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AMERICAN CAPITAL HOLDINGS INC
Form 10KSB/A
April 29, 2005

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

AMENDMENT NO.1 TO
FORM 10-KSB/A

[X] ANNUAL REPORT UNDER OR OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended May 31, 2004

[] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-50776

American Capital Holdings, Inc.

(Name of small business issuer in its charter)

Florida

(State or other jurisdiction of incorporation or organization)

65-0895564

(I.R.S. Employer Identification No.)

100 Village Square Crossing, Suite 202
Palm Beach Gardens, FL

(Address of principal executive offices)

33410

(Zip Code)

Issuer's telephone number, including area code: (561) 207-6395

Securities registered under Section 12(b) of the Exchange Act:

Title of each class Name of each exchange on which registered

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

Common Stock, par value \$.0001 per share

(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section
or of the Exchange Act during the past 12 months (or for such shorter period

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that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [] Yes [X] No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB/A or any amendment to this Form 10-KSB/A. [X]

Registrant's revenues for its most recent fiscal year: \$0.

Aggregate market value of Registrant's voting and non-voting common equity held by non-affiliates: Currently no trading market

Shares of Registrant's common stock outstanding as of May 31, 2004:
15,723,903

Transitional Small Business Disclosure Format (Check one): Yes ____; No X

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MAY 31, 2004

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PART I

ITEM 1. DESCRIPTION OF BUSINESS.

History

American Capital Holdings, Inc. ("the Company") originated through a series of transactions and restructurings from US Amateur Sports Company, one of ten wholly-owned subsidiaries of eCom eCom.com ("eCom"), an internet-based e-commerce company with businesses ranging from sports memorabilia and equipment to data compression technology. eCom eCom.com trades on the OTC/Bulletin Board

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under the symbol 'ECEC.'

eCom incorporated in the State of Florida on June 14, 1994 as US Amateur Sports, Inc., but on December 17, 1998, eCom's directors voted to change the name from US Amateur Sports, Inc. to eCom eCom.com, Inc. in the belief that the proposed name more accurately reflected the nature of the core business-- electronic commerce. At a Special Meeting of Shareholders held on January 25, 1999, the shareholders approved an amendment to Articles of Incorporation of US Amateur Sports Company in order to adopt the new name. At that time, a current report on Form 8-K was filed with the Securities and Exchange Commission, and the name change became effective on January 27, 1999.

Throughout these transactions and restructurings, and as the market's infatuation with dot-coms began to wane, eCom began to lose market capitalization. From the historical high share price of \$21.50 in April 1999, shares saw a rapid decline to a low of \$.01 in February 2003. eCom concluded that it did not have the financial resources necessary to develop all ten of its business units collectively, so in an effort to preserve and restore shareholder value, eCom decided to spin off the ten subsidiaries into independent companies. The rationale behind this move was that each independent company would be better suited to obtain their own funding, and to develop and execute their distinct business plans. eCom would then be able to develop and streamline its business plan as well. This belief was based in part on eCom's experience with potential business partners who sought involvement with only one operating segment of eCom's multi-faceted business.

On December 1, 2003, eCom's Board of Directors approved the spin-off, and USA SportsNet, Inc. emerged as an independent company, and subsequently changed its name to American Capital Holdings, Inc. ("the Company"), in anticipation of making a certain acquisition. After the spin-off, the Company was presented with an opportunity to acquire certain assets of a company then known as American Capital Holdings, Inc., now known and referred to as ACHI. On January 12, 2004, the Company entered into an Asset Purchase Agreement with ACHI whereby the Company agreed to acquire certain assets of ACHI in return for 95% of the total stock ownership of the Company. In order to accomplish this transaction, the Company effected a 20-to-1 reverse stock split, which reduced its outstanding shares to 2,497,756 shares, and agreed to issue ACHI 49,995,112 shares. ACHI agreed to accept the issuance of 13,561,804 at closing, and assigned the right to receive these shares to its principle, Barnard A. Richmond, who is now the President of the Company. The remaining 36,393,308 shares were reserved for issuance by the Company in connection with future acquisitions and financing.

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The Spin Off. On December 1, 2003, the Board of Directors of eCom approved the spin-off of the Company. They voted to issue to the shareholders of eCom one share of the Company for every one share of eCom owned as of the record date of January 5, 2004. Fractional shares are to be purchased by the Company. No payment will be required of the eCom shareholders.

Pursuant to Staff Legal Bulletin No. 4 issued September 16, 1997, the SEC has addressed the Division of Corporation Finance's views regarding whether the registration requirements of Section 5 of the Securities Act of 1933 applies to spin-offs. The Division has taken the view that the subsidiary does not have to register a spin-off under the Securities Act when it meets certain requirements.

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1. The parent company's shareholders do not provide consideration for the spun-off shares;
2. The spin-off is pro-rata to the parent company's shareholders;
3. The parent company provides adequate information about the spin-off and the subsidiary to its shareholders and to the trading markets;
4. The parent company has a valid business purpose for the spin-off; and
5. If the parent company spins-off "restricted securities," it has held those securities for at least two years.

The Company believes that the spin-off of ACH shares to the shareholders of eCom meets the above requirements and does not have to register the spin-off company under the Securities Act. As a result, the common shares to be issued pursuant to the spin-off company may be issued without restriction except for affiliates of eCom.

Assets Acquired from American Capital Holdings, Inc. The assets acquired from ACHI consist primarily of approximately \$10.8 million of investment interests in ten developing companies (described below), approximately \$5.3 million of restricted securities, approximately \$233,000 of marketable securities, approximately \$100,000 in cash, and proprietary investment programs known as Energy Tax Incentive Preferred Securities ("ETIPS") and Guaranteed Principal Insured Convertible Securities ("GPICS") which ACHI had developed. See the American Capital Holdings balance sheet included in the Financial Statements section of this report.

Acquisition of Spaulding. On December 30, 2003, prior to the Company's acquisition from ACHI, ACHI entered into a letter agreement with Spaulding Ventures, LLC, pursuant to which ACHI agreed to acquire all of Spaulding's assets in return for 2,093,351 shares of ACHI common stock, plus warrants to purchase a total of 209,335 additional shares of ACHI common stock at a purchase price of \$6.00 per share. As part of its acquisition from ACHI of the assets ACHI acquired from Spaulding, the Company has agreed to replace the shares and warrants issued by ACHI with shares and warrants of the Company. In order to facilitate the distribution of these securities by Spaulding to its shareholders, the Company intends file a Registration Statement with the Securities and Exchange Commission registering the distribution to Spaulding's shareholders of both the acquisition shares and the shares to be issued upon exercise of the warrants. American Capital has closed out the operations of Spaulding Ventures.

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Assets Acquired from Spaulding. The assets acquired by ACHI from Spaulding, and subsequently acquired by the Company from ACHI, consist primarily of equity ownership positions in ten developing companies. The companies included; Smart Pill Holding Corp., Brilliant Roadways, Inc., @Visory, LLC., eSmokes, Inc., Efficien, Inc., IS Direct Agency, Inc., Solid Imaging, Ltd., Century Aerospace Corporation., Traffic Engine, Inc. and Metroflex, Inc. (See Financial Statement Footnote E)

Activity Since May 31, 2004. Since May 31, 2004, the Company's plan of operation has changed significantly. The Company is currently focused on providing provide balance sheet funding options for unfunded government and private sector pension plan liability. For a current description of the Company's plan of operation, see "Description of Business" in the Company's Amended and Restated Registration Statement on Form 10SB, as filed with the Securities and Exchange Commission on January 11, 2005.

Employees. The Company currently has seven employees, none of which are full time employees, since they all also provide services to affiliated companies.

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RISK FACTORS

The risk factors discussed below could cause our actual results to differ materially from those expressed in any forward-looking statements. See "Forward-Looking Statements." Although we have attempted to list comprehensively these important factors, we caution you that other factors may in the future prove to be important in affecting our results of operations. New factors emerge from time to time and it is not possible for us to predict all of these factors, nor can we 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 statement.

The risks described below set forth what we believe to be the most material risks associated with the purchase of our common stock. Before you invest in our common stock, you should carefully consider these risk factors, as well as the other information contained in this prospectus.

LACK OF OPERATING HISTORY. To date, we have been participating exclusively in activities associated with the start-up of the Company, including structuring the Company, acquiring assets, negotiating the acquisition of the insurance subsidiaries needed to sell our products, obtaining the required licenses for our intended insurance subsidiaries, and formulating our marketing strategies. We have not yet commenced operations, and thusly have had no significant revenues since inception. Until our pending acquisitions of Universe Life and Cosmopolitan Life are completed, and until they are capitalized sufficiently to obtain the insurance licenses needed to underwrite our products, we will use the services of third-party insurance carriers in connection with any sales of our products, which will reduce our net revenues. We have not yet realized revenues from sale of our products, and have incurred a net loss of \$(4,638,264) since inception, of which \$(3,023,199) are asset write-downs.

