American Racing Capital, Inc.
Form 10QSB
August 14, 2007

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 JUNE 30, 2007

Commission File Number 0-29057

o **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.)
P.O. Box 22002 **San Diego, California**	**92192**
(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 o No x

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

Yes o No x

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. o Yes o 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 JUNE 30, 2007 - 33,875,398 SHARES OF THE ISSUER'S COMMON STOCK, $0.001 PAR VALUE PER SHARE.**

Transitional Small Business Disclosure Format: Yes o 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”) 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 termino 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
JUNE 30, 2007
(Unaudited)

ASSETS

CURRENT ASSETS		
Cash	$	262,889
Prepaid expenses		6,127
Accounts receivable		5,828
Total Current Assets		274,844
PROPERTY AND EQUIPMENT, net		16,456
OTHER ASSETS		
Goodwill		2,262,589
TOTAL ASSETS	$	2,553,889

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	1,809,724
Convertible debt payable, net		800,622
Interest payable on convertible debt		48,993
Total Current Liabilities		2,659,339
TOTAL LIABILITIES		2,659,339
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock 10,000,000 shares authorized at $0.001 par value; 1,000,000 shares issued and outstanding		1,000
Common stock 500,000,000 shares authorized at $0.001 par value; 33,875,398 shares issued and outstanding		33,875
Additional paid in capital		10,315,334
Accumulated deficit		(10,455,659)
Total Stockholders' Equity (Deficit)		(105,450)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$	2,553,889

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 JUNE 30, 2007 AND 2006
(Unaudited)

	June 30, 2007	June 30, 2006
SALES	$ -	$ 15,367
COST OF SALES	-	-
Gross Profit	-	15,367
EXPENSES		
Consulting and professional fees	4,309,450	200
Administrative	1	33,541
TOTAL EXPENSES	4,309,451	33,741
Loss from operations	(4,309,451)	(18,374)
OTHER INCOME (EXPENSE)		
Interest expense	(233,942)	-
Equity loss	(1,700)	-
TOTAL OTHER (EXPENSE)	(235,642)	-
Net loss	$ (4,545,093)	$ (18,374)
NET LOSS PER COMMON SHARE		
Basic and diluted	$ (0.14)	$ (0.00)
WEIGHTED AVERAGE OUTSTANDING SHARES		
Basic and diluted	32,004,398	4,991,398

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

AMERICAN RACING CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(Unaudited)

	June 30, 2007	June 30, 2006
SALES	$ -	$ 16,247
COST OF SALES	-	-
Gross Profit	-	16,247
EXPENSES		
Consulting and professional fees	4,688,086	1,763
Administrative	70,690	57,978
TOTAL EXPENSES	4,758,776	59,741
Loss from operations	(4,758,776)	(43,494)
OTHER INCOME (EXPENSE)		
Interest expense	(332,275)	-
Equity loss	(2,613)	-
TOTAL OTHER (EXPENSE)	(334,888)	-
Loss - before discontinued operations	(5,093,664)	(43,494)
Discontinued operations	-	-
Net loss	$ (5,093,664)	$ (43,494)
NET LOSS PER COMMON SHARE		
Basic and diluted	$ (0.17)	$ (0.01)
WEIGHTED AVERAGE OUTSTANDING SHARES		
Basic and diluted	30,133,398	4,991,398

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

AMERICAN RACING CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(Unaudited)

	June 30, 2007	June 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (5,093,662)	$ (43,494)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	-	788
Amortization of discount on convertible debt	147,844	-
Common stock and warrants issued for services	4,943,197	-
Equity loss	2,613	
Changes in operating assets and liabilities		
Accounts receivable	-	-
Prepaid expenses	-	-
Accounts payable and accrued expenses	(118,820)	45,000
Net cash used in operating activities	(118,828)	2,294
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in subsidiary	(250,000)	-
Net cash used in investing activities	(250,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Payments on notes payable-related parties	-	(2,100)
Cash in consolidated subsidiary	108,354	-
Proceeds from notes payable	500,000	-
Payments on notes payable	-	-
Net cash provided by financing activities	608,354	(350)
Net Increase (Decrease) in Cash	239,526	194
Cash at Beginning of Period	23,363	379
Cash at End of Period	$ 262,889	$ 573
Supplemental disclosure of cash flow information		
Common stock issued for services	$ 4,943,197	$ -
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
June 30, 2007
(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, 2006 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 June 30, 2007 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 six months ended June 30, 2007.

