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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. [X] Yes [ ] 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 or any amendment to this Form 10-KSB. [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, 2006:  
19,708,680

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

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AMERICAN CAPITAL HOLDINGS, INC.

Form 10-KSB

MAY 31, 2006

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AMERICAN CAPITAL HOLDINGS, INC.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

History

The Company was incorporated in the State of Florida on January 25, 1999 as US Amateur Sports Company, a wholly-owned subsidiary of eCom eCom.com, Inc. "eCom" which originally traded on the OTC/Bulletin Board under the symbol 'ECEC.' The Company's main office is located at 100 Village Square Crossing, Suite 202, Palm

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Beach Gardens, Florida 33410, and the telephone number is (561) 207-6395. On March 24, 2003, the Company changed its name to USA SportsNet, Inc., and recently 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.)

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 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 eCom's ten (10) operating subsidiary companies, pursuant to SEC Staff Legal Bulletin No. 4. On December 18, 2003, USA SportsNet, Inc. entered into a definitive Asset Acquisition Agreement with American Capital Holdings, Inc., ("ACHI") The Date of Record for the first spin-off, USA SportsNet, Inc. (later renamed American Capital Holdings, Inc., Cusip No. 02503V 10 9/SEC CIK No. 0001288010) was January 5, 2004. The Date of Record for the second spin-off, MyZipSoft, Inc. (Standard & Poor's Cusip No. 628703 10 0/SEC CIK No. 0001290785) was February 23, 2004, and the shares of MyZipSoft were distributed to its shareholders on June 2, 2005.

On March 2, 2004, the Board of Directors of eCom approved the spin off of the remaining eight (8) spin off companies in which the Board of Directors voted to issue to their shareholders one (1) share of the company for every one (1) share of eCom owned with a record date to be announced, pursuant to the advice of SEC Staff Legal Bulletin No. 4.

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AMERICAN CAPITAL HOLDINGS, INC.

### ITEM 1. DESCRIPTION OF BUSINESS. (CONTINUED)

On March 29, 2004, eCom Chairman and CEO David Panaia prepared and issued a Press Release announcing the appointment of Barney A. Richmond as President of eCom. A copy of this press release is appended hereto as Exhibit No. 99.1. Paragraph two (2) of this release stated the following:

"The plan to spin-off eCom's ten wholly owned subsidiaries has been completed and the Company is now in the process of acquiring certain businesses for each spin-off. To date, the Company has accomplished two (2) acquisitions and has four (4) more under agreement. When announced, eCom shareholders as of the Date of Payment (distribution of stock) for each spin-off will receive new shares in that company."

The date of record for the spin-off of American Capital was January 5, 2004.

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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 of ACHI, as described below, 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 issued to ACHI 13,226,147 shares. The Company then changed its name to American Capital Holdings, Inc., and ACHI changed its name to ACHI, Inc.

In addition, the Company agreed to reserve 25,000,000 of its authorized, but unissued shares, for issuance pursuant to a public offering, and to issue 2,162,099 shares to Spaulding Ventures, LLC, or its shareholders, in replacement of the shares of ACHI issued or intended to issue to Spaulding in connection with a prior acquisition of assets by ACHI from Spaulding (see "Acquisition of Spaulding"). The proceeds of the public offering are to be used to acquire additional interests in some of the companies in which the Company currently holds an ownership interest, to provide capital to those companies, and to acquire interests in other businesses of interest to the Company, which have not yet been identified.

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 and Guaranteed Principal Insured Convertible Securities which ACHI had developed and specifically designed to facilitate investment in oil and gas exploration in the United States, and in developing companies. See the American Capital Holdings balance sheet included in the Financial Statements section of this report.

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 2,162,099 shares

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AMERICAN CAPITAL HOLDINGS, INC.  
ITEM 1. DESCRIPTION OF BUSINESS. (CONTINUED)

of ACHI common stock, plus warrants to purchase a total of 216,210 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 shares by Spaulding to its shareholders, the Company intends to 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.

The assets acquired by ACHI from Spaulding, and subsequently acquired by the Company from ACHI, consist primarily of equity ownership positions in the following ten developing companies:

|                                |                                |
|--------------------------------|--------------------------------|
| Smart Pill Holding Corporation | Brilliant Coatings, Inc.       |
| @visory, LLC                   | eSmokes, Inc.                  |
| Efficien, Inc.                 | IS Direct Agency, Inc.         |
| Solid Imaging, Ltd.            | Century Aerospace Corporation. |
| Traffic Engine, Inc.           | Metroflex, Inc.                |

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To date, the Company has sold its interests in SmartPill Holding Corporation and eSmokes, Inc. The company has acquired 100% of the assets of IS Direct Agency, Inc. in order to facilitate its current plan of operation.

On May 24, 2004, American Capital Holdings, Inc., formerly known as USA SportsNet, Inc., filed a Form 10SB, file number 000-50776, accession number 0001288012-04-000001, SEC CIK number 0001288012, with the United States Securities & Exchange Commission ("SEC"). On July 27, 2004, American Capital Holdings, Inc.'s Form 10SB was ruled effective by the SEC.

Subsequently, American Capital Holdings, Inc. became party to the involuntary bankruptcy proceedings of its parent company, eCom eCom.com, Inc. American Capital Holdings, Inc. is a petitioning creditor of eCom due to the financial stance it assumed when eCom failed to pay its accountants, Wieseneck & Andres, P.A. American Capital was forced to pay the auditing firm in order to complete its audits, since American Capital is a spin-off company of eCom. This liability cost American Capital's shareholders approximately \$75,000. Additionally, American Capital was forced to continue financial assistance to eCom to bring all of the spinoff companies current with their SEC-qualified accountants and other creditors. Prior to this particular debt, American Capital had advanced eCom funds to cover operating expenses due to declining business conditions for eCom and the declining health of eCom's CEO, David Panaia. Mr. Panaia refused to acknowledge the debt by signing promissory notes, as required by GAAP accounting. The most critical aspect of eCom's financial crisis was that eCom was not able to pay its transfer agent, Florida Atlantic Stock Transfer, the amounts required to send out the stock certificates of the spin-off companies to the shareholders, and accordingly, the shares were not issued as stated.

Since late June 2004, the management of American Capital Holdings, Inc. has received hundreds of telephone calls from eCom shareholders, requesting delivery of their promised spin-off shares. Numerous shareholders have made demands to be sent their promised shares, many of them threatening legal action

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ITEM 1. DESCRIPTION OF BUSINESS. (CONTINUED)

against eCom. Because of the aforementioned financial difficulties, eCom's telephone lines were disconnected. eCom's shareholders contacted American Capital Holdings, Inc. in an effort to garner information on the status of their situation as American Capital was their only source for information.

During the period from late December 2004 thru mid-March 2005, American Capital and the other petitioning creditors sympathized with the declining health of eCom's CEO, David Panaia. These petitioning creditors have also incurred considerable additional costs by providing continued financial assistance to eCom. These costs included expenses to bring all of the spin-off companies current with their SEC filings, Federal Tax Returns, State Income Tax Returns, State Filing Fees, Accounting Expenses, SEC Auditing Expenses, Legal, Administrative and other business-related expenses. This process included utilizing American Capital employees, as well as hiring outside assistance, i.e. additional accountants, tax assistance, and outside attorneys to expedite the process.

In order protect its \$250,000+ equity investment in eCom, and in order to fulfill its fiduciary duty to American Capital shareholders, American Capital proceeded with a plan to recapture the lost shareholder value of eCom. All eCom shareholders are a part of American Capital's shareholder base, but American Capital also has shareholders who acquired shares outside of the spinoff transaction. These shareholders have no vested interest in eCom outside of American Capital's debt and equity positions, and are therefore owed an even

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greater fiduciary duty in protecting their interests. American Capital plans to issue a rights offering of shares of the spinoff companies to American Capital shareholders at a date to be announced.