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We expect our acquisition of Cosmopolitan Life to be completed by May 31, 2005, and some of the proceeds of this offering are designated for additional expansion capitalization of those subsidiaries. We intend to begin sales of our products within 60 days, regardless of the status of this offering, but do not expect significant net revenues until after our acquisitions Cosmopolitan Life is complete.

SPECULATIVE NATURE OF THE COMPANY'S PROPOSED OPERATIONS. The success of our proposed plan of operation will depend primarily on our ability to sell the proprietary products we have created. There can be no assurance that we will be successful in these efforts.

WE WILL FACE INTENSE COMPETITION. We are and will continue to be only one participant in the business of selling life insurance backed financial products. Although we have applied for a patent on our product addressing Statement 45, we will face competition from companies who may offer a similar product that have greater financial resources, broader arrays of products, higher ratings and stronger financial performance, which may impair our ability to retain existing customers, attract new customers and maintain our profitability and financial strength. We operate in a highly competitive industry. Many of our competitors are substantially larger and enjoy substantially greater financial resources, broader and more diversified product lines and more widespread agency relationships. Our products can be expected to face competition with products sold by other insurance companies, financial intermediaries and other institutions based on a number of factors, including

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premium rates, policy terms and conditions, service provided to distribution channels and policyholders, ratings by rating agencies, reputation and commission structures.

THERE ARE NUMEROUS CONFLICTS OF INTEREST THAT MAY ARISE BETWEEN AMERICAN CAPITAL HOLDINGS AND ITS OFFICERS AND DIRECTORS. Because some of our directors are in the business of providing services to the insurance industry, they could encounter conflicts of interest from time to time between the interests of the Company and the interests of their clients. Douglas Sizemore provides consulting services to various insurance companies. Norman E. Taplin is an attorney specializing in insurance regulatory matters. Michael Camilleri owns an actuarial firm which provides services to various insurance entities. Resulting conflicts of interest will be resolved through exercise of such judgment as is consistent with the fiduciary duties of management to the Company.

NO PUBLIC MARKET CURRENTLY EXISTS. Although we intend to apply for listing of our Common Stock on the American Stock Exchange, there is currently no public market for the Company's common stock. There can be no assurance, however, that a market will in fact develop, or that a shareholder ever will be able to sell his shares without considerable delay. If a market should develop, the price may be highly volatile. Factors such as those discussed in this "Risk Factors" section may have a significant impact upon the market price of the Company's stock.

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WE WILL REQUIRE ADDITIONAL CAPITAL. We have not yet begun sales of our products, and will therefore require additional capital to sustain us until sales begin and we are able to receive revenues from those sales. We may also require additional capital in the future to sustain growth and achieve favorable ratings. The required capital may not be available when needed or may be available only on unfavorable terms. Our long-term strategic capital requirements will depend on many factors including the accumulated statutory earnings of our life subsidiary and the relationship between the statutory capital and surplus of our life subsidiary and (i) the rate of growth in sales of our products; and (ii) the levels of credit risk and/or interest rate risk in our invested assets. To support long-term capital requirements, we may need to increase or maintain the statutory capital and surplus of our life subsidiary through additional financings, which could include debt, equity, financial reinsurance and/or other surplus relief transactions. Such financings, if available at all, may be available only on terms that are not favorable to us. In the case of additional equity offerings, dilution to our shareholders could result, and/or such securities may have rights, preferences and privileges that are senior to those of our common stock. In the case of debt offerings or placements, the holders of the debt will have rights preferences and privileges that are senior to those of our common stock. If we cannot maintain adequate capital, we may be required to limit growth, and such action could adversely affect our business, financial condition and results of operations.

CHANGES IN STATE AND FEDERAL REGULATION MAY AFFECT OUR PROFITABILITY. We are subject to regulation under applicable insurance statutes, including insurance holding company statutes, in the various states in which our current and intended life subsidiaries write insurance. Insurance regulation is intended to provide safeguards for policyholders rather than to protect shareholders of

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insurance companies or their holding companies. Regulators oversee matters relating to trade practices, policy forms, claims practices, guaranty funds, types and amounts of investments, reserve adequacy, insurer solvency, minimum amounts of capital and surplus, transactions with related parties, changes in control and payment of dividends.

State insurance regulators and the National Association of Insurance Commissioners, or NAIC, continually re-examine existing laws and regulations, and may impose changes in the future. Our current and intended life subsidiaries are subject to the NAIC's risk-based capital requirements which are intended to be used by insurance regulators as an early warning tool to identify deteriorating or weakly capitalized insurance companies for the purpose of initiating regulatory action. Our current and intended life subsidiaries also may be required, under solvency or guaranty laws of most states in which they do business, to pay assessments up to certain prescribed limits to fund policyholder losses or liabilities of insolvent insurance companies. In addition, federal legislation and administrative policies in several areas, including pension regulation, age and sex discrimination, financial services regulation, securities regulation and federal taxation, can significantly affect the insurance business. As increased scrutiny has been placed upon the insurance regulatory framework, a number of state legislatures have considered or enacted legislative proposals that alter, and in many cases increase, state authority to regulate insurance companies and holding company

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systems. The regulatory framework at the state and federal level applicable to our insurance products is continuously evolving. The changing regulatory framework could affect the design of such products and our ability to sell certain products. Any changes in these laws and regulations could materially and adversely affect our business, financial condition and results of operations.

OUR COMMON STOCK IS CURRENTLY CLASSIFIED AS "PENNY STOCK" AND IS NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. Our common stock is a penny stock and is not a suitable investment for all investors. Generally, a penny stock is a security that (i) is priced under five dollars, (ii) is not traded on a national stock exchange or on NASDAQ (as opposed to the Over the Counter Bulletin Board or the "pink sheets"), and (iii) is issued by a company that has less than \$5 million in net tangible assets and has been in business less than three years. Because our common stock is not yet publicly traded, and we have less than \$5,000,000 of net tangible assets, our common stock is currently classified as "penny stock." While we intend to apply for listing on the American Stock Exchange, there can be no assurance that we will be successful. If our common stock does not become listed on the American Stock Exchange, or on another exchange or the NASDAQ, or if our common stock does not trade at or above \$5.00 per share, or if we do not maintain at least \$5,000,000 of net tangible assets, our common stock will continue to be classified as a penny stock. Penny stocks are subject to Securities and Exchange Commission rules that impose special sales practice requirements upon broker-dealers that sell such securities to persons other than established customers or accredited investors. Consequently, the rule may affect the ability of purchasers of our common stock to buy or sell in any market that may develop. In addition, the Securities and Exchange Commission has adopted a number of rules to regulate "penny stocks". These rules may further affect the ability of owners of our common stock to sell their shares in any market that may develop for them. Potential investors should be aware that, according to the Securities and Exchange Commission Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include:

* control of the market for the security by one or a few broker-dealers that

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- are often related to the promoter or issuer;
- * manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;
- * "boiler room" practices involving high pressure sales tactics and unrealistic price projections by inexperienced sales persons;
- * excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and
- * the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the inevitable collapse of those prices with consequent investor losses.

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We advise you to consult with your investment, tax and other professional financial advisors prior to purchasing our stock. No independent rating agency has reviewed our financial condition to determine whether the stock is a suitable investment for any purchaser. The stock may not be a suitable investment for you based on your ability to withstand a loss of your investment or other aspects of your financial situation, including your income, net worth, financial needs, investment risk profile, return objectives, investment experience and other factors. Prior to purchasing any stock, you should consider your investment allocation with respect to the amount of your contemplated investment in our stock in relation to your other investment holdings and the diversity of those holdings.

ITEM 2. DESCRIPTION OF PROPERTY.

The Company does not own any real property. The Company leases its headquarters, consisting of approximately 1.022 square feet of office and warehouse space located at 100 Village Square Crossings, Suite 202, Palm Beach Gardens, Florida. The lease is for a term of one year, at a rental of \$2,687 per month including sales tax.

ITEM 3. LEGAL PROCEEDINGS.

The Company is not a party to any legal proceedings, except for an Involuntary Bankruptcy Petition filed by the Company, as one of three (3) petitioning creditors, against eCom that is currently pending in the Federal District Court in Broward County, Florida. American Capital Holdings, Inc. is a creditor of eCom and the spin-offs of eCom, and is initiating the bankruptcy proceedings as means to reorganize eCom and the spin-offs of eCom due to failed or failing businesses, and lost shareholder value. In 1999, eCom reached market capitalization of over \$250 million. Since 1999, market capitalization has hit record lows of approximately \$120 thousand, and currently ranges between \$500 thousand and \$1 million. The bankruptcy filing will allow the Company to reorganize and/or divest their interest in order to pursue profitable strategies as a means of restoring lost shareholder value.

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

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There were no matters submitted to a vote by the security holders during the fiscal quarter ended May 31, 2004.