4. SIGNIFICANT EVENTS

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. Pursuant to the Securities Purchase Agreement, the Company must file a registration statement with the U.S. Securities and Exchange Commission within forty-five (45) days of the execution of the Securities Purchase Agreement. 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 $147,844 during the six months ended June 30, 2007.

On June 10, 2007, the Company entered into a Securities Purchase Agreement. Under the terms of the Securities Purchase Agreement, the Investors purchased an aggregate of (i) $500,000 in callable convertible secured notes (the "Notes") and (ii) warrants to purchase 1,100,000 shares of the Company's Common Stock (the "Warrants") at an exercise price of $0.50. The Notes carry an interest rate of 12% per annum and a maturity date of December 11, 2007.

A summary of the convertible debt as of June 30, 2007 is as follows:

Convertible Debt Payable	$	1,500,000
Discount		(1,009,937)
Net	$	490,063

On November 21, 2006, the Company entered into a Shareholders' Agreement whereby it acquired 51% of the outstanding shares of Motorsports & Entertainment of Tennessee, Inc., a Nevada corporation. ('MET") MET in turn holds a 40% interest in LJ&J Enterprises of Tennessee, Inc., a Tennessee corporation. ("LJJ) In June 2007, the Company exercised its right to acquire up to 80% of LJJ upon payment of $700,000 by the paying the balance due of $250,000. The investment is recorded using the equity method of accounting. The Company recorded a loss of $2,613 for the six months ended June 30, 2007 for the investment.

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, 2006. 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

American Racing Capital, Inc. (the "Company") was incorporated under the laws of the State of Nevada on September 8, 1998 as Mega Health Corporation. On June 23, 1999, the name of the corporation was changed to Altrimega Health Corporation ("Altrimega"). On July 25, 2002, the Company entered into a non-binding letter of intent with Creative Holdings, Inc., a South Carolina corporation "Creative Holdings". Pursuant to that Letter of Intent and upon the consummation of a definitive agreement, Altrimega was to acquire Creative Holdings. A Merger Agreement "the Merger Agreement" was executed on August 15, 2002, between the Company, Altrimega Acquisition Company, a Nevada corporation, Creative Holdings and the shareholders of Creative Holdings. On September 2, 2002, the Company, Creative Holdings and the shareholders of Creative Holdings, Inc. amended the Merger Agreement and restructured the merger into a stock exchange transaction, whereby Creative Holdings would become a wholly-owned subsidiary of the Company. The share exchange was completed on October 17, 2002, at which time, Creative Holdings became a wholly owned subsidiary of the Company.

Pursuant to the agreement (effective retroactively as of August 15, 2002), by and among the Company, Creative Holdings and the shareholders of Creative Holdings, the shareholders exchanged with and delivered to the Company 100% of the issued and outstanding capital stock of Creative Holdings in exchange for 20,000,000 shares of common stock of the Company and 1,000,000 shares of Series A Convertible Preferred Stock of the Company. Each share of Series A Convertible Preferred Stock was convertible into 300 shares of common stock of the Company. Between December 21, 2004 and January 5, 2005, the Company entered into releases with each holder of the Company's 1,000,000 shares of Series A Preferred Stock, which resulted in the cancellation of all of the Company's outstanding shares of Series A Preferred Stock.

On October 17, 2005, 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. 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. 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.

As a result of the above described ARCI and ARCD share exchange transactions, in October 2005, the Company adopted a new strategy 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.

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 October 27, 2006, the Company entered in a Settlement Agreement and General Release with D. Davy Jones whereby it returned the shares of its former subsidiaries FastOne, Inc. and Davy Jones Motorsports, Inc. to Mr. Jones for 1,500,000 shares of its common stock and 1,000,000 shares of its preferred stock. As additional consideration for termination of his employment contract, the Company agreed to pay Mr. Jones $240,000 over 24 months. The Company is currently in litigation with Mr. Jones regarding the payments due under the Settlement Agreement.

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.

All intercompany transactions have been eliminated.

Results Of Operations

For The Three Months Ended June 30, 2007 Compared To The Three Months Period Ended June 30, 2006

Revenues

Revenue from continuing operations for the three months ended June 30, 2007, was $-0- as compared to $15,367 in revenues for the comparable period ended June 30, 2006. The Company disposed of its ownership of Davy Jones Motorsports, Inc. and Fast One, Inc. on October 1, 2006. The Company accounts for its investment in LJ&J under the equity method of accounting accordingly no revenues are recognized in the financial statements. Beginning with July 1, 2007 the Company will consolidate its operations with LJ&J.