The management of American Capital and eCom Directors Barney A. Richmond and Richard Turner began to realize that the CEO of eCom, David Panaia, was not abiding by his publicly stated agreements to accomplish what was originally set forth in press releases regarding the previously announced spin-off plan. Also, it is estimated that over \$13.5 million of eCom shares had been traded based on prior press releases concerning the spin-off announcement. It was then determined by many of the shareholders that eCom was more than in financial turmoil, and that Mr. Panaia did not have the resources to complete that which he had publicly stated. In late August and September of 2004, Chairman and CEO David Panaia quit taking calls from anyone, including the management of American Capital. Additionally, eCom was not taking calls from other creditors who were owed hundreds of thousands of dollars, including eCom's SEC accounting firm.

Due to the dilemma caused as a direct result of Mr. Panaia's refusal to address the monies advanced to eCom by American Capital, on November 22, 2004, Barney A. Richmond resigned as an Officer and Director of eCom. Mr. Panaia refused to file an 8-K statement regarding Mr. Richmond's resignation. In the absence of other options, on November 29, 2004 an involuntary petition was filed against eCom eCom.com, Inc. in the United States Southern District Bankruptcy Court (In Re: Case No. 04-34535 BKC-SHF) under Title 11, Chapter 11 of the United States Bankruptcy Code by petitioning creditors, American Capital Holdings, Inc., Richard Turner, Barney A. Richmond, and ACHI, Inc. The Bankruptcy proceedings were initiated in an effort to implement a viable plan for reimbursement of

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ITEM 1. DESCRIPTION OF BUSINESS. (CONTINUED)

costs incurred by American Capital Holdings, Inc., the petitioning creditors, and all other creditors/vendors who have not been paid. Most importantly, the proceedings will enable Mr. Richmond to initiate reorganization plans in an effort to restore the shareholder value lost by approximately 6,000 shareholders. The aforementioned creditors are owed in excess of \$1 million dollars. A copy of the June 2, 2005 Chapter 11, Title 11 Amended Involuntary Petition of eCom is posted on eCom's website, [www.ecomecom.net](http://www.ecomecom.net).

On March 20, 2005, the Chairman/CEO and majority shareholder of eCom, David J. Panaia, died from health complications.

On May 16, 2005, eCom and its creditors attended the first status conference in the United States Bankruptcy Court - Southern District of Florida (In Re: Case No. 04-34535 BKC-SHF) in front of the Honorable Judge Steven Friedman. An order was granted to the petitioning creditors adjudicating eCom as a debtor under Chapter 11, Title 11 of the United States Bankruptcy Code. The Order included specific instructions for eCom to retain bankruptcy counsel by June 4, 2005.

On June 6, 2005, eCom and its creditors attended the second status conference in the United States Bankruptcy Court - Southern District of Florida (In Re: Case No. 04-34535 BKC-SHF) in front of the Honorable Judge Steven Friedman. Orders were granted to employ the legal services of Kluger, Peretz, Kaplan & Berlin to represent eCom in its aforementioned reorganization plans, and to provide debtor in possession financing for \$100,000. These motions were presented in the first status conference which took place on May 16, 2005. Additional orders were granted authorizing Barney A. Richmond to hold the position of Chief Executive Officer, despite the potential conflict of interest

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due to his position as Chairman and CEO of American Capital Holdings, Inc., a petitioning creditor. Additionally, Mr. Richmond has been ordered by the court to reorganize eCom and the spinoff companies of eCom. The Board of American Capital Holdings, Inc. approved a resolution authorizing Mr. Richmond to temporarily divert his attention from the management of American Capital Holdings in order to please the court by implementing the reorganization plans for eCom and the spinoffs of eCom. The Board of American Capital recognizes the role Mr. Richmond has assumed in these proceedings, and agrees that his continued assistance is in the best interests of the shareholders of eCom, American Capital, and the spinoffs of eCom.

On July 25, 2005, a third bankruptcy hearing was held in front of the Honorable Judge Steven Friedman, during which two (2) orders were granted by the court. The first order granted the Debtor permission to obtain post-petition financing in the amount of \$100,000 from American Capital Holdings, Inc. on the terms and conditions set forth in the motion. The second order granted authorization for the Debtor-in-Possession to (I) Provide Electronic Service Upon Equity Security Holders and (II) Utilize Executive Mail Service for Purposes of Coordinating and Effectuating Service Upon Equity Security Holders.

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AMERICAN CAPITAL HOLDINGS, INC.  
ITEM 1. DESCRIPTION OF BUSINESS. (CONTINUED)

Electronic copies of the May 16, June 6, and July 25 2005 court transcripts are available on the eCom website, [www.ecomecom.net](http://www.ecomecom.net).

A group of several of American Capital Holdings, Inc.'s and other outside shareholders have designated resources to capitalize and complete viable business plans for the all of the above referenced spin-off companies. On May 31, 2005 several new shareholders invested \$400,000 in eight (8) of the above referenced companies to enable the companies to pay expenses relating to the initial funding of these companies to achieve their respective business purposes. This funding will be reflected in each company's Form 10SB audits and filings. This initial funding is to cover legal, accounting and other expenses, including due diligence costs related to proposed forthcoming acquisitions. More funding is planned for each company from June 1, 2005 through November 30, 2005 in accordance with 506 Reg. D Private Placement procedures, which will become available only to accredited investors. Additionally, a plan is being formulated, subject to bankruptcy court approval, which will provide a 100% payout to all of eCom's outstanding creditors. The new management is committed to the plan, and believes these efforts, combined with execution of the new business plans, will not only recapture the lost shareholder value of eCom, but will enhance future long term shareholder value as well.

Acquisition negotiations are underway and will be separately announced upon completion. Management is confident in their ability to execute these forthcoming plans.

American Capital Holdings, Inc.'s principal executive offices were located at 100 Village Square Crossing, Suite 202, Palm Beach Gardens, FL 33410 until March 15, 2007. Since March 15, 2007 the Company has been sharing space with United States Financial Group, Inc. at 1016 Clemmons St. Suite 302,, Jupiter, FL 33477, and our telephone number is (561) 745-6789. The Company's fiscal year ends May 31, 2006. The company maintains a web site at [americancapitalholdings.com](http://americancapitalholdings.com).



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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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AMERICAN CAPITAL HOLDINGS, INC.  
ITEM 1. DESCRIPTION OF BUSINESS. (CONTINUED)

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.)

Since May 31, 2005, the Company has continued the involuntary bankruptcy petition and the reorganization plan for eCom and the spin-offs of eCom. On June 6, 2005, eCom and its creditors attended the second status conference in the United States Bankruptcy Court - Southern District of Florida (In Re: Case No. 04-34535 BKC-SHF) in front of the Honorable Judge Steven Friedman.

Orders were granted to employ the legal services of Kluger, Peretz, Kaplan & Berlin to represent eCom in its aforementioned reorganization plans, and to provide debtor in possession financing for \$100,000. These motions were presented in the first status conference which took place on May 16, 2005. Additional orders were granted authorizing Barney A. Richmond to hold the position of Chief Executive Officer, despite the potential conflict of interest due to his position as Chairman and CEO of American Capital Holdings, Inc., a petitioning creditor. Additionally, Mr. Richmond has been ordered by the court to reorganize eCom and the spinoff companies of eCom. The Board of American Capital Holdings, Inc. approved a resolution authorizing Mr. Richmond to temporarily divert his attention from the management of American Capital Holdings in order to please the court by implementing the reorganization plans for eCom and the spinoffs of eCom. The Board of American Capital recognizes the role Mr. Richmond has assumed in these proceedings, and agrees that his continued assistance is in the best interests of the shareholders of eCom, American Capital, and the spinoffs of eCom. The court-ordered reorganizations must be complete 30 days from the date of the order, June 6, 2005.

Employees. The Company currently has seven full-time employees. These employees are considered full-time employees of American Capital, but have recently devoted many hours of American Capital's time to eCom and the spinoff companies to achieve regulatory compliance.

RISK FACTORS

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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.

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AMERICAN CAPITAL HOLDINGS, INC.

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 report.

**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 acquisition of Universe Life is completed, and until it is 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 \$(14,071,720) since inception, of which \$(10,444,744) are asset write-downs.