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

MARKET FOR COMMON STOCK. There is currently no trading market for the Company's Common Stock and there can be no assurance that any trading market

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will ever develop or, if such a market does develop, that it will continue. The Company intends to file a Registration Statement with the Securities and Exchange Commission to register for resale certain shares previously issued, and to register additional shares for sale in order to raise additional capital. Upon effectiveness of the Registration Statement, the Company intends to have its common stock listed for trading on the American Stock Exchange.

If, for any reason, the Company does not meet the qualifications for listing on a major stock exchange, the Company's securities may be traded in the over-the-counter ("OTC") market. The OTC market differs from national and regional stock exchanges in that it (1) is not sited in a single location but operates through communication of bids, offers and confirmations between broker-dealers and (2) securities admitted to quotation are offered by one or more broker-dealers rather than the "specialist" common to stock exchanges.

SECURITY HOLDERS. The Company has approximately 5,500 shareholders. The Company has 1,621,209 shares subject to options, at an exercise price of \$.01 per share.

DIVIDENDS. There have been no cash dividends declared or paid since the Company was formed, and no dividends are contemplated to be paid in the foreseeable future.

RECENT SALES OF UNREGISTERED SECURITIES. In February 2004, the Company issued 13,561,804 shares of its common stock to American Capital Holdings, Inc. in connection with the Company's acquisition of certain assets from that company (See "Description of Business - Acquisition of American Capital Holdings"). Inasmuch as American Capital Holdings had access to comprehensive information about the Company, the shares were issued in reliance upon Section 4(2) of the Securities Act. A legend was placed on the certificates stating that the securities were not registered under the Securities Act and setting forth appropriate restrictions on their transfer or sale.

ITEM 6. MANAGEMENT'S PLAN OF OPERATION.

Our primary business is insurance and related financial products. In addition to traditional offerings such as life insurance, health insurance, and annuities, we will offer financial strategies which utilize insurance as a part of their structure. American Capital Holdings, Inc. owns the patent and the trademarks for five proprietary products:

GPICS(tm) -- Guaranteed Principle Insured Convertible Securities

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ETIPS(tm) -- Energy Tax Incentive Preferred Securities

ETICS(tm) -- Equipment Tax Incentive Convertible Securities

GPACS(tm) -- Guaranteed Pension Accounting Contract Solutions

GPACS(tm)-- Government Pension Accounting Contract Solutions

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We intend to use the insurance products of our subsidiaries as part of a plan to reduce currently unfunded government and private sector pension plan liability, addressing the needs of governmental and private sector businesses regarding unfunded pension liabilities and other post-employment benefit ("OPEB") liabilities. By purchasing whole and term life insurance products for a pool of employees, of which the employer is beneficiary, and utilizing the tax benefits of mandatory participation in a tax-qualified retirement plan, an employer can realize numerous financial benefits, as described in greater detail below. We intend to collect premiums and commissions on the insurance products sold as a part of the structuring, and also collect a consulting fee for the product itself. Until our pending acquisitions of Universe Life and Cosmopolitan Life are completed, and they are capitalized sufficiently to obtain the insurance licenses needed to underwrite our products, we will use the services of third-party insurance carriers in connection with any sales of our products.

Our GPACS(TM) products, which refers to both the Guaranteed Pension Accounting Contract Solutions product and the Government Pension Accounting Contract Solutions product, relate to a business method of adjusting the balance sheet of a business or governmental organization, and particularly to a system for organizing the unfunded obligations of the organization so that the liability on the balance sheet is offset by an asset. The product also provides a systematic investing capability to enhance the profitability of the organization via investment income, and the improved treatment of tax obligations via qualified plans which exempt OPEB income from FICA tax. The restructuring of the balance sheet in such a manner can generate favorable financial implications such as improved borrowing scenarios, reduction in the cost of insurance coverage, and increases in the value of outstanding or newly-issued bonds.

American Capital Holdings, Inc. plans to utilize the existing sales and marketing divisions of both IS Direct Agency, Inc. and Cosmopolitan Life Insurance Company to target the municipalities and school boards in the states in which the subsidiaries are licensed to sell our financial products.

Our GPICS(TM), ETIPS(TM) and ETICS(TM) products are investment structures designed to maximize the benefit of energy and equipment tax incentives, in order to facilitate investment in energy-related and other business enterprises. An essential feature of these products is a guarantee of the principal invested, as a result of the structuring of the investment. When and if these products are utilized, when applicable, they will require separate SEC registration statements and/or insurance product approvals in the states in which the products are utilized. The sale of these products generates consulting revenue from the strategic planning provided by the Company.

Our plan of operation includes the underwriting of the insurance aspects of our products through our subsidiaries. Pending approvals of our above described proposed acquisitions of Universe Life and Cosmopolitan Life, we will use third party insurance carriers. However, upon receiving the approvals, which are

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expected in due course, we will retain as much premium and commission money as possible within our subsidiaries. We expect to be able to support operating expenses with operating revenues beginning in our fourth quarter.

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IS Direct Agency, Inc.

American Capital Holdings, Inc. purchased IS Direct Agency ("IS Direct") for 800,000 shares of the common stock of American Capital Holdings. The acquisition was completed May 20, 2004. Included in this acquisition are the assets listed below:

| | |
|------------------------------|---------------------------------|
| IS Direct Term Quick Website | IS Direct Agency Name |
| Insurance Licenses | Software |
| Business Process Methods | Trademarks |
| Customers | Prospective Customers |
| Vendor Relationships | Insurance Carrier Relationships |
| Broker Relationships | |

IS Direct is an insurance agency which currently sells primarily term and whole life insurance products. However, upon the completion of our proposed acquisition of Universe Life, a life, health, and annuities carrier, the scope of products available for sale by IS Direct is expected to broaden. In addition to placing the insurance components of our financial products, IS Direct will also sell term life products, annuities, and other traditional insurance products. We expect most of the insurance products sold by IS Direct will eventually be underwritten by Universe Life.

Universe Life

Universe Life is a life insurance company which we expect to use to underwrite the insurance policies required by our GPACS products. We have an agreement to purchase Universe Life, which is planned as another wholly-owned subsidiary of the Company, pending regulatory approval of the change in control by the Insurance Commissioner of the State of Idaho. The agreement stipulates a purchase price of \$100,000 in exchange for 100% ownership. Universe Life will be acquired through receivership with no existing operations, but the process for reinstatement is in progress and should be completed by August 31, 2005.

Universe Life is a life, health and annuities insurance carrier, which is currently licensed to operate in twenty-three (23) states. Universe Life will be initiating the application process to become licensed in all remaining states, and expects to obtain the necessary licenses to operate in all fifty (50) states in the near future. We expect Universe Life to be domiciled in the State of South Carolina, with its principal offices in Charleston. We anticipate merging Universe and Cosmopolitan in the near future as means of jointly utilizing each company's capital surplus resources and/or licenses.

Our application for approval of our acquisition of Universe Life has been filed with the Insurance Commissioner of the State of Idaho. We expect to receive regulatory approval for our purchase of Universe Life by August 31, 2005.

Cosmopolitan Life

On October 30, 2004, we entered into an agreement to purchase one-hundred (100%) percent of the voting shares of Cosmopolitan Life for \$500,000 and a surplus note in the amount of \$250,000. We expect to close our acquisition of Cosmopolitan Life by May 31, 2005, upon regulatory approval by the Arkansas

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Department of Insurance. Upon closing, we intend to contribute additional capital to Cosmopolitan Life, from the amount raised pursuant to this offering, in order to provide capital for expansion and additional licensing.

Cosmopolitan Life is a stipulated premium insurer chartered in 1931 in the State of Arkansas. A "stipulated premium insurer" is one issuing policies or certificates promising money or other benefits to a policyholder upon his or her disability or, upon his or her decease, to his or her legal representatives or beneficiaries designated by him or her, which money or benefit is derived from stipulated premiums collected in advance from those policyholders and from interest and other accumulations. Since 1998, Cosmopolitan Life has offered both direct and re-insurance coverage related to health and dental care plans, with a specialty in providing stop-loss coverage for self-funded employer plans.

Until 1998, Cosmopolitan Life was engaged exclusively in providing burial/final expense insurance, and was operated as a small stipulated premium carrier in association with the funeral home business. In 1998, Cosmopolitan Life was acquired by Stephen E. Whitwell and Matt Lile, who implemented plans to grow the company. In 1998 a dental insurance product was file-approved and marketing commenced. Cosmopolitan Life also became involved in providing specific stop-loss coverage for self-funded employer plans for which there was a retro-session agreement. In 2001, Cosmopolitan Life introduced a new product, Employers Choice Health Plan, referred to as ECHP. Recently, most of Cosmopolitan Life's revenues have been realized from re-insurance assumed, while its dental product has been a small but profitable segment for the company. Cosmopolitan Life sees great opportunity for each product to expand and to have great growth potential with the added authority by way of either obtaining Certificate of Authority in additional jurisdictions or by affiliating with an issuing carrier with authority in other jurisdictions to enter into a quota share agreement.

