September 30, 2005 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | $(6,204,711) | $(45,144) |
| Adjustments to reconcile net loss to net cash provided by operating activities Depreciation | 788 | 2,274 |
| Amortization of discount on convertible debt | 69,444 | |
| Common stock and warrants issued for services | 5,688,081 | |
| Changes in operating assets and liabilities | -- | -- |
| Deposits | (202,000) | -- |
| Accounts payable | 57,500 | 43,966 |
| Net cash used in operating activities | (590,898) | 1,096 |
| CASH FLOWS FROM INVESTING ACTIVITIES | -- | -- |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from convertible debt | 975,300 | -- |
| Payments on notes payable | (1,500) | -- |
| Proceeds from notes payable-related parties | 750 | 7,000 |
| Proceeds from notes payable | 1,000 | 1,500 |
| Payments on notes payable-related parties | (4,850) | -- |
| Net cash provided by financing activities | 970,700 | 8,500 |
| Net Increase (Decrease) in Cash | 379,802 | 9,596 |
| Cash at Beginning of Period | 379 | 551 |
| Cash at End of Period | $ 380,181 | $ 10,147 |
| Supplemental disclosure of cash flow information | | |
| Common stock issued for accrued expenses | $ 84,489 | $ -- |
| Cash paid for interest | $ -- | $ -- |
| Cash paid for income taxes | $ -- | $ -- |

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



AMERICAN RACING CAPITAL, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Securities and Exchange Commission requirements for interim financial statements. Therefore, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The financial statements should be read in conjunction with the Form 10-KSB for the year ended December 31, 2005 of American Racing Capital, Inc. and subsidiaries (the "Company" or "ARC").

The interim financial statements present the condensed balance sheet, statements of operations and cash flows of the Company. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

The interim financial information is unaudited. In the opinion of management, all adjustments necessary to present fairly the financial position of the Company as of September 30, 2006 and the results of operations and cash flows presented herein have been included in the financial statements. Interim results are not necessarily indicative of results of operations for the full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the 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.

2. GOING CONCERN

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has generated significant losses from operations.

In order to continue as a going concern and achieve a profitable level of operations, the Company will need, among other things, additional capital resources and developing a consistent source of revenues. Management's plans include raising additional operating funds from private placements of shares of its common stock.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plan described in the preceding paragraph and eventually attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Employee stock based compensation - In December 2004, the Financial Accounting Standards Board issued SFAS No. 153, "Accounting for Stock-Based Compensation". SFAS No. 153 amends the transition and disclosure provisions of SFAS No. 123. This statement supersedes APB Opinion No.25, Accounting for Stock Issued to employees, and its related implementation guidance. This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This Statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award--the requisite service period (usually the vesting period). For stock options and warrants issued to non-employees, the Company applies Statement of Financial

Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation, which requires the recognition of compensation cost based upon the fair value of stock options at the grant date using the Black-Scholes Option Pricing Model.

The Company issued no stock and granted no warrants or options to employees for compensation for the nine months ended September 30, 2006.



4. RELATED PARTY TRANSACTIONS

Accounts payable - related parties - As of September 30, 2006, the Company had notes payable totaling $56,664 to affiliate entities for funds advanced.

5. SIGNIFICANT EVENTS

On August 25, 2005, the Company filed a Certificate of Amendment to the Articles of Incorporation of the Company with the Secretary of State of the State of Nevada to increase the authorized number of shares of capital from 50,000,000 to 500,000,000. On October 3, 2005, the Company filed a Certificate of Amendment to the Articles of Incorporation of the Company with the Secretary of State of the State of Nevada to change the corporate name from 'Creative Holdings & Marketing Corporation' to 'American Racing Capital, Inc.'