We expect our acquisition of Universe Life to be completed by November 2005. We intend to begin sales of our proprietary products prior to this date, but expect our revenues to be reduced in the interim as we will underwrite the insurance portion through third-party carriers.

**SPECULATIVE NATURE OF THE COMPANY'S 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 one of many participants in the business of selling life insurance backed financial products. We have, however, applied for a patent on our insurance product which specifically addresses the Governmental Accounting Standards Board ("GASB") Statement 45, which generally requires state and local governmental employers to account for and report the annual cost of Other Post Employment Benefits ("OPEB") and the outstanding obligations and commitments related to OPEB in essentially the same manner as currently required for pension obligations. 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

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

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AMERICAN CAPITAL HOLDINGS, INC.

THERE ARE NUMEROUS CONFLICTS OF INTEREST THAT MAY ARISE BETWEEN AMERICAN CAPITAL HOLDINGS AND ITS OFFICERS AND DIRECTORS. Because of the dual roles of Officer and Director of eCom and American Capital, Mr. Turner and Richmond could encounter conflicts of interest between the two (2) Companies. 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. There is currently no public market for the Company's common stock. Although we intend to apply for listing of our Common Stock on the American Stock Exchange, there can be no assurance that we will be successful in doing so, 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.

BUSINESS METHOD PATENT. Chairman, Barney A. Richmond, has applied for a patent with the product known as Government Pension Accounting Contract Solutions (GPACS(TM)). If and when the patent is granted, Mr. Richmond will assign the patent to ACH. A federal court decision has made it more difficult to obtain and enforce business method patents. During May 2006, the Supreme Court gave trial court judges more discretion in deciding whether to issue an injunction against a patent infringer. The Company maintains that the GPACS(TM) product has a practical application and would be enforceable in court.

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

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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 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 A '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

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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 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.

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. On March 8, 2007 the company moved from 100 Village Square Crossings, Inc. Suite 202, Palm Beach Gardens, FL to 1016 Clemmons St. Suite 302, Jupiter, FL 33477. The Jupiter property consists of approximately 1,277 square feet of office space. The company shares the office with United States Financial Group, Inc.(USFG). USFG incurred the cost and full responsibility of the leases. The Palm Beach Gardens lease was for a term of one year, expired on March 15, 2007 at a rental of \$2,567 per month including sales tax covering 784 square feet of office space. For the year ending May 31, 2006 the company leased approximately 1,231 square feet of office space. ACH incurred the cost and full responsibility of the lease. The lease was for a term of one year, at a rental of \$3,478 per month including sales tax. On March 15, 2007 a new lease was signed by USFG for a term of two years at a rental of \$2,213 per month.

### ITEM 3. LEGAL PROCEEDINGS.

The Company is a party to an Involuntary Bankruptcy Petition filed by the Company, as one of three (3) petitioning creditors, against eCom that is currently pending in the United States Bankruptcy Court - Southern District of Florida (In Re: Case No. 04-34535 BKC-SHF). 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

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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

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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. The status of the bankruptcy proceedings is described in greater detail in the section entitled "Description of Business-History." Electronic copies of the May 16, June 6, and July 25 2005 court transcripts are available on the eCom website, [www.ecomecom.net](http://www.ecomecom.net).

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

There were no matters submitted to a vote by the security holders during the fiscal year ended May 31, 2006.

## PART II

### 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 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. American Capital Holdings, Inc. is in the process of completing the acquisitions that will provide the Company the ability within the next two (2) years to meet the qualitative and quantitative listing standards of 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 5,000 shareholders. The Company has 1,621,209 shares subject to options, at an exercise price of \$.01 per share. These options all expired during the fiscal year ended May 31, 2006.

**DIVIDENDS.** There have been no cash dividends declared or paid since the Company was formed. As the company receives payments for services in the form of securities, it is the intent of management to distribute these shares in the form of a property dividend.

**RECENT SALES OF UNREGISTERED SECURITIES.** Item 701 Reg. SB- During the period of June 1, 2005 through May 31, 2006, the Company sold the following unregistered securities. Other than as set forth below, there were no other sales of unregistered securities made during the period covered by this report.

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

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AMERICAN CAPITAL HOLDINGS, INC.

securities were not registered under the Securities Act and setting forth appropriate restrictions on their transfer or sale.

| Date       | Share Amount | Consideration | Description                  |
|------------|--------------|---------------|------------------------------|
| 07/11/2005 | 100,000      | \$ 200,000    | Individual Private Placement |
| 08/01/2005 | 43,750       | \$ 87,500     | Individual Private Placement |
| 08/01/2005 | 1,090,027    | \$ 590,027    | Conversion of Debt           |
| 09/22/2005 | 6,000        | \$ 7,000      | Individual Private Placement |

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|            |         |           |                              |
|------------|---------|-----------|------------------------------|
| 10/18/2005 | 20,000  | \$ 40,000 | Individual Private Placement |
| 04/04/2006 | 250,000 | \$ 2,500  | Exercise of Warrants issued  |

### ITEM 6. MANAGEMENT'S PLAN OF OPERATION

American Capital Holdings, Inc., ("ACH") is a holding company which owns five (5) proprietary financial products. These products are known as Guaranteed Principle Insured Convertible Securities ("GPICS (TM)"), Energy Tax Incentive Preferred Securities ("ETIPS(TM)"), Equipment Tax Incentive Convertible Securities ("ETICS(TM)"), Guaranteed Pension Accounting Contract Solutions ("GPACS (TM)") and Government Pension Accounting Contract Solutions ("GPACS(TM)"). The GPACS(TM) products are designed to provide solutions for unfunded government and private sector pension plan liability. The GPICS(TM), ETIPS(TM) and ETICS(TM) products are investment structures designed to facilitate the use of energy and depreciation tax incentives while insuring the capital investment through guarantees of principal. Our Chairman, Barney A. Richmond, has applied for a patent for one of these products, known as Government Pension Accounting Contract Solutions (GPACS(TM)). If and when the patent is granted, Mr. Richmond will assign the patent to ACH.

The GPACS(TM) and some of our other products use insurance as a part of their structures. The insurance contracts will be written through several licensed insurance carriers. We intend to underwrite insurance policies through three subsidiaries, through which we intend to conduct our primary business operations. These subsidiaries are IS Direct Agency, Inc. ("IS Direct"), Universe Life Insurance Company ("Universe").

IS Direct is a wholly-owned subsidiary of ACH, and is a licensed insurance agency through which we will sell our products. IS Direct is currently licensed in approximately twenty states. Chris Dillon, president of IS Direct until May 1, 2006 was authorized to do business as an individual agent in approximately 27 states and in the District of Columbia. On May 1, 2006 Vince Cherrix became President of IS Direct. Mr. Cherrix is currently licensed for property and casualty insurance, and life and health insurance and annuities in Florida, South Carolina, Pennsylvania and Maryland. With the hiring of Mr. Cherrix, the business plan of IS Direct has changed. IS Direct had expected to obtain the necessary licenses for it to operate in all 50 states, it will now focus on selling its GPAC's products through agents of licensed insurance carriers. Due to the fact that the company will no longer incur the cost of maintaining licenses in all 50 states, the company wrote down the value of its goodwill associated with the insurance licenses. The company also wrote down the value of the company's website during the current fiscal year.

On October 30, 2004, we entered into an agreement to purchase 80% of Cosmopolitan Life Insurance Company. On July 8, 2005 management withdrew its

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AMERICAN CAPITAL HOLDINGS, INC.

application to acquire Cosmopolitan Life Insurance due to financial issues uncovered during our due diligence investigation. Management is currently looking at recovering the surplus note which requires Arkansas Department of Insurance approval.

A special meeting of the shareholders of the Company was held on December 7, 2005. A motion was passed to remove Barry M. Goldwater, Jr., Norman E. Taplin and Michael Pickens from the Board of Directors of the Company. The Company also accepted the resignations of Michael Camilleri and Matthew Salmon.

On January 6, 2006, the Company accepted the resignation of Douglas Sizemore from the Board of Directors of the Company.