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Wieseneck, Andres & Company, P.A.
Certified Public Accountants
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Independent Auditors' Report

To the Board of Directors and Stockholders
American Capital Holdings, Inc.

We have audited the accompanying consolidated balance sheet of American Capital Holdings, Inc. as of May 31, 2004 and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the twelve months ending May 31, 2003 and 2004. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards established by the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of American Capital Holdings, Inc. as of May 31, 2004 and the results of its consolidated operations and cash flows for the period from June 1, 2003 through May 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/Wieseneck, Andres & Company, P.A.

North Palm Beach, Florida
November 10, 2004

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AMERICAN CAPITAL HOLDINGS, INC.
CONSOLIDATED BALANCE SHEET
MAY 31, 2004

ASSETS

Current Assets

| | | |
|--|----|---------|
| Cash and Cash Equivalents | \$ | 22,614 |
| Notes Receivable | | 138,952 |
| Loans Receivable Related Parties (net) | | 27,067 |
| Prepaid Expenses | | 87,197 |

| | | |
|----------------------|--|---------|
| Total Current Assets | | 275,830 |
|----------------------|--|---------|

| | | |
|-----------------------------|--|--------|
| Property and Equipment, net | | 43,472 |
|-----------------------------|--|--------|

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| | | |
|--|----|------------|
| Other Assets | | |
| Marketable Securities | | 5,896,196 |
| Intangible Assets, net | | 27,649 |
| Goodwill | | 8,209,071 |
| Security Deposit | | 3,110 |
| | | ----- |
| Total Other Assets | | 14,136,026 |
| | | ----- |
| TOTAL ASSETS | \$ | 14,455,329 |
| | | ===== |
| LIABILITIES & STOCKHOLDERS' EQUITY | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | \$ | 27,806 |
| Accrued Expenses | | 11,021 |
| Loan Payable Related Party | | 57,681 |
| Current Portion of Notes and Loans Payable | | 834,977 |
| | | ----- |
| Total Current Liabilities | | 931,485 |
| | | ----- |
| Total Liabilities | | 931,485 |
| | | ----- |
| Stockholders' Equity | | |
| Common Stock \$.0001 par value, 100 million shares authorized, 15,723,903 shares issued and outstanding, 1,300,000 shares unissued | | 1,702 |
| Paid-in-Capital | | 14,686,363 |
| Accumulated Deficit | | (651,224) |
| Accumulated Comprehensive Loss | | (512,997) |
| | | ----- |
| Total Stockholders' Equity | | 13,523,844 |
| | | ----- |
| TOTAL LIABILITIES & STOCKHOLDERS' EQUITY | \$ | 14,455,329 |
| | | ===== |

See accompanying summary of accounting policies and notes to financial statements.

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AMERICAN CAPITAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MAY 31, 2004 and 2003

| | 2004 | 2003 |
|----------------------------|---------|-------|
| | ----- | ----- |
| Revenues | | |
| Net Sales | \$ - | \$ - |
| Cost of Sales | (3,952) | - |
| | ----- | ----- |
| Gross Profit | (3,952) | - |
| | | |
| Operating Expenses | | |
| General and Administrative | 122,647 | - |
| Bad Debt | 343,995 | - |
| Sales and Marketing | 13,391 | - |
| Impairment Expense | 6,493 | - |
| | ----- | ----- |
| Total Operating Expenses | 486,526 | - |
| | ----- | ----- |

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| | | |
|--|----------------|--------|
| Loss from Operations | (490,478) | - |
| Other Income (Expense) | | |
| Interest Income | 2,260 | - |
| Interest Expense | (23,006) | - |
| Loss on Disposition of Common Stock | (140,000) | - |
| Net Other Expenses | (160,746) | - |
| Net Loss Before Other Comprehensive Losses | (651,224) | - |
| Other Comprehensive Income / (Loss) | | |
| Unrealized Holding Loss During Period | (537,604) | - |
| Unrealized Holding Gain During Period | 24,607 | - |
| Net Other Comprehensive Loss | (512,997) | - |
| Net Loss | \$ (1,164,221) | \$ 0 |
| Basic and Diluted | | |
| Net Loss Per Common Share | \$ (.18) | \$.00 |
| Weighted Average Shares Outstanding | 6,551,685 | 5 |

See accompanying summary of accounting policies and notes to financial statements.

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AMERICAN CAPITAL HOLDINGS, INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FROM JUNE 1, 2003 THROUGH MAY 31, 2004

| | Number Of Shares Issued | At Par Value \$.0001 | Add'l Paid in Capital & Treasury Stock | Retained Earnings (Loss) | Accum. other Comprehen- sive Inc. | Total Stockholder Equity |
|--|----------------------------------|----------------------------|---|--------------------------------|---|--------------------------------|
| Balance, May 31, 2003 | 5 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Cancellation of Common Stock held by eCom eCom | (5) | 0 | 0 | 0 | 0 | 0 |
| Issuance of Common Stock to eCom eCom.com Inc. shareholders | 2,497,756 | 250 | - | - | - | 250 |
| Issuance of Common Stock for the acquisition of ACHI, Inc. | | | | | | |

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| | | | | | | |
|---------------------|------------|---------|--------------|-------------|-------------|--------------|
| assets. | 13,226,147 | 1,322 | 13,176,443 | - | - | 13,177,765 |
| Issuance of | | | | | | |
| Detachable warrants | - | - | 10,050 | - | - | 10,050 |
| Purchase of | | | | | | |
| IS Direct Agency NY | | | | | | |
| for 800,000, | | | | | | |
| subscribed but | | | | | | |
| unissued shares | - | 80 | 999,920 | - | - | 1,000,000 |
| Conversion of | | | | | | |
| \$500,000 Debt to | | | | | | |
| stock - unissued | - | 50 | 499,950 | - | - | 500,000 |
| Accumulated other | | | | | | |
| comprehensive | | | | | | |
| loss, net | - | - | - | - | (512,997) | (512,997) |
| Net Operating Loss | - | - | - | (651,224) | - | (651,224) |
| Balance, | | | | | | |
| May 31, 2004 | 15,723,903 | \$1,702 | \$14,686,363 | \$(651,224) | \$(512,997) | \$13,523,844 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

See accompanying summary of accounting policies and notes to financial statements.

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AMERICAN CAPITAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2004 and 2003

| | 2004 | 2003 |
|---|--------------|-------|
| | ----- | ----- |
| Cash Flows From Operating Activities | | |
| Cash received from customers | - | \$ - |
| Cash paid to suppliers of goods | | |
| and services | \$ (143,268) | - |
| Income Taxes Paid | - | - |
| Interest Paid | (13,691) | - |
| Interest Received | - | - |
| | ----- | ----- |
| Net Cash Flows Used in | (156,959) | - |
| Operating Activities | | |
| | ----- | ----- |
| Cash Flows From Financing Activities | | |
| Proceeds of Loans from Stockholders | 329,997 | - |
| Proceeds of Loans from Related Company | 57,661 | - |
| Collection of Loan From Related Company | 25,793 | - |
| Loan to Related Company | (27,067) | - |
| Loan to Related Company | (343,995) | - |
| Purchase of Common Stock | (362,816) | - |
| Loan Proceeds Converted to Common Stock | 500,000 | - |
| | ----- | ----- |
| Net Cash Flows Provided By | 179,573 | - |
| Financing Activities | | |
| | ----- | ----- |
| Net Increase in Cash | 22,614 | - |

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| | | |
|--|-----------|-------|
| Cash and Cash Equivalents at Beginning of Period, June 1, 2003 and 2002 | 0 | 0 |
| | ----- | ----- |
| Cash and Cash Equivalents at End of Period, May 31, 2004 and 2003 | \$ 22,614 | \$ 0 |
| | ===== | ===== |

See accompanying summary of accounting policies and notes to financial statements.

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AMERICAN CAPITAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2004 and 2003

| | 2004 | 2003 |
|---|----------------|-------|
| | ----- | ----- |
| Reconciliation of Net Loss to Net Cash Flows Used in Operating Activities | | |
| Net Loss | \$ (1,164,221) | \$ - |
| Cash was increased by: | | |
| Other Comprehensive Income | 512,997 | - |
| Loss on Disposition of Common Stock | 140,000 | - |
| Valuation Loss | 6,493 | - |
| Amortization | - | - |
| Depreciation | 3,952 | - |
| Bad Debt adjustment | 343,995 | - |
| Increase in Accounts Payable | 27,806 | - |
| Increase in Accrued Expenses | 1,706 | - |
| Cash was decreased by: | | |
| Increase in Prepaid Expenses | (26,577) | - |
| Increase in Security Deposits | (3,110) | - |
| | ----- | ----- |
| Net Cash Flows Used in Operating Activities | \$ (156,959) | \$ - |
| | ===== | ===== |

Supplemental Disclosures
Of Non Cash Investing and
Financing Activities:

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On February 29, 2004 the Company acquired approximately \$137,000 in notes receivable, common and preferred stock in various entities valued at \$3.1 million, equipment of \$47,000, intangible assets of \$6,000, intellectual property valued at \$3.5 million, various prepaid assets valued at \$92,000, goodwill of \$7.2 million and assumed \$1,005,000 in debt for the issuance of 13,226,147 shares of the Company's common stock.