Operating expenses. Operating expenses from continuing operations for the three months ended June 30, 2007 were $4,309,450, as compared to $33,741, for the three months ended June 30, 2006 an increase of $4,275,710 or 127%. Their increase is primarily attributable to the Company issued shares of its common stock for services. Operating expenses for the three months ended June 30, 2007 consisted of $4,309,450 in consulting and professional fees paid in connection with acquisitions being considered.

Net (loss). The Company had a net loss of $4,545,093 for the three months ended June 30, 2007, as compared to a net loss of $18,374 for the three months ended June 30, 2006 an increase of $4,526,719 or 246%. The increased loss of was primarily attributable to the value of the shares of common stock and warrants issued to consultants valued at $4,118,800.

For The Six Months Ended June 30, 2007 Compared To The Six Months Period Ended June 30, 2006

Revenues

Revenue from continuing operations for the six months ended June 30, 2007, was $-0- compared to $16,247 in revenues for the comparable period ended June 30, 2006. The Company disposed of its ownership of Davy Jones Motorsports, Inc. and Fast One, Inc. on October 1, 2006. The Company accounts for its investment in LJ&J under the equity method of accounting accordingly no revenues are recognized in the financial statements. Beginning with July 1, 2007 the Company will consolidate its operations with LJ&J.

Operating expenses. Operating expenses from continuing operations for the six months ended June 30, 2007 were $4,688,086, as compared to $59,741, for the six months ended June 30, 2006 an increase of $4,628,345 or 787%. This increase is primarily attributable to the Company issuing shares of its common stock for services. Operating expenses for the six months ended June 30, 2007 consisted of $4,688,086 in consulting and professional fees paid in connection with acquisitions being considered and $70,690 in general and administrative expense as compared to $1,763 and $57,978, respectively, in the comparable period ended June 30, 2006.

Net (loss). The Company had a net loss of $5,093,664 for the six months ended June 30, 2007, as compared to a net loss of $43,494 for the six months ended June 30, 2006 an increase of $5,050,170 or 1,1161%. The increased loss of $4,545,093 was primarily attributable to the value of the shares of common stock and warrants issued to consultants valued at $4,484,800.

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 $5,093,664 for the six months ended June 30, 2007, and have an accumulated deficit of $10,455,659 at June 30, 2007. As of June 30, 2007, we had current assets of $274,844 and current liabilities of $2,659,339 resulting in a working capital deficit of $2,384,495.

For the six months ended June 30, 2007, the Company used net cash in its operations of $118,828, $250,000 cash was used in investing activities to complete the acquisition of LJ&J and $500,000 cash was provided by financing activities through the issuance of convertible debt.

Included in our liabilities, is $1,000,000 in convertible debt net of the discount for the beneficial conversion feature. Notes payable to related parties of $56,664 are also included in our liabilities. 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.

On June 10, 2007, the Company entered into a Securities Purchase Agreement. Under the terms of the Securities Purchase Agreement, the Investors purchased an aggregate of (i) $500,000 in callable convertible secured notes (the "Notes") and (ii) warrants to purchase 1,100,000 shares of the Company's Common Stock (the "Warrants") at an exercise price of $0.50. The Notes carry an interest rate of 12% per annum and a maturity date of December 11, 2007.

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.

RISK FACTORS

Risks Related To Our Business

We are subject to various risks that may materially harm our business, financial condition and results of operations. You should carefully consider the risks and uncertainties described below and the other information in this filing before deciding to purchase our common stock. If any of these risks or uncertainties actually occurs, our business, financial condition or operating results could be materially harmed. In that case, the trading price of our common stock could decline.

We Have Historically Lost Money And Losses May Continue In The Future, And This May Adversely Impact Our Business.

Since our inception, through June 30, 2007 we have not been profitable and have lost money on both a cash and non-cash basis. For the six months ended June 30, 2007, we incurred a net loss of $5,093,664. As of June 30, 2007, our accumulated deficit was $10,455,659. Future losses are likely to occur, as we are dependent on spending money to evaluate and pursue motor sports development projects. No assurances can be given that we will be successful in maintaining operations or reaching profitable operations. Accordingly, we may continue to experience liquidity and cash flow problems.