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ACH's principal executive offices are currently located at 1016 Clemmons St., Suite 302, Jupiter, FL 33477, and our telephone number is (561) 745-6789. The Company's fiscal year ends May 31, 2006.

### Business Strategy

We intend to use the financial products of our subsidiaries as solutions, addressing the needs of governmental and private sector businesses regarding unfunded pension liabilities and other post-employment benefit ("OPEB") liabilities. We also plan to sell annuities and other insurance products, through our subsidiaries, to both the public and private sectors. We also intend to invest and/or sell our proprietary ETIPS(TM) and ETICS(TM) products in the public marketplace.

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 becomes offset by an asset. The product also provides a systematic investing capability to enhance the profitability of the organization and the improved treatment of tax obligations.

GPACS was created in response to the General Accounting Standards Board ("GASB") Statement 45, which generally requires state and local governmental employers to account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as currently required pension obligations. Annual OPEB costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of Statement 45 do not require governments to fund their OPEB plans.

An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods. Statement 45 is effective for periods beginning after December 15, 2006, 2007, or 2008, depending on the size of the government entity based on annual revenues used for GASB 34 implementation requirements.

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AMERICAN CAPITAL HOLDINGS, INC.

In May of 2004, the GASB issued a corresponding "plan" statement, Statement 43 - Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. Statement 43 is effective one year prior to Statement 45. This statement requires a statement of plan net assets, statement of changes in plan net assets, schedule of funding progress, and schedule of employer contributions in the stand-alone financial reports of OPEB plans, as well as in the financial statements of governments having OPEB trust funds.

Actuarial services will be required one year earlier if the "plan" Statement 43 is applicable, unless an alternative measurement method is utilized. However, the alternative measurement method is only an option for plans with a total membership of fewer than one hundred. Many OPEB plans are currently paying benefits on a pay-as-you-go basis. If a government does not have an acceptable trust or equivalent arrangement established, actuarial valuations will not be necessary until Statement 45 is effective. Establishing a trust may be an option for funding OPEB benefits; employers should consider the impact of required actuarial services.



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Our GPICS(TM), ETIPS(TM) and ETICS(TM) products are each 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.

Our plan of operation includes the underwriting of the insurance aspects of our products through our subsidiaries. Pending approvals of our recent acquisitions of Universe and Cosmopolitan, we will use third party insurance carriers. However, upon receiving the approvals, which are expected in due course, we will retain as much premium and commission money as possible within our subsidiaries.

IS Direct currently sells primarily term and whole life insurance products. However, upon the completion of our pending proposed acquisition of Universe, the scope of products available for sale by IS Direct is expected to broaden. Universe is a life insurance company which we expect to use to underwrite the insurance policies required by our GPACS products.

### Results of Operations:

Comparison of the twelve months ended May 31, 2006 with the twelve months ended May 31, 2005.

Revenue for the twelve month period ended May 31, 2006 was \$0 compared to \$123 recorded during the same period of the prior year. Revenues were recorded from commission received by our insurance subsidiary IS Direct Agency.

Gross profit reflects a loss of \$10,100 in the current year versus a loss of \$10,716 for the prior year. Depreciation expense contributed \$10,100 to the current years deficit in gross profit and \$10,893 to the prior years deficit.

General and administrative costs of \$270,066 for the current year reflects costs of staffing our administrative and sales offices versus \$261,448 for the prior twelve month period. Both figures reflect overhead costs distributed to the spin-off companies for services rendered by staff and management of American Capital Holdings.

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AMERICAN CAPITAL HOLDINGS, INC.

Our operations for the twelve months ended May 31, 2006 resulted in a net loss of \$1,611,401 versus 3,178,865 for the twelve months ended May 31, 2006. Unrealized holding gain during the current year of \$152,718 vs. an unrealized holding loss of \$177,325 during the prior years was the result of a decline in the market value of the Company's holdings in eCom being realized during the year ended May 31, 2006.

### Liquidity and Capital Resources:

As of May 31, 2006 current assets totaled \$627,916 compared to \$1,325,503 at May 31, 2005. The \$697,587 decrease in total current assets was the result of a decrease in cash of \$395,200 and a decrease in notes receivable of 241,397.

Accounts Payable increased from \$106,998 to \$242,203 between May 31, 2005 and May 31, 2006. Current liabilities decreased from \$1,405,311 at the end of the prior fiscal year to \$933,379 on May 31, 2006, a decrease of \$471,932 due to the conversion of short term debt to common stock during the twelve months ending May 31, 2006.

To the extent that additional funds are required to support operations or to expand our business, we may sell additional equity, issue debt or obtain other credit facilities through financial institutions. Any sale of additional equity securities will result in dilution to our shareholders.

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ITEM 7. FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

American Capital Holdings, Inc.

May 31, 2006

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Certified Public Accountants  
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Thomas B. Andres, C.P.A.\*, C.V.A.

FAX (561) 626-3453

Paul M. Wieseneck, C.P.A.

\*Regulated by the State of Florida

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders  
American Capital Holdings, Inc.  
Jupiter, FL 33410

We have audited the accompanying Consolidated Balance Sheets of American Capital Holdings, Inc. as of May 31, 2006 and 2005 and the related Consolidated Statements of Operations, Changes in Shareholders' Equity and Cash Flows for the years then ended. 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

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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, 2006 and 2005 and the results of their consolidated operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

North Palm Beach, Florida  
October 3, 2007

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AMERICAN CAPITAL HOLDINGS, INC.  
CONSOLIDATED BALANCE SHEETS  
FOR THE YEARS ENDING MAY 31, 2006 AND 2005

| ASSETS                             | 2006              | 2005                |
|------------------------------------|-------------------|---------------------|
|                                    | -----             | -----               |
| Current Assets                     |                   |                     |
| Cash and Cash Equivalents          | \$ 5,287          | \$ 400,487          |
| Notes Receivable                   | 143,569           | 384,966             |
| Loans Receivable Related Parties   | 423,517           | 445,645             |
| Prepaid Expenses                   | 55,543            | 94,405              |
| Total Current Assets               | -----<br>627,916  | -----<br>1,325,503  |
| Property and Equipment, net        | -----<br>35,979   | -----<br>38,595     |
| Other Assets                       |                   |                     |
| Marketable Securities              | -                 | 81,355              |
| Intangible Assets, net             | 8,938             | 28,938              |
| Insurance Licenses                 | 19,600            | 980,000             |
| Security Deposit                   | 2,435             | 3,110               |
| Total Other Assets                 | -----<br>30,973   | -----<br>1,093,403  |
| <b>TOTAL ASSETS</b>                | <b>\$ 694,868</b> | <b>\$ 2,457,501</b> |
|                                    | =====             | =====               |
| LIABILITIES & STOCKHOLDERS' EQUITY |                   |                     |
| Liabilities                        |                   |                     |
| Current Liabilities                |                   |                     |
| Accounts Payable                   | \$ 242,203        | \$ 106,998          |
| Accrued Expenses                   | 181,999           | 52,438              |
| Loans Payable-Related Companies    | -                 | 29,511              |
| Loans Payable-Shareholders         | 183,727           | 175,887             |

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|   |              |              |
|---|--------------|--------------|
| Notes Payable   | 325,450      | 1,040,477    |
|   | -----        | -----        |
| Total Current Liabilities   | 933,379      | 1,405,311    |
|   | -----        | -----        |
| Total Liabilities   | 933,379      | 1,405,311    |
|   | -----        | -----        |
| Stockholders' Equity  |              |              |
| Common Stock \$.0001 par value, 100 million<br>shares authorized, 18,908,680 with<br>800,000 unissued and 17,398,903 with<br>1,300,000 unissued | 1,971        | 1,870        |
| Paid-in-Capital   | 17,523,121   | 16,581,195   |
| Retained Deficit  | (17,763,603) | (15,378,157) |
| Accumulated Comprehensive Loss  | -            | (152,718)    |
|   | -----        | -----        |
| Total Stockholders' Equity  | (238,511)    | 1,052,190    |
|   | -----        | -----        |
| TOTAL LIABILITIES & STOCKHOLDERS' EQUITY  | \$ 694,868   | \$ 2,457,501 |
|   | =====        | =====        |