See accompanying summary of accounting policies and notes to financial statements.

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AMERICAN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MAY 31, 2004

NOTE A - NATURE OF OPERATIONS

American Capital Holdings, Inc. (the "Company") was incorporated in the State of Florida on January 27, 1999 as U S Amateur Sports Company, a wholly owned subsidiary of eCom eCom.com, Inc. ("eCom") which trades on the OTC/Bulletin Board under the symbol 'ECEC.' On March 19, 2003, the Company changed its name to USA SportsNet Company, and on December 12, 2003 changed its name to American Capital Holdings, Inc. in connection with its spin off by eCom and its acquisition of certain assets of a company formerly known as American Capital Holdings, Inc. (now known as ACHI, Inc.) The Company's main office is located at 100 Village Square Crossing, Suite 202, Palm Beach Gardens, Florida 33410, and the telephone number is (561) 207-6395.

IS Direct Agency, Inc. ("ISDA"), a wholly-owned subsidiary of the company, was incorporated in the State of Florida on May 20, 2004. On May 21, 2004 ISDA acquired the assets of IS Direct Agency, Inc., a New York Corporation. ISDA provides internet based term life insurance quotes.

While a wholly owned subsidiary of eCom, the Company developed an e-commerce Internet infrastructure. This product provided an affordable, user-friendly technological platform and professional resources to facilitate web business development. It also operated an on-line business as a test model using Company developed e-commerce concepts to sell sports products.

The Spin-Off. The Company was one of ten wholly owned subsidiaries of eCom, with varying business plans. In recent years, eCom concluded that it did not have the financial resources necessary to develop all of its ten business units collectively. eCom decided to spin off its subsidiaries into independent companies in the belief that independent companies, each with a distinct business, would be better able to obtain necessary funding and develop their business plans. This belief was based in part on eCom's experience with potential business partners which sought involvement with only one of eCom's subsidiaries, rather than involvement with the multi-faceted eCom.

On December 1, 2003, the Board of Directors of eCom approved the spin-off of the Company. They voted to issue to the shareholders of eCom one share of the

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Company for every one share of eCom owned as of the record date of January 5, 2004. Fractional shares will be purchased by the Company. No payment was required of the eCom shareholders.

Acquisition from American Capital Holdings. After the spin off of the Company was completed, the Company was presented with an opportunity to acquire certain assets of American Capital Holdings, Inc. (now known as, and referred to hereafter as ACHI). On January 12, 2004, the Company entered into an Asset Purchase Agreement with ACHI whereby the Company acquired certain assets, and assume certain liabilities of ACHI in return for the issuance of common stock of the Company in an amount equal to 84.1% of the total ownership of the Company. In order to accomplish this transaction, the Company effected a 20 to 1 reverse stock split, which reduced its outstanding stock to 2,497,756 shares, and agreed

See accompanying independent accountants' audit report.

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AMERICAN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MAY 31, 2004

NOTE A - NATURE OF OPERATIONS (CONTINUED)

to issue to ACHI 49,955,112 shares. ACHI agreed to accept the issuance of 13,561,804 shares at closing, and assigned its right to receive the 13,561,804 shares to its principle, Barney A. Richmond, now the President of the Company. The remaining 36,393,308 shares were reserved for issuance by the Company in connection with future acquisitions and financings. The Company then changed its name to American Capital Holdings, Inc., and ACHI changed its name to ACHI, Inc. Of the 36,393,308 shares reserved for future issuance, 2,162,099 shares have now been issued to the shareholders of Spaulding Ventures, LLC, in replacement of shares of ACHI to be issued to Spaulding in connection with a prior acquisition of assets by ACHI from Spaulding.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation, Use of Estimates

The Company maintains its accounts on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Revenue Recognition

Revenue and dividends from investments are recognized at the time the investment dividends are declared payable by the underlying investment. Capital gains and losses are recorded on the date of sale of the investment.

Cash

Cash consists of deposits in banks and other financial institutions having original maturities of less than ninety days.

Allowance for Doubtful Accounts

It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts.

Depreciation

Property and equipment are recorded at cost and depreciated over the

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estimated useful lives of the related assets. Depreciation is computed using the straight-line method.

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AMERICAN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MAY 31, 2004

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization

The accounting for a recognized intangible asset acquired after June 30, 2001 is based on its useful life to the Company. If an intangible asset has a finite life, but the precise length of that life is not known, that intangible asset shall be amortized over management's best estimate of its useful life. An intangible asset with an indefinite useful life is not amortized. The useful life to an entity is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of that entity.

Investments

Investments are stated at the lower of cost and market value.

NOTE C - NOTES RECEIVABLE

Notes Receivable at May 31, 2004 consist of the following:

| | |
|---|------------|
| An 8% non-collateralized note that matures in December 2004, Interest is payable quarterly. Included in the balance is \$11,963 of accrued interest receivable. | \$ 111,963 |
| A 4% non-collateralized note due on demand. Included in the balance is \$1,989 of accrued interest receivable. | 26,989 |
| | ----- |
| Total Notes Receivable | \$ 138,952 |
| | ===== |

Management has made a determination that all of the notes receivable are collectable and therefore, has not established an allowance for doubtful accounts.

NOTE D - LOANS RECEIVABLE RELATED PARTIES

The three loans receivable from related corporate entities are non-collateralized, non-interest bearing and are due on demand.

The loans due as of May 31, 2004 are as follows:

| | |
|--------------------------|-----------|
| eCom eCom.com Inc. | \$ 27,067 |
| Freedom 4 Wireless, Inc. | 343,995 |
| Less bad debts | (343,995) |
| | ----- |

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Total \$ 27,067
=====

See accompanying independent accountants' audit report.
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AMERICAN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MAY 31, 2004

NOTE E - INVESTMENTS

The Company accounts for its investments in common stock using the cost method for those investments which the Company does not own a controlling interest. These investments are currently recorded at cost. The Company's share of the investors earnings or losses, if any, are not available at the date of these financial statements. No quoted market price is available for these investments.

The Company accounts for investments in common stock for which there is a quoted market price as an Available-for-Sale security under Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities.

On May 31, 2004, investments consisted of the following:

Cost Method of Accounting

Investment Securities at Cost

| | |
|-------------------------------|------------|
| @Visory, LLC | \$ 112,500 |
| Brilliant Coatings, Inc. | 250,000 |
| Century Aerospace Corporation | 285,000 |
| eSmokes, Inc. | 100,000 |
| Efficien, Inc. | 287,000 |
| Smartpill Diagnostics, Inc. | 770,000 |
| Metroflex, Inc. | 900,000 |

Total Equity Method Securities at Cost 2,704,500

Available-for-Sale method of accounting

| | |
|---------------------|-----------|
| Air Media Now, Inc. | 2,933,019 |
| eCom eCom.com Inc. | 258,678 |

Total Available-for-Sale securities 3,191,697

Total Investment Securities \$ 5,896,197
=====

Cost Method Securities:

@Visory, LLC is a limited liability company located in East Aurora NY. The Company owns 250,000 Series A units of @Visory LLC. The Company's investment amounts to 1.2% of the outstanding units of @Visory, LLC. @Visory, LLC is taxed as a partnership, not publicly traded. As of May 31, 2004 @Visory, LLC had investments in the following companies: Appraisal.com; SmartPill Diagnostics; Efficien; Liquid Matrix; Saturn Internet Reservations; StudentVoice; Synacor; and Yipee, Inc.

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AMERICAN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MAY 31, 2004

NOTE E - INVESTMENTS (CONTINUED)

Brilliant Coatings is a Nevada Corporation. The Company owns 15,000,000 common shares of Brilliant Coatings. The Company's investment amounts to 2.3% of the outstanding common shares of Brilliant Coatings Inc.

Century Aerospace is a Delaware Corporation. The Company owns 57,000 common shares of Century Aerospace. The Company's investment amounts to .7% of the outstanding common shares of Century Aerospace

eSmokes, Inc is a Florida Corporation. The company owns 300,000 common shares of eSmokes, Inc. The Company's investment amounts to 3.3% of the outstanding shares of eSmokes, Inc.

Efficien, Inc. is a Delaware Corporation. The Company owns 500,000 common shares of Efficien. The Company's investment amounts to 11.9% of the outstanding common shares of Efficien, Inc. Efficient specializes in the development of internet based applications to improve the efficiency of hospital supply and material flow through an integrated application service provider (ASP) solution.