The Company entered into a Share Exchange Agreement, dated October 17, 2005, by and among the Company, American Racing Capital, Inc., a Nevada corporation ("ARCI") and the shareholders of ARCI (the "ARCI Shareholders"). Pursuant the Share Exchange Agreement, the ARCI Shareholders exchanged with, and delivered to the Company all of the issued and outstanding common stock of ARCI in exchange for 150,000,000 shares of the Company's common stock, par value $0.001 (the "Common Stock") and 1,000,000 shares of Series A Convertible Preferred Stock, par value $0.001 per share (the "Series A Preferred Stock"). The 1,000,000 shares of Series A Preferred Stock can be converted at any time into three hundred (300) fully paid, nonassessable shares of the Company's Common Stock. As a result of the Share Exchange Agreement, on October 19, 2005, ARCI became a wholly-owned subsidiary of the Company.

On October 18, 2005, the Company entered into a Share Exchange Agreement, by and among the Company, ARC Development Corporation, a Nevada corporation ("ARCD") and the shareholders of ARCD (the "ARCD Shareholders"). Pursuant to the Share Exchange Agreement, the ARCD Shareholders exchanged with, and delivered to, ARC the issued and outstanding Common Stock of ARCD in exchange for 235,000,000 shares of the Company's Common Stock, and 1,000,000 shares of Series A Preferred Stock, which can be converted at any time into three hundred (300) fully paid, nonassessable shares of the Company's Common Stock. As a result of the Share Exchange Agreement, on October 19, 2005, ARCD became a wholly-owned subsidiary of the Company.

On November 18, 2005, the Company's Board of Directors appointed D. Davy Jones as President and Chief Executive Officer and Director and Robert Koveleski as Secretary and Director. On November 18, 2005, John W. Gandy resigned as President and Chief Executive Officer and Director of the Company. Also on November 18, 2005, Ron E. Hendrix resigned as Secretary and Director and John F. Smith, III resigned as Director of the Company.

On March 20, 2006, the Board of Directors of the Company, in lieu of a special meeting and pursuant to unanimous written consent, approved a one for one hundred (1-for-100) reverse stock split (the "Reverse Stock Split") of the Company's issued and outstanding, which became effective on March 30, 2006 (the

"Effective Date"). On the Effective Date, the Company's issued and outstanding Common Stock was reduced based on the 1-for-100 ratio and the new symbol for the Company was changed to 'ANRC'.

On July 24, 2006, the Company and LJ&J Enterprises of Tennessee, Inc. ("LJ&J") entered into an agreement whereby the parties agreed to enter into a stock acquisition of eighty-percent of LJ&J's common stock. As of September 30, 2006, the parties have not closed the transaction, but contemplate to do so by the end of fiscal year 2006.

For additional significant events which occurred after September 30, 2006, please refer to NOTE 8. SUBSEQUENT EVENTS.

6. FUNDING

On July 25, 2006, the Company entered into a Securities Purchase Agreement with New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (collectively, the "Investors"). Under the terms of the Securities Purchase Agreement, the Investors purchased an aggregate of (i) $2,000,000 in callable convertible secured notes (the "Notes") and (ii) warrants to purchase 10,000,000 shares of the Company's Common Stock (the "Warrants"). The Notes carry an interest rate of 6% per annum and a maturity date of July 25, 2009. Subject to the Securities Purchase Agreement, the Company filed a registration statement (the "Registration Statement") with the U.S. Securities and Exchange Commission on September 11, 2006. The Company registered 20,576,133 shares of common stock underlying the Notes. The Company did not register any shares in connection with the Warrants as the Warrants were not subject to registration rights. The Notes are convertible into the Company's Common Stock at the Applicable Percentage of the average of the lowest three (3) trading prices for our shares of Common Stock during the twenty (20) trading day period prior to conversion. The "Applicable Percentage" means 50%; provided, however, that the Applicable Percentage shall be increased to (i) 55% in the event that a registration statement is filed within thirty days of the closing and (ii) 60% in the event that the registration statement becomes effective within one hundred and twenty days from the Closing. In addition, the Company has granted the Investors a security interest in substantially all of its assets, as well as intellectual property and registration rights. In connection with the Securities Purchase Agreement, the Company issued to the Investors seven year warrants to purchase 10,000,000 shares of the Company's Common Stock at an exercise price of $0.30. The Company recorded an expense of $72,571 for the issuance of the warrants. The beneficial conversion feature attached to the convertible debt results in a discount of $1,000,000 which is being amortized over the 36 month term of the debt. The Company recorded amortization expense of $69,444 during the period ended September 30, 2006.