Read 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, 2006 and 2005

|   | 2006        | 2005        |
|---|-------------|-------------|
|   | -----       | -----       |
| Revenues  |             |             |
| Net Sales   | \$ -        | \$ 123      |
| Cost of Sales   | (10,100)    | (10,839)    |
|   | -----       | -----       |
| Gross (Loss)  | (10,100)    | (10,716)    |
|   |             |             |
| Operating Expenses  |             |             |
| General and Administrative, Net of<br>reimbursed expenses of<br>\$942,177 and \$296,335 | 270,066     | 261,448     |
| Sales and Marketing   | 2,000       | 55,531      |
| Impairment Expense  | 980,400     | 433,956     |
|   | -----       | -----       |
| Total Operating Expenses  | 1,252,566   | 750,934     |
|   |             |             |
| Loss from Operations  | (1,262,566) | (761,651)   |
|   | -----       | -----       |
| Other Income (Expense)  |             |             |
| Interest Income   | 11,479      | 12,670      |
| Interest Expense  | (38,065)    | (48,408)    |
| Write Off of Interest in Developing<br>Companies and Note Receivable                    | (454,628)   | (2,204,151) |
| Loss on Disposition of<br>Marketable Securities   | (20,339)    | -           |
|   | -----       | -----       |
| Net Other Expenses  | (501,553)   | (2,239,889) |
|   | -----       | -----       |
| Net Loss Before Comprehensive Losses  | (1,764,119) | (3,001,540) |
|   | -----       | -----       |
| Unrealized Holding Loss   | -           | (177,325)   |
| Adjustment to Prior Years   |             |             |
| Unrealized Holding Loss   | 152,718     | -           |

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|  |                |                |
|--|----------------|----------------|
| Net Comprehensive Gain (Loss)                  | 152,718        | (177,325)      |
| Net Loss                                       | \$ (1,611,401) | \$ (3,178,865) |
| Basic and Diluted<br>Net Loss Per Common Share | \$ (.08)       | \$ (.20)       |
| Weighted Average Shares Outstanding            | 19,372,064     | 15,863,486     |

Read the accompanying summary of accounting policies and notes to financial statements.

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AMERICAN CAPITAL HOLDINGS, INC.  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FROM JUNE 1, 2004 THROUGH MAY 31, 2006

|   | Number of<br>Shares<br>Issued | At Par<br>Value<br>\$.0001 | Add'l Paid<br>in Capital<br>& Treasury<br>Stock | Retained<br>Deficit | Accum. other<br>Comprehen-<br>sive Inc. | Total<br>Stockholder<br>Equity |
|---|-------------------------------|----------------------------|---|---------------------|---|--------------------------------|
| Bal 5/31/04   | 15,723,903                    | \$1,702                    | \$14,681,363                                    | \$(11,350,918)      | \$ 24,607                               | \$3,356,754                    |
| Sale of Common<br>Stock   | 1,675,000                     | 168                        | 1,899,832                                       | -                   | -                                       | 1,900,000                      |
| Dividend Paid   | -                             | -                          | -   | (1,025,699)         | -                                       | (1,025,699)                    |
| Comprehensive Loss  | -                             | -                          | -   | -                   | (177,325)                               | (177,325)                      |
| Net Loss  | -                             | -                          | -   | (3,001,540)         | -                                       | (3,001,540)                    |
| Bal 5/31/05   | 17,398,903                    | 1,870                      | 16,581,195                                      | (15,378,157)        | (152,718)                               | 1,052,190                      |
| Sale of Common<br>Stock   | 143,750                       | 14                         | 259,986   | -                   | -                                       | 260,000                        |
| Conversion of debt<br>and accrued interest<br>to equity             | 590,027                       | 59                         | 632,468   | -                   | -                                       | 632,527                        |
| Issuance of<br>500,000 shares<br>previously recorded<br>as unissued | 500,000                       | -                          | -   | -                   | -                                       | -                              |
| Sale of Common<br>Stock   | 26,000                        | 3                          | 46,997  | -                   | -                                       | 47,000                         |
| Warrants Issued<br>as Payment for<br>Accrued Interest<br>Payable    | 250,000                       | 25                         | 2,475   | -                   | -                                       | 2,500                          |
| Comprehensive Gain  | -                             | -                          | -   | -                   | 152,718                                 | 152,718                        |
| Dividends Paid  | -                             | -                          | -   | (621,327)           | -                                       | (621,327)                      |

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|                    |            |         |              |                |    |                |
|--------------------|------------|---------|--------------|----------------|----|----------------|
| Net Operating Loss | -          | -       | -            | (1,764,119)    | -  | (1,764,119)    |
| Bal 05/31/06       | 18,908,680 | \$1,971 | \$17,523,121 | \$(17,763,603) | \$ | - \$ (238,511) |

Read the accompanying summary of accounting policies and notes to financial statements.

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AMERICAN CAPITAL HOLDINGS, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MAY 31, 2006 and 2005

|  | 2006      | 2005        |
|--|-----------|-------------|
|  | -----     | -----       |
| Cash Flows From Operating Activities   |           |             |
| Cash received from customers   | \$ -      | \$ 123      |
| Cash paid to suppliers of goods and services   | (249,512) | (196,798)   |
| Interest Paid  | (15,750)  | (48,408)    |
| Interest Received  | 1,672     | 12,670      |
|  | -----     | -----       |
| Net Cash Flows Used in Operating Activities  | (263,590) | (232,413)   |
|  | -----     | -----       |
| Cash Flows From Investing Activities   |           |             |
| Purchase of Equipment  | (6,563)   | (49,434)    |
| Purchase of Intangible Asset   | -         | (1,289)     |
| Deposit Made on Insurance Carrier in Escrow  | -         | (250,000)   |
| Return of Deposit made on Investments  | 10,000    | -           |
| Proceeds from Sale of Marketable Securities  | -         | 871,636     |
| Purchase of Marketable Securities  | -         | (345,000)   |
| Acquisition of Common Stock-Related Companies  | -         | (1,198,752) |
|  | -----     | -----       |
| Net Cash Flows Provided By (Used In) Investing Activities  | 3,437     | (972,839)   |
|  | -----     | -----       |
| Cash Flows From Financing Activities   |           |             |
| Note Receivable Proceeds Disbursed   | (601,007) | (271,014)   |
| Repayment of Notes Receivable  | -         | 25,000      |
| Loan Receivable Proceeds Disbursed   | (416,145) | (418,578)   |
| Loan Proceeds from Stockholders  | 207,764   | 175,887     |
| Repayment of Loans to Stockholders   | (150,000) | -           |
| Repayment of Loan from Related Company   | -         | (28,170)    |
| Loan Proceeds to Related Debtor in Possession Company  | (115,186) | -           |
| Note Payable Proceeds  | -         | 250,000     |
| Repayment of Note Payable  | -         | (50,000)    |
| Proceeds of Sale from Common Stock   | 939,527   | 1,900,000   |
|  | -----     | -----       |
| Net Cash Flows Provided By Financing Activities  | (135,047) | 1,583,125   |
|  | -----     | -----       |
| Net Increase/(Decrease) in Cash and Cash Equivalents at Beginning of Period, June 1, 2005 and 2004 | (395,200) | 377,873     |
|  | -----     | -----       |
| Cash and Cash Equivalents at End of Period, May 31, 2006 and 2005                                  | \$ 5,287  | \$ 400,487  |
|  | =====     | =====       |

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Read the accompanying summary of accounting policies and notes to financial statements.