SmartPill Diagnostics, Inc. is a Delaware Corporation. The Company owns 1,194,824 Series A preferred shares of SmartPill Diagnostics, Inc. The Company's investment amounts to 11.60% of the outstanding shares of SmartPill Diagnostics, Inc. SmartPill Diagnostics is a leading developer of SmartPill Capsule endoscopy technology. About the size of a vitamin pill, the SmartPill Capsule is a capsule endoscopy device that uses patented technology to measure peristaltic pressure, pH and transit time, and determine real-time location; factors that aid Gastroenterologists in the diagnosis of such GI motility disorders as Gastroparesis and Dyspepsia. The patient benefits from a more accurate diagnosis and a more comfortable, non-invasive, non-surgical approach to GI exploratory examinations.

Metroflex, Inc. is a Delaware Corporation. The Company owns 900,000 common shares of Metroflex, Inc. Metroflex's MetroFlexCard operates as a MasterCard debit card. The card enables employers to set up programs through which employees can pay for commuter expenses-mass transit and parking expenses on a pretax basis.

Available-for-Sale Securities:

eCom eCom.com, Inc. is a Florida Corporation and trades on the OTC/BB:ECEC. The company which was the former parent of USA SportsNet Company now American Capital Holdings, Inc., owns 1,437,100 common shares of eCom. The Company's investment amounts to 2.9% of the outstanding shares of eCom. The cost for this investment as of May 31, 2004 was \$235,071. On May 31, 2004 the market value based on a closing bid price of 0.16 per share was \$258,678. The difference in cost versus market value is recorded as Accumulated Other Comprehensive Income of \$23,607.

See accompanying independent accountants' audit report.

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AMERICAN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MAY 31, 2004

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NOTE E - INVESTMENTS (CONTINUED)

On February 29, 2004, American Capital Holdings, Inc. purchased certain assets from ACHI, Inc. One of the assets that ACHI, Inc. owned, and that was acquired by American Capital Holdings, Inc., was 53,910,922 common shares of Air Media Now, Inc. The only assets recorded on the books of Air Media Now, Inc. at date of acquisition were the rights to use certain Intellectual Property that had been developed by the company plus 500,000 common shares of eCom eCom.com, Inc. American Capital Holdings, Inc. owns approximately 90% of the outstanding common shares of Air Media Now, Inc. and, therefore, consolidated the assets and operations of Air Media Now, Inc. at May 31, 2004. Management determined that the fair value of the common stock of Air Media Now, Inc., which is traded on the pink sheets, was \$2,933,019 (\$.05 x 53,910,922 shares) at May 31, 2004 and, therefore, recognized the ownership of this common stock as a marketable security and available for sale. The loss in value of \$(536,604) Air Media Now stock is recognized as a comprehensive loss in the current period and as an Accumulated Comprehensive Loss in stockholders' equity.

NOTE F - PROPERTY AND EQUIPMENT

Equipment consisting of various Cisco routers, switches, cables, and dual speed hubs were acquired from a company owned by a majority stockholder of American Capital Holdings, Inc. The equipment is being used to support a hosting operations center. Depreciation expense of \$3,952 has been recorded as of May 31, 2004.

NOTE G - PREPAID EXPENSES

Prepaid expenses consist principally of amounts paid for auditing work for the Company, along with marketing and research material to be used for investor relations.

NOTE H - INTANGIBLE ASSETS

Intangible assets consist of website and software development costs for IS Direct, and fees related to applications for patents and trademarks.

NOTE I - OTHER ASSETS

Other assets consist primarily of security deposits on the lease of office facilities.

NOTE J - Loan Payable Related Party

A non-interest bearing, non-collateralized loan payable to a related company in the amount of \$57,681 is due on demand.

See accompanying independent accountants' audit report.

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AMERICAN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MAY 31, 2004

NOTE K - PROMISSORY NOTES

Promissory Notes as of May 31, 2004 consisted of:

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May 31, 2004

| | |
|---|------------|
| Four interest bearing, non-collateralized loans. The loans have various maturities throughout 2004. | \$ 494,950 |
| | ----- |
| Total Notes Payable | 494,950 |
| Less Current Portion | (494,950) |
| | ----- |
| Net Long-term Debt | \$ 0 |
| | ===== |
| The short-term notes payable mature as follows: | |
| May 31, 2004 | \$ 494,950 |
| | ===== |
| Two non-interest bearing, non-collateralized loans due on demand | \$ 340,027 |
| | ===== |

The notes and loans can be converted to shares of the Company's \$.0001 par value common stock at the option of the holder. The notes pay interest at 10% per annum. Interest is paid quarterly. The loan can be converted at 80% of the average closing price of Company's common stock for the preceding five (5) consecutive trading days with a floor of \$1. The holder of a \$500,000 10% note payable with accrued interest of \$9,315 agreed on May 7, 2004 to convert their debt to common shares. By Agreement, the shares of common stock at conversion will not be issued until the effective date of the Company's filings with the United States Securities & Exchange Commission.

NOTE L - WARRANTS

The Company has issued 1,005,000 (505,000 + 500,000) detachable warrants for each dollar of debt as described in Note K above. Management has determined that the value of the detachable warrants to be \$.01 on the date of issuance and have charged paid in capital \$10,050 during the period. Each warrant entitles the holder to purchase one (1) share of common stock at \$.01. The Company also issued 400,000 warrants to one of the former owners of IS Direct Agency for providing his insurance licensing in all fifty states. The warrants can be exercised for \$.01 each. An additional 216,209 warrants were issued in connection with the Spaulding acquisition, one warrant for every ten shares owned. Each unit of Spaulding entitled the owner to one warrant with an exercise price of \$6.00 each.

See accompanying independent accountants' audit report.

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AMERICAN CAPITAL HOLDINGS, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 TWELVE MONTHS ENDED MAY 31, 2004

NOTE L - WARRANTS (CONTINUED)

The following is a summary of warrants through May 31, 2004:

| | |
|---|-----------|
| Outstanding warrants at the beginning of the year | 0 |
| Warrants issued | 1,621,209 |
| Warrants expired | 0 |
| Warrants exercised | 0 |

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| | |
|--------------------------------------|-----------|
| Warrants outstanding at May 31, 2004 | 1,621,209 |
|--------------------------------------|-----------|

The warrants expire as follows:

| Expiration Date | Number of Warrants |
|-------------------------------|--------------------|
| September 30, 2004 | 75,000 |
| January 31, 2005 | 130,000 |
| August 15, 2005 | 300,000 |
| December 15, 2005 | 500,000 |
| December 31, 2005 | 216,209 |
| Warrants expiring beyond 2005 | 400,000 |
| | 1,621,209 |
| | ===== |

NOTE M - COMMITMENTS AND CONTINGENCIES

The Company leases approximately 1200 feet office facilities in Palm Beach Gardens, Florida under an operating lease of \$3,297 per month which expires on January 31, 2005. ISDA leases approximately 200 square feet of office facilities in Buffalo, NY under a month to month agreement of \$425.00 per month. Future minimum lease payments including sales tax as of May 31, 2004 are:

Fiscal Years ending:

| | |
|------------------------------|-----------|
| May 31, 2005 | 26,373 |
| | ----- |
| Total Minimum Lease Payments | \$ 26,373 |

Rent expense for the Twelve month period ending May 31, 2004 was \$8,579.

NOTE N - INCOME TAXES

No provision for federal and state income taxes has been recorded because the Company has incurred net operating losses since inception. The Company's net operating loss carry-forward as of May 31, 2004 totals approximately \$495,000. These carry-forwards, which will be available to offset future taxable income, and expire beginning in May 31, 2024.

See accompanying independent accountants' audit report.

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AMERICAN CAPITAL HOLDINGS, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 TWELVE MONTHS ENDED MAY 31, 2004

NOTE N - INCOME TAXES (CONTINUED)

The Company does not believe that the realization of the related net deferred tax asset meets the criteria required by generally accepted accounting principles and, accordingly, the deferred income tax asset arising from such loss carry forward has been fully reserved.

The Company accounts for income taxes in accordance with FASB Statement No. 109, Accounting for Income Taxes (FASB 109). Under FASB 109, income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to certain income and expenses recognized in different periods for financial and income tax reporting purposes. Deferred tax assets and liabilities represent

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the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Deferred taxes also are recognized for operating losses and tax credits that are available to offset future taxable income and income taxes, respectively. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized.

NOTE O - STOCKHOLDERS' EQUITY

To facilitate the purchase of the assets of ACHI, the Company recorded a one for twenty reverse split on the Effective Date of the currently outstanding common stock, while maintaining the conversion and exercise prices of the Senior Notes, the Secured Notes, the Subordinated Notes and the related warrants. All prior period share and per-share amounts have been restated to account for the reverse split. Any fractional shares remaining after the reverse split will be paid out in cash to the shareholder on the Effective Date.

Warrants were granted to Promissory Noteholders with detachable warrants. Management has determined that the fair value of each warrant is \$0.01.