The Company received an initial funding of $700,000 in gross proceeds (which accounted for $640,000 in net proceeds) on July 26, 2006. The following Investors invested these amounts: AJW Capital Partners, LLC invested $67,900; AJW Offshore, Ltd. invested $413,000; AJW Qualified Partners, LLC invested $210,000; and New Millennium Capital Partners II, LLC invested $9,100.

The Company received the second tranche of funding on September 12, 2006, after the filing of the Registration Statement, via the purchase of Notes in the aggregate amount of $600,000 by the Investors.

7. COMMON STOCK

During the nine months ended September 30, 2006, the Company issued a total of 21,200,000 shares of restricted common to various entities as compensation for consulting services. All the shares issued were valued at market prices on the date of issuance.

8. SUBSEQUENT EVENTS

On October 27, 2006, the Company and D. Davy Jones ("Jones") entered into a Settlement Agreement with General Release (the "Settlement Agreement"), whereby the parties agreed to terminate that certain Employment Agreement with Jones. Pursuant to the Settlement Agreement, the Company shall pay Jones the sum of $240,000.00 as follows: (i) an initial lump sum payment of $20,000, which was paid upon execution of the Settlement Agreement; and (ii) the remainder of the Settlement Sum, in monthly increments of $10,000.00 during a period of twenty-two months to commence on November 15, 2006, and otherwise in accordance with the current normal payroll practices of ARC. The parties also agreed, inter alia, that the Company shall transfer to Jones 100 shares of common stock of FastOne, Inc. (the "FastOne Common Stock"), a Nevada corporation and wholly-owned subsidiary of the Company, and 100 shares of common stock of Davy Jones Motorsports, Inc. (the "DJM Common Stock"), a Nevada corporation and wholly-owned subsidiary of the Company, to Jones in exchange of 1,500,000 shares of common stock (which represent the number of shares adjusted post-stock split effectuated by ARC in March 2006), par value $0.001 per share, of ARC (the "ARC Common Stock"), and One Million (1,000,000) shares of Series A Convertible Preferred Stock, par value $0.001 per share (the "ARC Preferred Stock"). Upon the execution of the Settlement Agreement and the transfer of the shares described above, the Company shall have no rights to, interests and liabilities in the FastOne Common Stock and the DJM Common Stock, and Jones shall have no rights to, interests and liabilities in the ARC Common Stock and the ARC Preferred Stock.



Item 2. Management's Discussion and Analysis Or Plan Of Operation

Forward-Looking Statements and Associated Risks. This Report contains forward-looking statements. Such forward-looking statements include statements regarding, among other things, (a)) our growth strategies, (b) anticipated trends in our industry, (c) our future financing plans, (d) our anticipated needs for working capital, (e) our lack of operational experience, and (f) the benefits related to ownership of our common stock. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "should," "expect," "anticipate," "estimate," "believe," "intend," or "project" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, including those described in "Business Risk Factors" of the Company's Form 10-KSB for the year ended December 31, 2005. Actual results could differ materially from these forward-looking statements as a result of changes in trends in the economy and the industry, demand for the Company's services,, competition, reductions in the availability of financing and availability of raw materials, and other factors. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this Report will in fact occur as projected. Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Overview