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AMERICAN CAPITAL HOLDINGS, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MAY 31, 2006 and 2005

Reconciliation of Net Loss to Net Cash Flows Used in Operating Activities

|   | 2006          | 2005           |
|---|---------------|----------------|
|   | -----         | -----          |
| Net Loss                                    | \$(1,611,401) | \$ (3,178,865) |
| Add Non-Cash Items:                         |               |                |
| Depreciation                                | 10,100        | 10,839         |
| Loss on Disposition of Common Stock         | 206,403       | 1,860,787      |
| Loss on Sale of Common Stock                | -             | 343,364        |
| Adjustment to Unrealized Holding Loss       | (152,718)     | 177,325        |
| Impairment Loss                             | 980,400       | 433,956        |
| Write Off of Equipment                      | -             | 6,779          |
| Cash was increased by:                      |               |                |
| Increase in Accounts Payable                | 135,203       | 79,192         |
| Increase in Accrued Expenses                | 129,561       | 41,417         |
| Decrease in Prepaid Expenses                | 38,862        | -              |
| Cash was decreased by:                      |               |                |
| Increase in Prepaid Expenses                | -             | (7,207)        |
|   | -----         | -----          |
| Net Cash Flows Used in Operating Activities | \$ (263,590)  | \$ (232,413)   |
|   | =====         | =====          |

Non-Cash Transactions:

The following balance sheet accounts were adjusted to zero by the transfer of marketable securities to a note holder. See Note F.

|                       |           |
|-----------------------|-----------|
| Marketable Securities | \$102,151 |
| Note Payable          | \$234,530 |

The Company issued 250,000 warrants valued at \$.01 to a creditor as payment for accrued interest payable in the amount of \$2,500.

Read the accompanying summary of accounting policies and notes to financial statements.

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AMERICAN CAPITAL HOLDINGS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE A - DESCRIPTION OF BUSINESS

American Capital Holdings, Inc. (American Capital Holdings) is a Florida Corporation whose primary business consists of insurance and proprietary financial products designed to utilize tax incentives, and mitigate the impact of balance sheet liabilities. The Company's main office is located at 1016 Clemmons Street, Suite 302, Jupiter, Florida 33477, and the telephone number is (561) 745-6789.

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

### 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 a 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 or market value.

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AMERICAN CAPITAL HOLDINGS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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### NOTE C - BUSINESS COMBINATION

The company acquired the net assets of I.S. Direct New York, an unrelated company, through a reverse merger with its wholly owned subsidiary of I.S. Direct Agency, Inc. The acquisition was accounted for as a business combination in accordance with SFAS 141, paragraphs nine through twelve. I.S. Direct, Inc. issued its shares of American Capital common stock it received in the exchange of its stock at its inception with American Capital for the net assets of I.S. Direct New York. The assets acquired by I.S. Direct, Inc., a wholly owned subsidiary, include life and health insurance licenses to operate in all fifty states, \$980,000, and website and software costs for \$20,000. The two assets of I.S. Direct are included in the Consolidated Balance Sheet of American Capital Holdings, Inc. All intercompany transactions have been eliminated at consolidation. The software costs were written off at May 31, 2006. The costs of the insurance licenses have been written down to their estimated fair value of \$19,600 at May 31, 2006.

### NOTE D - NOTES RECEIVABLE

Notes Receivable at May 31, 2006 and 2005 consist of the following:

|  | 2006       | 2005        |
|--|------------|-------------|
| 8% non-collateralized notes due on demand.   | -----      | -----       |
| Interest is payable quarterly. Included in the balances are \$31,663 and \$19,935 of accrued interest receivable.  | \$ 131,663 | \$ 119,935  |
| <br>A 4% Note Payable with interest payable monthly. Accrued interest payable of \$1,989 was included in the balance at May 31, 2004. An additional \$748 of accrued interest was accrued in 2005. By mutual agreement between both parties, the note receivable and all accrued interest was written off on May 31, 2005.   | <br>-      | <br>-       |
| <br>Nine 8% promissory notes purchased from holders of notes with Air Media Now, Inc. By mutual agreement of both parties, these notes are not accruing interest.  | <br>11,906 | <br>11,906  |
| <br>A 5% non-collateralized surplus note that Cosmopolitan Life Insurance has the right to repay, provided Cosmopolitan has sufficient capital to operate as a stipulated premiums life insurance company. Management made the decision that the note and accrued interest receivable were not collectable and wrote off the balances in August 2005. See (1) below. | <br>-      | <br>253,125 |
|  | -----      | -----       |
| Total Notes Receivable   | \$ 143,569 | \$ 384,966  |
|  | =====      | =====       |

(1) Management has made a determination that the \$250,000 note receivable from Cosmopolitan Life Insurance Company was uncollectible, and has written off the amount due and accrued interest of \$12,238 as a write off of interest in developing companies and note receivable on August 31, 2005.

All of the other notes receivable have been determined to be collectable and therefore, management has not established an allowance for doubtful accounts.

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AMERICAN CAPITAL HOLDINGS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE E - LOANS RECEIVABLE RELATED PARTIES

The loans receivable from related corporate entities are non-collateralized, non-interest bearing and are due on demand. As of May 31, 2006, eCom, a

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related party, owed American Capital \$186,496. As of November 29, 2004, eCom has been adjudicated as a Chapter 11 Debtor in the involuntary bankruptcy proceedings of the United States Bankruptcy Court - Southern District of Florida (In Re: Case No. 04-34535 BKC-SHF). Pending bankruptcy court approval of eCom's Reorganization Plan, which is expected in due course, there should not be a material affect on the financial condition of American Capital.

The loans due American Capital as of May 31, 2006 are as follows:

|                              |            |
|------------------------------|------------|
| eCom eCom.com Inc.           | 186,496    |
| AmEnviro, Inc.               | 52,098     |
| USA Performance Products     | 3,783      |
| A Super Deal.com             | 25,782     |
| Swap and Shop.net            | 20,930     |
| A Classified Ad              | 21,169     |
| Diamond Energy               | 20,080     |
| Green Energy Group           | 20,043     |
| CRT Holdings, Inc. (FL)      | 26,671     |
| eSecureSoft Company          | 22,580     |
| American Environmental, Inc. | 22,600     |
| Other                        | 1,285      |
|                              | -----      |
| Total                        | \$ 423,517 |
|                              | =====      |

### NOTE F - INVESTMENTS

The assets acquired by ACHI from Spaulding, and subsequently acquired by the Company from ACHI, consisted 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.

American Capital wrote off its remaining interests in these companies with the exception of IS Direct Agency, Inc., as a charge to Write Off of Investment in Developing Companies of \$(2,204,000) for the period ending May 31, 2005.

### Available-for-Sale Securities:

eCom eCom.com, Inc. is a Florida Corporation and trades on the OTC/PINK: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.

In the year ending May 31, 2006, by mutual agreement, the Company's entire investment of marketable securities in eCom eCom.com, Inc was transferred to a note holder reducing the note payable to zero. The original cost basis for these marketable securities was \$254,869. Through May 31, 2005, a net

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### AMERICAN CAPITAL HOLDINGS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE F - INVESTMENTS - (CONTINUED)

unrealized holding loss in the amount of \$152,718 had been recognized. As a result of the transfer, an unrealized holding gain of the amount of \$152,718, which eliminated the Accumulated Comprehensive Loss, and a loss on the disposition of marketable securities in the amount of \$20,339 was recognized in the Consolidated Statement of Operations at May 31, 2006. Also as a result of the transfer, the following balance sheet account was adjusted; the company's remaining investment in eCom eCom, \$102,151 was written down to zero.

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As a part of an acquisition of common stock of the various developing companies, see the first paragraph of this Note, the Company owns approximately 53 million shares or 90% of the outstanding common shares of Air Media Now!, Inc. (Air Media Now). Air Media Now owned the rights to market certain intellectual property that had never been fully developed by its previous owners. Air Media Now has no assets but is currently traded on the pink sheets (AMNW:PK). The stock was trading at \$.01 at May 31, 2006. Air Media Now has not filed financial statements subsequent to December 31, 2002 with the Securities and Exchange Commission. American Capital Holdings, Inc. wrote off any and all of its recorded investment in Air Media Now as an impairment expense in the year ended May 31, 2004. Air Media Now is a consolidated subsidiary of American Capital Holdings at May 31, 2006 and 2005.

### NOTE G - PROPERTY AND EQUIPMENT

Equipment is stated at cost less depreciation. As of May 31, 2006, equipment consisted of computer hardware, software, and office furniture and equipment. Depreciation expense of \$10,100 and 10,839 has been recorded for the years ending May 31, 2006 and 2005 respectively.