Our Limited Operating History Makes It Difficult Or Impossible To Evaluate Our Performance And Make Predictions About Our Future

Due to our limited operating history, it is difficult to make an evaluation of our future performance can be made. You should be aware of the difficulties normally encountered by motorsports companies similarly situated to us and the high rate of failure of such enterprises. If we do not successfully address the risks facing us, then our future business prospects will be significantly limited and, as a result, the trading price of our common stock would likely decline significantly. You should consider the likelihood of our future success in view of our limited operating history, as well as the complications frequently encountered by other companies in the early stages of development. If we encounter problems, additional costs, difficulties, complications or delays in connection with our motorsports activities, it will have a material adverse effect on its business, results of operations and financial condition, and as a result, we could be forces to cease our business operations.

We Will Need To Raise Additional Capital Or Debt Funding To Sustain Operations, And Our Inability To Obtain Adequate Financing May Result In Us Curtailing or Ceasing Our Business Operations

Unless we can become profitable, we will require additional capital to commence and sustain operations and will need access to additional capital or additional debt financing to grow. In addition, to the extent that we have a working capital deficit and we will need to raise capital to repay the deficit and provide more working capital to permit growth in revenues. We cannot assure you that financing whether from external sources or related parties will be available if needed or on favorable terms. Our inability to obtain adequate financing will result in the need to reduce the pace of implementing our business objectives. Any of these events could be materially harmful to our business, which would force us to curtail or cease our business operations, thus resulting in a lower stock price.

We Have Been The Subject Of A Going Concern Opinion From December 31, 2006 and 2005. From Our Independent Auditors, Which Means That We May Not Be Able To Continue Operations Unless We Can Become Profitable or Obtain Additional Funding

Our independent auditors had added an explanatory paragraph to their audit opinions issued in connection with our financial statements for the year ended December 31, 2006, which stated that the financial statements raise substantial doubt as to our ability to continue as a going concern. Our ability to make operations profitable or obtain additional funding will determine our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty. We will have to raise additional funds to meet our current obligations and to cover operating expenses through the year ending December 31, 2007. If we are not successful in raising additional capital we may not be able to continue as a going concern.

We Are Subject To A Working Capital Deficit, Which Means That Our Current Assets On June 30, 2007 Were Not Sufficient To Satisfy Our Current Liabilities

As of June 30, 2007, we had current assets of $274,844 and current liabilities of $2,659,339 resulting in a working capital deficit of $2,384,495. Current assets are assets that are expected to be converted to cash within one year and, therefore, may be used to pay current liabilities as they become due. Our working capital deficit means that our current assets on June 301, 2007 were not sufficient to satisfy all of our current liabilities on that date. We will have to raise capital or debt to fund the deficit or cease our business operations.

Our Common Stock May Be Affected By Limited Trading Volume And May Fluctuate Significantly, And This May Adversely Affect Your Investment

There has been a limited public market for our common stock and there can be no assurance that a more active trading market for our common stock will develop. An absence of an active trading market could adversely affect our shareholders' ability to sell our common stock in short time periods, or possibly at all. Our common stock has experienced in the past, and is likely to experience in the future, significant price and volume fluctuations, which could adversely affect the market price of our common stock without regard to our operating performance. In addition, we believe that factors such as changes in the overall economy or the condition of the financial markets could cause the price of our common stock to fluctuate substantially. These fluctuations may also cause short sellers to enter the market from time to time in the belief that we will have poor results in the future. We cannot predict the actions of market participants and, therefore, can offer no assurances that the market for our stock will be stable or appreciate over time.

Our Common Stock Is Deemed To Be "Penny Stock," Which May Make It More Difficult For Investors To Sell Their Shares Due To Suitability Requirements

Our common stock is deemed to be "penny stock" as that term is defined in Rule 3a51-1 promulgated under the Securities Exchange Act of 1934, as amended. These requirements may reduce the potential market for our common stock by reducing the number of potential investors. This may make it more difficult for investors in our common stock to sell shares to third parties or to otherwise dispose of them. This could cause our stock price to decline. Penny stocks are stock:

- With a price of less than $5.00 per share;
- That are not traded on a "recognized" national exchange;
- Whose prices are not quoted on the NASDAQ automated quotation system (NASDAQ listed stock must still have a price of not less than $5.00 per share); or

- In issuers with net tangible assets less than $2.0 million (if the issuer has been in continuous operation for at least three years) or $10.0 million (if in continuous operation for less than three years), or with average revenues of less than $6.0 million for the last three years.