The computation of diluted loss per share before extraordinary item for the year ended May 31, 2004 does not include shares from potentially dilutive securities as the assumption of conversion or exercise of these would have an anti-dilutive effect on loss per share before extraordinary items. In accordance with generally accepted accounting principles, diluted loss per share from extraordinary item is calculated using the same number of potential common shares as used in the computation of loss per share before extraordinary items.

NOTE P - DEFERRED TAX ASSET

Deferred income taxes are provided for temporary differences between the financial reporting and income tax basis of the Company's assets and See accompanying independent accountants' audit report.

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AMERICAN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MAY 31, 2004

NOTE P - DEFERRED TAX ASSET (CONTINUED)

liabilities. Temporary differences, net operating loss carry forwards and valuation allowances comprising the net deferred taxes on the balance sheets is as follows:

| | May 31, 2004 |
|-------------------------------------|--------------|
| Loss carry forward for tax purposes | \$ 495,075 |
| Deferred tax asset (34%) | 168,326 |
| Valuation allowance | (168,326) |
| Net deferred tax asset | - |

No provision for federal and state income taxes has been recorded because the Company has incurred net operating losses since inception. The Company's net operating loss carry-forward as of May 31, 2004 was approximately \$495,000. These carry-forwards, which will be available to offset future

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taxable income, will expire through the year 2024.

The Company does not believe that the realization of the related net deferred tax asset meets the criteria required by generally accepted accounting principles and, accordingly, the deferred income tax asset arising from such loss carry forward has been fully reserved.

NOTE Q - RELATED PARTY TRANSACTIONS

The Company has accounts receivables due from two related company entities. eCom eCom.com, Inc. owes \$27,067 for services paid to the Company's transfer agent and accountant. Freedom 4 Wireless, Inc. owes the Company \$343,995 for working capital and inventory purchased by ACHI, subsequently purchased by the Company on February 29, 2004. These related party transactions totaled \$371,062 on May 31, 2004.

NOTE R - RECENT ACCOUNTING PRONOUNCEMENTS

The FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations with an effective date for financial statements issued for fiscal years beginning after June 15, 2002. The statement addresses financial accounting and reporting for obligations related with the retirement of tangible long-lived assets and the costs associated with asset retirement. The statement requires the recognition of retirement obligations which will, therefore, generally increase liabilities; retirement costs will be added to the carrying value of long-lived assets, therefore, assets will be increased; and depreciation and accretion expense will be higher in the later years of an assets life than in earlier years. The Company adopted SFAS No. 143 at January 1, 2002. The adoption of SFAS No. 143 had no impact on the Company's operating results or financial positions.

See accompanying independent accountants' audit report.

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AMERICAN CAPITAL HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TWELVE MONTHS ENDED MAY 31, 2004

NOTE R - RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The FASB also issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets and is effective for financial statements issued for fiscal years beginning January 1, 2002. This statement addresses financial accounting and reporting for the impairment or the disposal of long-lived asset. An impairment loss is recognized if the carrying amount of a long-lived group exceeds the sum of the undiscounted cash flow expected to result from the use and eventual disposition of the asset group. Long-lived assets should be tested at least annually or whenever changes in circumstances indicate that its carrying amount may not be recoverable. This statement does not apply to goodwill and intangible assets that are not amortized. The Company adapted SFAS No. 144 in the first quarter of 2002. The adoption of SFAS No. 144 had no impact on the Company's operating results or financial position.

In April 2002, the FASB issued SFAS No. 145, "Rescission of the FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS No. 145"). SFAS No. 145 eliminates the requirement to classify gains and losses from the extinguishment of indebtedness as extraordinary, requires certain lease modifications to be treated the same as a sale-leaseback transaction, and makes other non-substantive technical corrections to existing pronouncements. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. SFAS No. 145 was adopted on June 1, 2003

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and did not have a material effect on the Company's financial position or results of operations.

The FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" and is effective for financial instruments entered into after May 31, 2003. This Statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability because that financial instrument embodies an obligation of the issuer. The Company has adopted SFAS No. 150 and the adoption has had no impact on the Company's operating results or financial position.

Goodwill and intangible assets acquired prior to July 1, 2001 will continue to be amortized and tested for impairment in accordance with pre- SFAS No. 142 requirements until adoption of SFAS No. 142. Under the provision of SFAS No.142, intangible assets with definite useful lives will be amortized to their estimated residual values over those estimated useful lives in proportion to the economic benefits consumed. Such intangible assets remain subject to the impairment provisions of SFAS No. 121. Intangible assets with indefinite useful lives will be tested for impairment annually in lieu of being amortized. The impact of adopting SFAS Nos. 141 and 142 will not cause a material change in the Company's consolidated financial statements as of the date of this report.

See accompanying independent accountants' audit report.

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ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

During the last two fiscal years, the Company has not had any changes in or disagreements with its accountants.

Item 8A. Controls and Procedures.

As of the end of the period covered by this report, based on an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934), the Chief Executive and Chief Financial Officer of the Company has concluded that the Company's disclosure controls and procedures are effective at the reasonable assurance level to ensure that information required to be disclosed by the Company in its Exchange Act reports is recorded, processed, summarized and reported within the applicable time periods specified by the SEC's rules and forms.

There were no changes in the Company's internal controls over financial reporting during the year ended May 31, 2004 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART III

ITEM 7. DIRECTORS, EXECUTIVE OFFICERS AND CONTROL PERSONS.

The following individuals are our executive officers and the members of our board of directors. Each director is elected at our annual meeting of shareholders and holds office until the next annual meeting of shareholders, or until his or her successor is elected and qualified. Our by-laws permit the board of directors to fill any vacancy and such director may serve until the next annual meeting of stockholders or until his or her successor is elected and qualified. The board of directors elects officers annually and their terms

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of office are at the discretion of the board.

| Name | Age | Positions Held |
|-------------------------|-----|---|
| Barney A. Richmond | 53 | Chairman/President/Secretary Director |
| Richard C. Turner | 45 | Treasurer/Chief Financial Officer/Director |
| Mathew Salmon | 46 | Director |
| Barry M. Goldwater, Jr. | 66 | Director |
| Douglas Sizemore | 74 | Director |
| Norman E. Taplin | 54 | Director |
| Michael Camilleri | 51 | Director |

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Barney A. Richmond has been President and a Director of the Company since its acquisition of certain assets from ACHI in January 2004, and was President and a Director of ACHI prior to that time. From 1985 to the present, Mr. Richmond has been an independent advisor and investor in assisting companies, as well as individuals, regarding public offerings, mergers, reverse mergers and a variety of corporate financing issues. Mr. Richmond has also been an investor in numerous reorganizations and business turnarounds, including many substantial bankruptcy reorganizations. Mr. Richmond has been a member of the Boards of Directors of The Richmond Company, Inc., Benny Richmond, Inc., 877 Management Corporation, King Technologies, Inc., King Radio Corporation, United States Financial Group, Inc., JSV Acquisition Corporation, Chase Capital, Inc, Berkshire International, Inc. and Dunhall Pharmaceuticals, Inc.

Richard C. Turner has been Treasurer and Chief Financial Officer of the Company since June 2001, and became a Director of the Company in February 2004. From September 1990, until he joined the Company in June 2001, Mr. Turner was employed as an accountant by Glenn G. Schanel, CPA, where he was responsible for corporate and individual tax returns, business write-up services, and business consulting services, including computer and database management. Prior to 1990, Mr. Turner was Vice President of Finance at First American Bank, Lake Worth, Florida, where he was responsible for the bank's financial reporting, budgeting and cost accounting.

Michael Camilleri has been a Director of the Company since November 2004, and holds a number of positions within the insurance industry. He is a principal of Preferred Insurance Capital Consultants, LLC. Preferred specializes in actuarial, litigation support and insurance management consulting services. Mr. Camilleri serves as a director and General Counsel of First Commercial Insurance Company, and as a director and officer of various insurance related affiliates of First Commercial. Mr. Camilleri is also President of Newport Star Reinsurance Company, Inc.; a director and Vice President of CEIB Marketing Group, LLC; President, Treasurer and Vice President of Spoleto Holdings, LLC; and Manager of Power One Real Estate Investments, LLC. Within the last five years, Mr. Camilleri has also served as Secretary of Accident Insurance Company, Inc., President and CEO of AmTrust Insurance Company, and Senior Vice President of Insurance Services Offices, Inc.. From 1996 to 1999, he was President of Insurance Data Resources, Inc. (IDR) and IDR Statistical Services, Inc. (IDRSS), national workers compensation rating organizations. Prior to

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joining IDR in 1996, Mr. Camilleri was a senior partner and head of the insurance regulatory and health practices for Adorno & Zeder, P.A. From 1978 to 1991 he was with the National Council on Compensation Insurance, Inc. (NCCI), where he served as Senior Vice President and General Counsel. At NCCI, Mr. Camilleri directed the Legal, National Affairs, Public Affairs and Residual Markets division. During his career with NCCI, he managed countrywide workers compensation assigned risk plans and reinsurance pools, established a prototype National Affairs Department, managed all internal and external affairs, provided oversight on multi state and federal issues including testimony before U.S. Congress, and served as Secretary to the Board of Directors. Mr. Camilleri is the author of texts and articles on workers compensation and health care and is a frequent speaker on workers compensation and health related issues at national conferences.