### NOTE H - PREPAID EXPENSES

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

### NOTE I - INTANGIBLE ASSETS

Intangible assets consist of website software development costs, and fees related to applications for patents and trademarks. The intangible assets are not in use and are currently not being amortized.

### NOTE J - OTHER ASSETS

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

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AMERICAN CAPITAL HOLDINGS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE K - LOAN PAYABLE RELATED PARTY

A non-interest bearing, non-collateralized loan payable to related companies in the amount of \$0 and \$29,511 was due on demand at May 31, 2006 and 2005 respectively. As of May 31, 2006 non-collateralized loans payable to shareholders in the amount of \$183,727 are due on demand.

### NOTE L - NOTES PAYABLE

Promissory Notes as of May 31, 2006 consisted of

| May 31, 2006 | May 31, 2005 |
|--------------|--------------|
|--------------|--------------|

Four interest bearing, non-collateralized loans.

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|  |            |             |
|--|------------|-------------|
| The loans have various maturities throughout 2006. | \$ 325,450 | \$ 450,450  |
|  | -----      | -----       |
| Total Notes Payable                                | 325,450    | 450,450     |
| Less Current Portion                               | (325,450)  | (450,450)   |
|  | -----      | -----       |
| Net Long-term Debt                                 | \$ 0       | \$ 0        |
|  | =====      | =====       |
| The short-term notes payable mature as follows:    |            |             |
| May 31, 2006 and 2005                              | \$ 325,450 | \$ 450,450  |
| Two non-interest bearing, non-collateralized loans |            |             |
| due on demand                                      | \$ 0       | \$ 590,027  |
|  | -----      | -----       |
| Total Notes Payable                                | \$ 325,450 | \$1,040,477 |
|  | =====      | =====       |

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. Prior to the year ended May 31, 2004, the holder of approximately \$830,000 of debt plus accrued interest agreed to convert \$500,000 of his debt to common stock. The \$500,000 was recognized as converted to equity in 2004. The 500,000 of common shares remained unissued at May 31, 2004 and 2005. In June 2004 (year ended May 31, 2005) the same creditor loaned another \$250,000 to the Company. In the year ended May 31, 2006, the Company, by mutual agreement, converted the remaining debt plus all accrued interest outstanding, a total of approximately \$581,000, to equity for 590,027 shares of common stock of the company. The 500,000 shares of common stock unissued in 2004, were issued during August 2005 (year ended May 31, 2006).

### NOTE M - WARRANTS

The Company issued 1,005,000 detachable warrants for each dollar of debt as described in Note L above. Management determined that the value of the

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### AMERICAN CAPITAL HOLDINGS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE M - WARRANTS - CONTINUED

detachable warrants at \$.01 on the date of issuance and charged paid in capital and reduced the value of the debt by \$10,050 in the year ended May 31, 2004. 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.

The following is a summary of warrants through:

|   | May 31, 2006 | May 31, 2005 |
|---|--------------|--------------|
| Outstanding warrants at the beginning of the year | 1,621,209    | 1,621,209    |
| Warrants issued                                   | 0            | 0            |
| Warrants expired                                  | 1,371,209    | 0            |
| Warrants exercised                                | 250,000      | 0            |

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|   |       |           |
|---|-------|-----------|
| Warrants outstanding at the end of the year | 0     | 1,621,209 |
|   | ===== | =====     |

### NOTE N - STOCKHOLDERS' EQUITY

The 800,000 unissued shares of common stock at May 31, 2006 are to be issued to the stockholders of IS Direct, a New York corporation. See Note C.

### NOTE O - DIVIDENDS

The Company pays certain expenses on behalf of the various related companies that were spun off from eCom eCom.com, Inc. The payable on the books of the spin off company, which is an account receivable on the books of American Capital Holdings, is then converted to common stock of that company. It is not the intention of American Capital to be a holding company so it, therefore, distributes the newly acquired shares of common stock, pro-rata to the current stockholders of American Capital. The Company has converted approximately \$623,000 and \$1,060,000 from a receivable to common stock of the spin off companies in each of the respective periods. The Company then distributes those shares to its own shareholders in the form of dividends paid.

### NOTE P - COMMITMENTS AND CONTINGENCIES

The Company leased approximately 1,231 square feet office facilities in Palm Beach Gardens, Florida under an operating lease of \$2,331 per month which expires on January 31, 2007. ISDA leased approximately 200 square feet of office facilities in Buffalo, NY under a month to month agreement of \$425.00 per month.

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AMERICAN CAPITAL HOLDINGS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE P - COMMITMENTS AND CONTINGENCIES - CONTINUED

Future minimum lease payments including sales tax as of May 31, 2006 are:  
Fiscal Years ending:

|                              |           |
|------------------------------|-----------|
| May 31, 2007                 | 18,648    |
|                              | -----     |
| Total Minimum Lease Payments | \$ 18,648 |
|                              | =====     |

Rent expense for the twelve month period ending May 31, 2006 was \$35,124.  
Rent expense for the twelve month period ending May 31, 2005 was \$39,634.

### NOTE Q - 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, 2006 totals approximately \$16,000,000. This carry-forward, which will be available to offset future taxable income, and expire beginning in May 31, 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.

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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 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. 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, 2005 does not include shares from potentially dilutive securities as the assumption of conversion or exercise of these would have an

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AMERICAN CAPITAL HOLDINGS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE Q - INCOME TAXES - CONTINUED

antidilutive 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 R - 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 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, 2006  | May 31, 2005  |
|-------------------------------------|---------------|---------------|
|                                     | -----         | -----         |
| Loss carry forward for tax purposes | \$ 16,000,000 | \$ 15,000,000 |
|                                     | =====         | =====         |
| Deferred tax asset (34%)            | 5,600,000     | 5,250,000     |
| Valuation allowance                 | (5,600,000)   | (5,250,000)   |
|                                     | -----         | -----         |
| 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, 2006 was approximately \$16,000,000. These carry-forwards, which will be available to offset future taxable income, will expire through the year 2024.

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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 S - CHANGE IN ACCOUNTING PRINCIPLE/ERROR

For the year ended May 31, 2005, management has determined that marketable securities with a fair value of \$433,956 should be written off due to the fact that the American Capital Holdings, Inc., owner of approximately 90% of the outstanding shares of common stock of Air Media Now, Inc., is unable to dispose of any of their controlling interest because there are no remaining assets in Air Media Now and to sell them would be unethical. Air Media now is traded on the pink sheets. This charge off increased the May 31, 2005 Net Loss by \$433,956 and the Retained Deficit by a similar amount.

### NOTE T - SUBSEQUENT EVENTS

On or about October 10, 2006, a stockholder of the Company filed suit in the California Superior Court but the lawsuit was removed to the United States District Court for the Eastern District Court of California. American Capital

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AMERICAN CAPITAL HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE T - SUBSEQUENT EVENTS - CONTINUED

Holdings, the defendant, move to have the case transferred to the United States District Court for the Southern District of Florida based on the venue being improper. On February 28, 2007 the U.S. District Judge then presiding over the case granted defendant's motion and ordered that the case be transferred. The case has not yet been transferred or re-filed.

### NOTE U - RELATED PARTY TRANSACTIONS

The Company has receivables due from nine related entities. eCom eCom.com, Inc. owes \$196,450 for services paid to the Company's transfer agent and accountant, including \$100,000 of debtor-in-possession financing, as authorized by the United States Bankruptcy Court, Case No. 04-35435-SHF. Freedom 4 Wireless, Inc. owed the Company \$670,199 for working capital and inventory purchased by ACHI, and for investments into the company between March 2004 and June 2004. On February 1, 2005, this investment was converted into 47,457,356 shares of MyZipSoft, Inc. common stock. Additional advances were made after February 1, 2005, resulting in a balance due from MyZipSoft of \$108,262. On August 31, 2005 10,826,190 of shares of MyZipSoft were issued to American Capital Holdings. These MyZipSoft shares were distributed to the shareholders of record of American Capital Holdings on August 31, 2005. Additional advances to support operations were made into each of the following eight spin-offs of eCom; A Super Deal.com, Inc, Swap and Shop.net Corp, A Classified Ad, Inc, AAB National Company, Pro Card Corporation, USAS Digital Inc, USA Performance Products, and eSecureSoft Company. These related party transactions totaled \$377,664, on August 31, 2005 and an additional \$72,767 during the three months ending November 30, 2005. The following shares were issued to American Capital Holdings by the following companies as compensation for these advances and services.