On October 17, 2005, American Racing Capital, Inc. (the "Company") entered into a Share Exchange Agreement, by and among the Company, American Racing Capital, Inc., a Nevada company ("ARCI") and the shareholders of ARCI, pursuant to which, the ARCI Shareholders exchanged with, and delivered to the Company all of the issued and outstanding common stock of ARCI in exchange for 150,000,000 shares of the Company's Common Stock and 1,000,000 shares of Series A Preferred Stock, which can be converted at any time into three hundred (300) fully paid, nonassessable shares of the Company's Common Stock. On October 18, 2005, the Company entered into a Share Exchange Agreement, by and among the Company, ARC Development Corporation, a Nevada corporation ("ARCD") and the shareholders of ARCD. Pursuant to the Share Exchange Agreement, the ARCD Shareholders exchanged with, and delivered to, ARC the issued and outstanding common stock of ARCD in exchange for 235,000,000 shares of the Company's Common Stock, and 1,000,000 shares of Series A Preferred Stock, which can be converted at any time into three hundred (300) fully paid, nonassessable shares of the Company's Common Stock. As a result of these share exchange transactions, ARCI and ARCD became wholly-owned subsidiaries of the Company. The Company then adopted a new strategy focused on the integration of race track design and development operations with a professional racing team and a national driving school network to leverage the popularity and growth of the motor sports industry.

On March 20, 2006, the Board of Directors of the Company, in lieu of a special meeting and pursuant to unanimous written consent, approved a one for one hundred (1-for-100) reverse stock split (the "Reverse Stock Split") of the Company's issued and outstanding, which became effective on March 30, 2006 (the "Effective Date"). On the Effective Date, the Company's issued and outstanding Common Stock was reduced based on the 1-for-100 ratio and the new symbol for the Company was changed to 'ANRC'.

On July 24, 2006, the Company and LJ&J Enterprises of Tennessee, Inc. ("LJ&J") entered into an agreement whereby the parties agreed to enter into a stock acquisition of eighty-percent of LJ&J's common stock. As of September 30, 2006, the parties have not closed the transaction, but contemplate to do so by the end of fiscal year 2006.

On October 27, 2006, the Company and D. Davy Jones ("Jones") entered into a Settlement Agreement with General Release (the "Settlement Agreement"), whereby the parties agreed to terminate the Employment Agreement with Jones. Pursuant to the Settlement Agreement, the Company shall pay Jones the sum of $240,000.00 (the "Settlement Sum") as follows: (i) an initial lump sum payment of $20,000, which was paid upon execution of the Settlement Agreement; and (ii), the remainder of the Settlement Sum, in monthly increments of $10,000.00 during a period of twenty-two months to commence on November 15, 2006, and otherwise in accordance with the current normal payroll practices of ARC. The parties also agreed, inter alia, that the Company shall transfer to Jones 100 shares of common stock of FastOne, Inc. (the "FastOne Common Stock"), a Nevada corporation and wholly-owned subsidiary of the Company, and 100 shares of common stock of Davy Jones Motorsports, Inc. (the "DJM Common Stock"), a Nevada corporation and wholly-owned subsidiary of the Company, to Jones in exchange of 1,500,000 shares of common stock (which represent the number of shares adjusted post-stock split effectuated by ARC in March 2006), par value $0.001 per share, of ARC (the "ARC Common Stock"), and One Million (1,000,000) shares of Series A Convertible Preferred Stock, par value $0.001 per share (the "ARC Preferred Stock"). Upon the execution of the Settlement Agreement and the transfer of the shares described above, the Company shall have no rights to, interests and liabilities in the FastOne Common Stock and the DJM Common Stock, and Jones shall have no rights to, interests and liabilities in the ARC Common Stock and the ARC Preferred Stock.



Critical Accounting Policies And Estimates

Management's discussion and analysis of the Company's financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. At each balance sheet date, management evaluates its estimates. The Company based its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The estimates and critical accounting policies that are most important in fully understanding and evaluating our financial condition and results of operations include those listed below.

Revenue Recognition

The Company recognizes revenue when services have been provided and collection is reasonably assured.