Barry M. Goldwater, Jr., has been a Director of the Company since November 2004. Mr. Goldwater is President of B2 Solutions, which represents client companies before Congress and various branches of the United States Government,

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as well as the California and Arizona state legislatures. Prior to joining B2 Solutions, Mr. Goldwater served as a General Partner for 13 equipment leasing partnerships. Mr. Goldwater's background includes 14 years as a United States Congressman and 8 years as a Series 7 Registered Representative in the securities brokerage industry and a member of the New York Stock Exchange. While in Congress, Mr. Goldwater served on committees that had jurisdiction over Energy, Aviation, Space, Defense and Public Works. Mr. Goldwater served on the Joint Committee on Energy, which responded to the oil crisis in 1974.

Matthew Salmon has been a Director of the Company since January 2004. Since November 2000, Mr. Salmon has been President of Upstream Consulting, a Public Affairs consulting company. From November 1994 until November 2000, Mr. Salmon served in the United States House of Representatives, representing Arizona's First Congressional District.

Douglas Sizemore has been a Director of the Company since November 2004. Mr. Sizemore has been President of Accident Insurance Company, Inc., since 2003, and has also been a self-employed insurance consultant since 2000. From 1995 to 2000, Mr. Sizemore was Commissioner of Insurance for the State of Tennessee. Prior to his position as Commissioner of Insurance, Mr. Sizemore was President of Johnston City Insurance Agency, Inc., dating back to 1959.

Norman E. Taplin has been a Director of the Company since November 2004. Mr. Taplin is an attorney, concentrating his practice in the areas of regulatory insurance, administration law, corporate and commercial law representing companies, industries, business matters involving governmental regulation, the securing and maintaining of licenses, governmental approvals and other regulatory issues, real estate, estate planning and probate. He is also involved in matters regarding the establishment of new businesses, real estate developments, and other transactions which may or may not involve governmental regulation. Mr. Taplin has been active in insurance matters since 1975 and has represented a variety of insurance companies in the United States, District of Columbia and select foreign jurisdictions. He is also a member of NALC, and has been appointed to the Hurricane Advisory Board in Georgia.

Our Board of Directors has determined that we have at least one financial expert, Richard C. Turner, serving on our audit committee. Since Mr. Turner is an officer of the Company, as well as a director, he is not considered independent.

A Code of Ethics that applies to our chief executive and senior financial officers, as well as a Code of Business Conduct and Ethics that applies to all employees, have been drafted and presented to our Board of Directors for

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review. Both Codes will be considered for adoption by the Board of Directors at its next meeting.

ITEM 8. EXECUTIVE COMPENSATION.

Prior to January 5, 2004, when the Company was spun off from eCom, our executive officers were paid by eCom. After the Company was spun off from eCom, Richard C. Turner, our Chief Financial Officer, has been paid an annual salary of \$50,000, plus a minimum annual bonus of \$50,000. No other executive officer currently receives compensation from the Company. We have agreed to issue to our independent directors, but have not yet issued, warrants to purchase a total of 1,500,000 shares of our Common Stock at an

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exercise price of \$.01 per share, as compensation for their directorial and consulting services.

ITEM 9. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

As of May 31, 2004, and as of January 15, 2005, there were a total of 15,723,903 shares of the Company's stock outstanding. In addition, as of January 15, 2005, there were 2,250,000 shares of common stock subscribed for, but not yet issued, pursuant to the conversion of certain convertible notes previously issued by the Company. In addition, the Company has issued warrants to purchase an additional 1,931,209 shares of common stock, and has committed to issue another 4,500,000 warrants to purchase common stock. The table below shows the number of shares of common stock held as of January 15, 2005, by (a) each director and executive officer of the Company, (b) the directors and executive officers of the Company as a group, and (c) each person known by us to be the beneficial owner of more than 5% of the Company's outstanding stock. All percentages assume the shares currently subscribed for are issued and assumes all of the warrants are issued and exercised.

| Name and Address ----- | Number of Shares Owned | % of Shares Outstanding |
|---|---------------------------|----------------------------|
| Barney A. Richmond, Director & President 601 Seafarer Circle Jupiter, FL 33477 | 7,084,048 | 29.0% |
| Richard C. Turner, Director & Chief Financial Officer 4200 Oak Street Palm Beach Gardens, FL 33418 | 230,870 | .9% |
| Matthew Salmon, Director 2700 N. 3rd Street, Suite 2012 Phoenix, AZ 85004 | 500,000 (1) | 1.9% |
| Barry M. Goldwater, Jr., Director 3104 E. Camelback, Suite 274 Phoenix, AZ 85016 | 250,000 (1) | 1.0% |
| Douglas Sizemore, Director 707 Rambling Road Johnson City, TN 37604 | 250,000 (1) | 1.0% |
| Norman E. Taplin, Director 1555 Palm Beach Lakes Blvd, Ste 1510 West Palm Beach, FL 33401 | 250,000 (1) | 1.0% |
| Michael Camilleri, Director | 250,000 (1) | 1.0% |

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2101 NW Corporate Blvd. Suite 415
Boca Raton, FL 33431

| | | |
|--|--------------------|---------------|
| David W. Pong(2) 161 San Antonio Way Sacramento, CA 95819 ----- | 2,000,000 ----- | 8.2% ----- |
| All Directors & Executive Officers as a group (7 persons) | 8,814,918 | 36.1% |

1 Represent warrants to purchase common stock which the Company has committed to issue.

2 All shares are held by the David W. Pong Revocable Trust. Includes 380,000 shares currently owned, 810,000 shares to be issued pursuant to the conversion of convertible notes held by the Trust, and warrants to purchase an additional 810,000 shares.

ITEM 10. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

There have been no transactions, and there are no proposed transactions, between the Company and any of its Directors, executive officers or beneficial owners of five percent or more of the Company's Common Stock, or any member of their immediate families, as to which the Director, officer, beneficial owner, or family member had a material interest.

On February 29, 2004 the Company received intellectual property rights when it acquired 53,910,922 common shares of Air Media Now, Inc. from ACHI, a related company. The fair value of the publicly traded shares of Air Media Now, Inc. at date of receipt was \$3,469,622.

ITEM 11. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

| Exhibit No. | Description |
|-------------|--|
| 31.1 | Certification of principal executive officer |
| 31.2 | Certification of principal financial officer |
| 32 | Section 1350 Certification |

(b) Reports on Form 8-K

The Company filed no reports on Form 8-K during the period covered by this Report.

ITEM 12. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Audit Fees.

The aggregate fees billed to the Company for professional services rendered for the audit of the Company's annual financial statements, review of the Company's quarterly financial statements, and other services normally provided in connection with statutory and regulatory filings or engagements was \$0 for the fiscal year ended May 31, 2003, and \$23,625 for the fiscal year ended May 31, 2004.

Other Fees.

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Other fees billed to the Company by accountants for consultation services, research and client assistance totaled \$0 for the fiscal year ended May 31, 2003, and \$0 for the fiscal year ended May 31, 2004.

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SIGNATURES

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

American Capital Holdings, Inc.
(Registrant)

By /s/ Barney A. Richmond

Barney A. Richmond, President

Date April 28, 2005

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ Barney A. Richmond

Barney A. Richmond, President and Director

Date April 28, 2005

By /s/ Richard C. Turner

Richard C. Turner, Chief Financial Officer and Director

Date April 28, 2005

By /s/ Michael Camilleri

Michael Camilleri, Director

Date April 28, 2005

By /s/ Norman E. Taplin

Norman E. Taplin, Director

Date April 28, 2005

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Exhibit 31.1

I, Barney A. Richmond, certify that:

(1) I have reviewed this Annual Report on Form 10-KSB/A of American Capital Holdings, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial

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information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

(4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

(5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: April 28, 2005

/s/ Barney A. Richmond

Barney A. Richmond
President

I, Richard C. Turner, certify that:

(1) I have reviewed this Annual Report on Form 10-KSB/A of American Capital Holdings, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small

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business issuer as of, and for, the periods presented in this report;

(4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

(5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: April 28, 2005

/s/ Richard C. Turner

Richard C. Turner
Chief Financial Officer

Exhibit 32

In connection with the Annual Report of American Capital Holdings, Inc. (the "Company") on Form 10-KSB/A for the period ending May 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Barney A. Richmond, President of the Company, and Richard C. Turner, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations

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of the Company.

/s/ Barney A. Richmond

Barney A. Richmond
President
Date: April 28, 2005

/s/ Richard C. Turner

Richard C. Turner
Chief Financial Officer
Date: April 28, 2005