Shares issued to American Capital Holdings during the twelve months ended May 31, 2006 and distributed to the shareholders of American Capital Holdings, Inc. to shareholders of record of American Capital Holdings as of August 31, 2005 and November 30, 2005 and February 28, 2006 are as follows:

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| Company name         | Shares<br>Distributed on<br>August 31, 2005 | Shares<br>Distributed on<br>November 30, 2005 | Shares<br>Distributed on<br>February 28, 2006 |
|----------------------|---|---|---|
| eSecureSoft Company  | 6,560,606                                   | 743,531                                       | 702,425                                       |
| USAS Digital         | 4,502,351                                   | 1,050,875                                     | 1,266,658                                     |
| Pro Card Corporation | 5,265,896                                   | 1,463,125                                     | 593,125                                       |
| AAB National         | 7,099,350                                   | 952,500                                       | 836,453                                       |
| A Classified Ad      | 3,694,725                                   | 1,722,500                                     | 728,750                                       |
| Swap and Shop        | 3,886,226                                   | 747,475                                       | 869,375                                       |
| A Super Deal         | 6,757,351                                   | 856,750                                       | 916,005                                       |
| MyZipSoft            | 10,826,190                                  | 0   | 510,550                                       |

The Company has received loans from various Officers and Directors. As of May 31, 2006, the company owes \$124,585 to Barney Richmond and \$25,057 to Richard Turner.

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AMERICAN CAPITAL HOLDINGS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE V - 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.

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, and there was 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 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



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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 there has been 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

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AMERICAN CAPITAL HOLDINGS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE V - RECENT ACCOUNTING PRONOUNCEMENTS

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.

### 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, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART III

### ITEM 9. 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 of office are at the discretion of the board.

| Name | Age | Positions Held |
|------|-----|----------------|
|------|-----|----------------|

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|                                       |    |  |
|---------------------------------------|----|--|
| Barney A. Richmond                    | 55 | Chairman/President/Secretary<br>Director |
| Richard C. Turner<br>Officer/Director | 47 | Treasurer/Chief Financial                |

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### ITEM 9. DIRECTORS, EXECUTIVE OFFICERS AND CONTROL PERSONS. (CONTINUED)

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. Mr. Turner currently serves as CFO of eCom eCom.com, Inc. and the other ten public companies spun off by eCom eCom.

A special meeting of the shareholders of American Capital Holdings, Inc. was held on December 7, 2005. A motion was passed to remove Barry M. Goldwater, Jr., Norman E. Taplin and Michael Pickens from the Board of Directors of the Company. The Company also accepted the resignations of Michael Camilleri and Matthew Salmon. On March 6, 2006 Mr. Camilleri's resignation was filed with the Florida Secretary of State. On March 17, 2006 Mr. Picken's resignation was filed with the Florida Secretary of State. On March 23, 2006 Mr. Goldwater's resignation was filed with the Florida Secretary of State. On April 5, 2006 Mr. Taplin's resignation was filed with the Florida Secretary of State. On March 2, 2006 Mr. Sizemore's and Mr. Salmon's removal from the board was filed electronically with the Florida Secretary of State.

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

### ITEM 10. EXECUTIVE COMPENSATION.

Prior to January 5, 2004, when the Company was spun off from eCom, our executive

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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

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AMERICAN CAPITAL HOLDINGS, INC.

### ITEM 10. EXECUTIVE COMPENSATION - (CONTINUED)

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

### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

As of May 31, 2006, there were a total of 18,908,680 shares of the Company's stock outstanding. In addition, as of May 31, 2006, there were 800,000 shares of common stock subscribed for, but not yet issued, pursuant to the conversion of certain convertible notes previously issued by the Company and subscription agreements. 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 May 31, 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<br>-----   | Number of<br>Shares Owned<br>----- | % of Shares<br>Outstanding<br>----- |
|---|------------------------------------|-------------------------------------|
| Barney A. Richmond, Director & President<br>601 Seafarer Circle<br>Jupiter, FL 33477                        | 6,464,048                          | 34.2%                               |
| Richard C. Turner, Director &<br>Chief Financial Officer<br>4200 Oak Street<br>Palm Beach Gardens, FL 33418 | 230,870                            | 1.2%                                |
| David W. Pong (1)<br>161 San Antonio Way<br>Sacramento, CA 95819  | 2,720,877                          | 14.4%                               |
| All Directors & Executive Officers<br>as a group (2 persons)  | 6,694,918                          | 35.4%                               |

(1) All shares are held by the David W. Pong Revocable Trust.

### ITEM 12. 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

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### ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

company. The fair value of the publicly traded shares of Air Media Now, Inc. at date of receipt was \$3,469,622. The stock was trading at \$.01 at May 31, 2006. Air Media Now has not filed financial statements subsequent to December 31, 2002 with the Securities and Exchange Commission. American Capital Holdings, Inc. wrote off any and all of its recorded investment in Air Media Now as an impairment expense in the year ended May 31, 2004. Air Media Now is a consolidated subsidiary of American Capital Holdings at May 31, 2006 and 2005.

### ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

#### (a) Exhibits

| Exhibit No. | Description |
|-------------|-------------|
|-------------|-------------|

- |      |  |
|------|--|
| 3.1  | Amended Articles of Incorporation dated November 15, 2004 (incorporated by reference to the Company's Form 10-SB/A filed January 11, 2005)             |
| 3.2  | Bylaws of the Company (incorporated by reference to the Company's Form 10-SB filed May 24, 2004)   |
| 31.1 | Certification of principal executive officer   |
| 31.2 | Certification of principal financial officer   |
| 32   | Section 1350 Certification   |
| 99.1 | Press Release from eCom eCom.com announcing spin off plan (incorporated by reference to the Company's Form 10-KSB filed August 29, 2005)               |
| 99.2 | Court Orders from Involuntary Bankruptcy Petition of eComeCom.com, Inc. (incorporated by reference to the Company's Form 10-KSB filed August 29, 2005) |

#### (b) Reports on Form 8-K

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

### ITEM 14. 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 \$55,421 for the fiscal year ended May 31, 2006, and \$54,995 for the fiscal year ended May 31, 2005.

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AMERICAN CAPITAL HOLDINGS, INC.

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES - (CONTINUED)

#### 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, 2006, and \$0 for the fiscal year ended May 31, 2005.

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, Principal Executive Officer

Dated October 3, 2007

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, Principal Executive Officer

Dated October 3, 2007

By /s/ Richard C. Turner  
-----  
Richard C. Turner, Chief Financial Officer and Director

Dated October 3, 2007

AMERICAN CAPITAL HOLDINGS, INC.

Exhibit 31.1

I, Barney A. Richmond, certify that:

- (1) I have reviewed this Annual Report on Form 10-KSB 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: October 3, 2007

/s/ Barney A. Richmond

-----  
Barney A. Richmond, Principal Executive Officer  
AMERICAN CAPITAL HOLDINGS, INC.  
Exhibit 31.2

I, Richard C. Turner, certify that:

(1) I have reviewed this Annual Report on Form 10-KSB 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 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

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(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: October 3, 2007

/s/ Richard C. Turner

-----  
Richard C. Turner, Chief Financial Officer  
AMERICAN CAPITAL HOLDINGS, INC.

### Exhibit 32

In connection with the Annual Report of American Capital Holdings, Inc. (the "Company") on Form 10-KSB for the period ending May 31, 2006 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 of the Company.

/s/ Barney A. Richmond

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Barney A. Richmond, Principal Executive Officer  
October 3, 2007

/s/ Richard C. Turner

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Richard C. Turner, Chief Financial Officer  
October 3, 2007