Principles Of Consolidation

On October 17, 2005, the Company entered into a Share Exchange Agreement, by and among the Company, ARCI and the shareholders of ARCI, pursuant to which, the ARCI Shareholders exchanged with, and delivered to the Company all of the issued and outstanding common stock of ARCI in exchange for 150,000,000 shares of the Company's Common Stock and 1,000,000 shares of Series A Preferred Stock, which can be converted at any time into three hundred (300) fully paid, nonassessable shares of the Company's Common Stock. As a result of the Share Exchange Agreement, on October 19, 2005, ARCI became a wholly-owned subsidiary of the Company. The shareholders of Fast One, Inc., DJ Motorsports, Inc. and ARCI became the controlling shareholders of the Company. Accordingly, the financial statements of Fast One, Inc., DJ Motorsports, Inc. and ARCI are presented as the historical financial statements of the Company. The consolidated financial statements shown in this report include the historical operating information of the Fast One, Inc., DJ Motorsports, Inc. and ARCI.

All intercompany transactions have been eliminated.

Results Of Operations

For The Three Months Ended September 30, 2006 Compared To The Three Months Period Ended September 30, 2005

Revenues. Revenue for the three months ended September 30, 2006, was $5,375, a decrease of $ 19,272, from $24,647 in revenues for the same period ended September 30, 2005. The decrease of 78% in revenues in 2006 was attributable to management spending most of its efforts on acquisitions rather than consulting.

Operating expenses. Operating expenses for the three months ended September 30, 2006 were $6,084,648, as compared to $60,317, for the three months ended September 30, 2005, or a 1008% increase. Operating expenses in 2006 consisted of $5,997,869 in consulting and professional fees paid in connection with acquisitions being considered and arranging financing for these acquisitions and $86,779 in general and administrative expenses.

Net loss. The Company had a net loss of $6,161,217 for the three months ended September 30, 2006, as compared to a net loss of $35,670 for the three months ended September 30, 2005. The increased loss of $6,125,547 was mostly attributable to the value of the shares of common stock and warrants issued to consultants valued at $5,615,510 and cash paid to the consultants of $230,000.



For The Nine Months Ended September 30, 2006, Compared To The Nine Months Ended September 30, 2005

Revenues

Revenue for the nine months ended September 30, 2006, was $21,622, a decrease of $49,406, from $71,028 in revenues for the same period ended September 30, 2005. The decrease of 70% in revenues in 2006 was attributable to management spending most of its efforts on fund raising rather than consulting.

Operating expenses. Operating expenses for the nine months ended September 30, 2006, were $6,122,767, as compared to $116,172, for the nine months ended September 30, 2005, or a 5,270% increase. Operating expenses in 2006 consisted of $5,999,632 in consulting and professional fees paid in connection with acquisitions being considered and arranging financing for those acquisitions and $144,757 in general and administrative expenses.

Net loss. The Company had a net loss of $6,204,711 for the nine months ended September 30, 2006, as compared to a net loss of $45,144 for the nine months ended September 30, 2005. The increased loss of $6,159,567 was mostly attributable to the value of the shares of common stock and warrants issued to consultants valued at $5,615,510 and cash paid to the consultants of $230,000.

Liquidity And Capital Resources

Our financial statements have been prepared on a going concern basis that contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. We have incurred losses since inception. We incurred a net loss of $6,204,711 and a net loss of $45,144 for the nine months ended September 30, 2006 and 2005, respectively, and have an accumulated deficit of $6,380,151 at September 30, 2006. As of September 30, 2006, we had current assets of $582,181 and current liabilities of $141,876 resulting in positive working capital of $440,305. As of September 30, 2006, the Company has approximately $380,181 in cash and cash equivalents. On July 24, 2006, the Company paid $200,000, as partial payment of a purchase price in connection with an acquisition of ownership interest in LJ&J Enterprises of Tennessee, Inc.

Included in our liabilities are $59,212 of accounts payable and accrued expenses. Notes payable to related parties of $56,664 are also included in our liabilities.

For the nine months ended September 30, 2006, the Company used net cash in its operations of $590,898, no cash was used in investing activities and $970,700 in cash was provided by financing activities of which $975,300 came in the net proceeds of convertible notes payable.