Broker/dealers dealing in penny stocks are required to provide potential investors with a document disclosing the risks of penny stocks. Moreover, broker/dealers are required to determine whether an investment in a penny stock is a suitable investment for a prospective investor.

Additional Financing May Potentially Dilute The Value Of Our Stockholders' Shares

We will need to raise additional capital to fund our anticipated future expansion and implement our business plan. Any additional financing may also involve dilution to our then-existing stockholders, which could result in a decrease in the price of our common stock.

We Depend On Key Personnel And Our Failure To Attract Or Retain Key Personnel Could Harm Our Business

Our success largely depends on the efforts and abilities of our key executive and consultants, including A. Robert Koveleski, our President and Chief Executive Officer, and consultant, Steve B. Pinson, consultant dba Pinson LLC. The loss of the services of Messrs. Pinson and Koveleski could materially harm our business because of the cost and time necessary to replace and train a replacement. Such a loss would also divert management attention away from operational issues.

New Business Ventures Or Acquisitions That We May Undertake Would Involve A Number Of Inherent Risks, Any Of Which Could Cause Us Not To Realize The Benefits Anticipated To Result.

We continually seek to expand our operations through acquisitions of businesses and assets. These transactions involve various inherent risks, such as:

- uncertainties in assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition or other transaction candidates;
- the potential loss of key personnel of an acquired business;
- the ability to achieve identified operating and financial synergies anticipated to result from an acquisition or other transaction;
- problems that could arise from the integration of the acquired or new business;
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition or other transaction rationale; and
- unexpected development costs that adversely affect our profitability.

Any one or more of these factors could cause us not to realize the benefits anticipated to result from the acquisition of businesses or assets or the commencement of a new business venture.

We Are Subject To New Corporate Governance And Internal Controls Reporting Requirements, And Our Costs Related To Compliance With, Or Our Failure To Comply With Existing And Future Requirements Could Adversely Affect Our Business.

We face new corporate governance requirements under the Sarbanes-Oxley Act of 2002, as well as new rules and regulations subsequently adopted by the SEC. These laws, rules and regulations continue to evolve and may become increasingly stringent in the future. In particular, we will be required to include management and auditor reports on internal controls as part of our annual report for the year ended December 31, 2006 pursuant to Section 404 of the Sarbanes-Oxley Act. We cannot assure you that we will be able to fully comply with these laws, rules and regulations that address corporate governance, internal control reporting and similar matters. Failure to comply with these laws, rules and regulations could materially adversely affect our reputation, financial condition and the value of our securities.

Our Success Will Depend Partly On Our Ability To Operate Without Infringing On Or Misappropriating The Proprietary Rights Of Others.

We may be sued for infringing on the intellectual property rights or misappropriating the proprietary rights of others. Intellectual property litigation is costly, and, even if we prevail, the cost of such litigation could adversely affect our business, financial condition and results of operations. In addition, litigation is time consuming and could divert management attention and resources away from our business. If we do not prevail in any litigation, we could be required to stop the infringing activity and/or pay substantial damages. Under some circumstances in the United States, these damages could be triple the actual damages the patent holder incurs. If we have supplied infringing products to third parties for marketing or licensed third parties to manufacture, use or market infringing products, we may be obligated to indemnify these third parties for any damages they may be required to pay to the patent holder and for any losses the third parties may sustain themselves as the result of lost sales or damages paid to the patent holder.

If a third party holding intellectual property rights successfully asserts an infringement claim with respect to any of our products, we may be prevented from manufacturing or marketing our infringing product in the country or countries covered by the patent we infringe, unless we can obtain a license from the patent holder. Any required license may not be available to us on acceptable terms, or at all. Some licenses may be non-exclusive, and therefore, our competitors may have access to the same technology licensed to us. If we fail to obtain a required license or are unable to design around a patent, we may be unable to market some of our anticipated products, which could have a material adverse effect on our business, financial condition and results of operations.

Shareholders Must Rely On Management For The Operation Of The Company.

All decisions with respect to the operation of ANRC and development, production and marketing of our products and services, will be made exclusively by management. Our success will, to a large extent, depend on the quality of the management of the Company. In particular, we will depend on the services of our board members and officers. Management believes that these individuals have the necessary business experience to supervise the management of the company and production and commercial exploitation of our products, however, there can be no assurance that they will perform adequately or that our operations will be successful. Shareholders will have no right or power to take part in the management of the company, for the most part, except to the extent of voting for the members of the Board of Directors each year. Accordingly, no person should purchase any of the stock offered hereby unless such prospective purchaser is willing to entrust all aspects of the management of the company to management and has evaluated management’s capabilities to perform such functions.