In the third quarter of 2006, the Company secured funding through the issuance of notes and warrants. On July 25, 2006, the Company entered into a Securities Purchase Agreement with New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (collectively, the "Investors"). Under the terms of the Securities Purchase Agreement, the Investors purchased an aggregate of (i) $2,000,000 in callable convertible secured notes (the "Notes") and (ii) warrants to purchase 10,000,0000 shares of our common stock (the "Warrants"). The Notes carry an interest rate of 6% per annum and a maturity date of July 25, 2009. The notes are convertible into the Company's common shares at fifty percent (50%) (the "Applicable Percentage") of the average of the lowest three (3) trading prices for our shares of common stock during the twenty (20) trading day period prior to conversion. However, the Applicable Percentage shall be increased to (i) 55% in the event that a Registration Statement is filed within thirty days of the closing and (ii) 60% in the event that the Registration Statement becomes effective within one hundred and twenty days from the Closing. In addition, the Company has granted the Investors a security interest in substantially all of its assets and intellectual property as well as registration rights. In connection with the Securities Purchase Agreement, the Company issued to the Investors seven year warrants to purchase 10,000,000 shares of our common stock at an exercise price of $0.30. The Company received an initial funding of $700,000 in gross proceeds (which accounted for $640,000 in net proceeds) on July 26, 2006. The following Investors invested these amounts: AJW Capital Partners, LLC invested $67,900; AJW Offshore, Ltd. invested $413,000; AJW Qualified Partners, LLC invested $210,000; and New Millennium Capital Partners II, LLC invested $9,100. The Company received the second tranche of funding on September 12, 2006, after the filing of the Registration Statement, via the purchase of Notes in the aggregate amount of $600,000 by the Investors.



Plan Of Operation

The Company's plan of operations which seeks to integrate race track design and development operations with a professional racing team and a national driving school network to leverage the popularity and growth of the motor sports industry.

For the next 12 months, the Company anticipates that it will need $2,500,000 to fund event and administrative operations and provide working capital, in addition to funding necessary to acquire and develop race track projects. The Company will seek debt financing to launch any new race track projects and will seek equity funding or a combination of debt/equity financing for operations.

ITEM 3. CONTROLS AND PROCEDURES

(A) Evaluation Of Disclosure Controls And Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's Interim Principal Executive Officer/Interim Principal Accounting Officer (one person) of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide a reasonable level of assurance of achieving the Company's disclosure control objectives. The Company's Interim Principal Executive Officer/Interim Principal Accounting Officer have concluded that the Company's disclosure controls and procedures are, in fact, adequate and effective to ensure that material information relating to the Company that is required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Commission rules and accumulated and communicated to the Company's management, including its Interim Principal Executive Officer/Interim Principal Accounting Officer, to allow timely decisions regarding required disclosure

(B) Changes In Internal Controls Over Financial Reporting

In connection with the evaluation of the Company's internal controls during the Company's fiscal quarter ended September 30, 2006, the Company's Interim Principal Executive Officer/Interim Principal Accounting Officer have determined that there are no changes to the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially effect, the Company's internal controls over financial reporting.



PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the nine months ended September 30, 2006, the Company issued a total of 21,200,000 shares of restricted common to various entities as compensation for consulting services. All the shares issued were valued at market prices on the date of issuance.

On July 25, 2006, the Company entered into a Securities Purchase Agreement with the Investors. Under the terms of the Securities Purchase Agreement, the Investors purchased an aggregate of (i) $2,000,000 in Notes and (ii) 10,000,0000 Warrants. The Notes carry an interest rate of 6% per annum and a maturity date of July 25, 2009. The notes are convertible into the Company's common shares at the Applicable Percentage of the average of the lowest three (3) trading prices for our shares of common stock during the twenty (20) trading day period prior to conversion. However, the Applicable Percentage shall be increased to (i) 55% in the event that a Registration Statement is filed within thirty days of the closing and (ii) 60% in the event that the Registration Statement becomes effective within one hundred and twenty days from the Closing. In addition, the Company has granted the Investors a security interest in substantially all of its assets and intellectual property as well as registration rights. In connection with the Securities Purchase Agreement, the Company issued to the Investors seven year warrants to purchase 10,000,000 shares of our common stock at an exercise price of $0.30. The Company received an initial funding of $700,000 in gross proceeds (which accounted for $640,000 in net proceeds) on July 26, 2006. The following Investors invested these amounts: AJW Capital Partners, LLC invested $67,900; AJW Offshore, Ltd. invested $413,000; AJW Qualified Partners, LLC invested $210,000; and New Millennium Capital Partners II, LLC invested $9,100. The Company received the second tranche of funding on September 12, 2006, after the filing of the Registration Statement, via the purchase of Notes in the aggregate amount of $600,000 by the Investors.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