We May Issue Additional Preferred Stock In The Future, And The Terms Of The Preferred Stock May Reduce The Value Of Your Common Stock.

We are authorized to issue up to 10,000,000 shares of preferred stock in one or more series. Our Board of Directors will be able to determine the terms of preferred stock without further action by our stockholders. We have designated 2,000,000 shares of preferred stock as Series A Convertible Preferred Stock which is convertible into 300 shares of common stock, 1,000,000 of which were issued to management and are outstanding as of June 30, 2007. To the extent we issue preferred stock, it could affect your rights or reduce the value of your common stock. In particular, specific rights granted to future holders of preferred stock could be used to restrict our ability to merge with or sell our assets to a third party. These terms may include voting rights, and may include preferences as to dividends and liquidation, conversion and redemption rights, and sinking fund provisions.

We Have Not, And Currently Do Not Anticipate, Paying Dividends On Our Common Stock.

We have never paid any dividend on our common stock and do not plan to pay dividends on our common stock for the foreseeable future. We currently intend to retain future earnings, if any, to finance operations, capital expenditures and to expand our business.

There Is A Limited Market For Our Common Stock Which Makes It Difficult For Investors To Engage In Transactions In Our Securities.

Our common stock is quoted on the Over the Counter Bulletin Board under the symbol “ANRC.”

There is a limited trading market for our common stock. If public trading of our common stock does not increase, a liquid market will not develop for our common stock. The potential effects of this include difficulties for the holders of our common shares to sell our common stock at prices they find attractive. If liquidity in the market for our common stock does not increase, investors in our company may never realize a profit on their investment.

Our Stock Is Thinly Traded, Which Can Lead To Price Volatility And Difficulty Liquidating Your Investment.

The trading volume of our stock has been low, which can cause the trading price of our stock to change substantially in response to relatively small orders. In addition, during the last two fiscal years and interim quarters, our common stock has traded pre-split as low as $0.11 and as high as $12.00, and post-split as low as $0.18 and as high as $0.60. Both volume and price could also be subject to wide fluctuations in response to various factors, many of which are beyond our control, including actual or anticipated variations in quarterly and annual operating results and general market perception. An absence of an active trading market could adversely affect our shareholders' ability to sell our common stock in short time periods, or possibly at all. In addition, we believe that factors such as changes in the overall economy or the condition of the financial markets could cause the price of our common stock to fluctuate substantially. These fluctuations may also cause short sellers to enter the market from time to time in the belief that we will have poor results in the future. We cannot predict the actions of market participants and, therefore, can offer no assurances that the market for our stock will be stable or appreciate over time.

A Sale Of A Substantial Number Of Shares Of Our Common Stock May Cause The Price Of Our Common Stock To Decline.

If our shareholders sell substantial amounts of our common stock in the public market, including shares issued upon the exercise of outstanding options or warrants, the market price of our common stock could fall. These sales also may make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

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 Principal Executive Officer/Interim Principal Accounting Officer 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 Principal Executive Officer/Interim Principal Accounting Officer has 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 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 March 31, 2007, the Company's Principal Executive Officer/Interim Principal Accounting Officer has 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

On March 29, 2007, D.Davy Jones ("Jones") filed a complaint against the Company in the Ninth Judicial District of the State of Nevada in Douglas County (the "Complaint"). In the Complaint, Jones' alleges that the Company has failed to fulfill its payment obligations under that certain Settlement Agreement and General Release, dated October 27, 2006, between Jones and the Company. Jones' claims for relief include breach of contract, breach of implied covenant of good faith, quantum merit, and attorney's fees and Jones seeks damages in excess of $10,000. To date, the Company has not filed a response. The Company is actively involved in settlement discussions with Davy Jones.

Item 2. RECENT SALES OF UNREGISTERED Securities

None.

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

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
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, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.4 to Form 8-K filed on 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

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Exhibit Number	Title of Document	Location
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
31.1	Certification by Chief Executive Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Provided herewith
31.2	Certification by 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
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Provided herewith
32.2	Certification by 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.

August 14, 2007

AMERICAN RACING CAPITAL, INC.

By: */s/ A. Robert Koveleski*

A. Robert Koveleski
President, Chief Executive Officer, and Director

By: */s/ A. Robert Koveleski*

A. Robert Koveleski
Interim Principal Accounting Officer and Secretary

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