| Exhibit Number | Title of Document | Location |
|---|---|---|
| 3.2 | Certificate of Designation of the Series A Convertible Preferred Stock of American Racing Capital, Inc. | Incorporated by reference as Exhibit 3.2 to Form 8-K filed on December 5, 2005 |
| 10.1 | Share Exchange Agreement, dated October 17, 2005, by and among the Company, American Racing Capital, Inc., and the shareholders of American Racing Capital, Inc. | Incorporated by reference as Exhibit 99.1 to Form 8-K filed on October 17, 2005 |



| Exhibit Number | Title of Document | Location |
|---|---|---|
| 10.2 | Share Exchange Agreement, dated October 18, 2005, by and among the Company, ARC Development Corporation, and the shareholders of ARC Development Corporation | Incorporated by reference as Exhibit 99.1 to Form 8-K filed on October 19, 2005 |
| 10.3 | Securities Purchase Agreement dated July 25, 2006, by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC | Incorporated by reference as Exhibit 4.1 to Form 8-K filed on August 4, 2006 |
| 10.4 | Form of Callable Convertible Secured Note by and among New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC | Incorporated by reference as Exhibit 4.2 to Form 8-K filed on August 4, 2006 |
| 10.5 | Form of Stock Purchase Warrant issued to New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC | Incorporated by reference as Exhibit 4.3 to Form 8-K filed on August 4, 2006 |
| 10.6 | Registration Rights Agreement dated July 25, 2006 by and among New Millennium Capital Partners II, LLC, | Incorporated by reference as Exhibit 4.4 to Form 8-K filed on |

| | | |
|---|---|---|
| | AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC | August 4, 2006 |
| 10.7 | Security Agreement dated July 25, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC | Incorporated by reference as Exhibit 4.5 to Form 8-K filed on August 4, 2006 |
| 10.8 | Intellectual Property Security Agreement dated July 25, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC | Incorporated by reference as Exhibit 4.6 to Form 8-K filed on August 4, 2006 |
| 10.9 | Employment Agreement, dated as of September 8, 2006, by and between the Company and D. Davy Jones | Incorporated by reference as Exhibit 10.2 to the Registration Statement on Form SB-2 filed on September 11, 2006 |
| 10.10 | Employment Agreement, dated as of September 8, 2006, by and between the Company and A. Robert Koveleski | Incorporated by reference as Exhibit 10.3 to the Registration Statement on Form SB-2 filed on September 11, 2006 |
| 10.11 | Consulting Agreement, dated as of May 15, 2006, by and between the Company and Earl Ingarfield | Provided herewith |
| 10.12 | Agreement, dated July 24, 2006, by and between the Company and LJ&J Enterprises of Tennessee, Inc. | Provided herewith |
| 31.1 | Certification by Interim President and Chief Executive Officer/Interim Principal Accounting Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Provided herewith |



| Exhibit Number | Title of Document | Location |
|---|---|---|
| 32.1 | Certification by Interim President and Chief Executive Officer/ Interim Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Provided herewith |

SIGNATURES

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

November 14, 2006 AMERICAN RACING CAPITAL, INC.

By: /s/ A. Robert Koveleski

A. Robert Koveleski
Interim President and Chief Executive Officer,
Interim Principal Accounting Officer and
Secretary