AMERICAN CAPITAL HOLDINGS INC
Form 10QSB
April 06, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-QSB
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 28, 2005
Commission File Number 33-96638-A

AMERICAN CAPITAL HOLDINGS, Inc.

(Exact name of small business issuer as specified in its charter)

Florida	65-0895564
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 VILLAGE SQUARE CROSSING, SUITE 202
PALM BEACH GARDENS, FLORIDA 33410

(Address of principal executive offices)

(561) 207-6395

(Registrant's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [ ] No [X]

As of February 28, 2005 the issuer had 15,723,903 shares of common stock, $.0001 Par Value, outstanding.

Transitional Small Business Disclosure format: Yes [ ] No [X]

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*Regulated by the State of Florida

Independent Accountants' Report

To the Board of Directors and Stockholders
American Capital Holdings, Inc.
Palm Beach Gardens, Florida

We have reviewed the accompanying consolidated balance sheet of American Capital Holdings, Inc. as of February 28, 2005 and May 31, 2004, and the related consolidated statements of operations, for the three-month periods and the nine month periods ended February 28, 2005 and 2004, the consolidated statement of changes in stockholders' equity from June 1, 2003 through February 28, 2005, and the consolidated statement of cash flows for the nine month periods ended February 28, 2005 and 2004, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of American Capital Holdings, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

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

North Palm Beach
April 5, 2005

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AMERICAN CAPITAL HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

	FEBRUARY 28, 2005	MAY 31, 2004
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 34,487	$ 22,614
Accounts Receivable	23,709	-
Notes Receivable	409,650	138,952
Loans Receivable Related Parties (net)	158,618	27,067
Prepaid Expenses	66,432	87,197
Marketable Securities	2,586,054	2,963,178
Other Current Assets	600	-

Total Current Assets	3,279,549	3,239,008
Property and Equipment, net	24,219	43,472
Other Assets		
Available for Sale Securities	1,268,812	2,960,668
Goodwill	8,209,071	8,209,071
Security Deposit	3,110	3,110
Total Other Assets	9,480,993	11,172,849
TOTAL ASSETS	$ 12,784,762	$ 14,455,329
LIABILITIES & STOCKHOLDERS' EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	$ 43,675	$ 27,806
Accrued Expenses	21,422	11,021
Loan Payable Related Parties	234,953	57,681
Current Portion of Notes and Loans Payable	1,034,977	834,977
Total Current Liabilities	1,335,027	931,485
Total Liabilities	1,335,027	931,485
Stockholders' Equity		
Common Stock $.0001 par value, 100 million shares authorized, 15,723,903 shares issued and outstanding, 2,080,000 unissued	1,780	1,702
Paid-in-Capital	15,466,285	14,686,363
Accumulated Deficit	(1,615,068)	(651,224)
Accumulated Comprehensive Loss	(2,403,262)	(512,997)
Total Stockholders' Equity	11,449,735	13,523,844
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 12,784,762	$ 14,455,329

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

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AMERICAN CAPITAL HOLDINGS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED
FEBRUARY 28, 2005 AND 2004

	FEBRUARY 28, 2005	FEBRUARY 29, 2004
Revenues		
Net Sales	$ 123	$ -
Cost of Sales	(9,128)	-
Gross Profit	(9,005)	-
Operating Expenses		

General and Administrative	913,164	3,474
Sales and Marketing	15,357	-
Amortization	-	-
Total Operating Expenses	928,521	3,474
Loss from Operations	(937,526)	(3,474)
Other Income (Expense)		
Interest Income	9,564	-
Interest Expense	(36,513)	-
Loss on Disposition of Marketable Securities	(343,364)	-
Recovery of Bad Debt	343,995	
Net Other Expenses	(26,318)	-
Net Loss Before Other Comprehensive Losses	(963,844)	-
Other Comprehensive Income / (Loss)		
Unrealized Holding Loss During Period	(1,890,265)	-
Total Comprehensive Loss	(1,890,265)	-
Net Loss	$ (2,854,109)	$ (3,474)
Basic and Diluted Net Loss Per Common Share	$ (.18)	$ (.00)
Weighted Average Shares Outstanding	15,723,903	3,494,205

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

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AMERICAN CAPITAL HOLDINGS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED
FEBRUARY 28, 2005 AND 2004

	FEBRUARY 28, 2005	FEBRUARY 29, 2004
Revenues		
Net Sales	$ -	$ -
Cost of Sales	(1,049)	-
Gross Profit	(1,049)	-
Operating Expenses		
General and Administrative	424,780	3,474
Sales and Marketing	-	-
Amortization	-	-
Total Operating Expenses	424,780	3,474

Loss from Operations	(425,829)	(3,474)
Other Income (Expense)		
Interest Income	4,622	-
Interest Expense	(11,854)	-
Loss on Disposition of Marketable Securities	(295,000)	-
Recovery of Bad Debt	343,995	-
Net Other Income	43,763	-
Net Loss Before Other Comprehensive Losses	(384,066)	(3,474)
Other Comprehensive Income / (Loss)		
Unrealized Holding Loss During Period	(16,271)	-
Total Comprehensive Loss	(16,271)	-
Net Loss	$ (400,337)	$ (3,474)
Basic and Diluted Net Loss Per Common Share	$ (.03)	$ (.00)
Weighted Average Shares Outstanding	15,723,903	10,482,604

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

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AMERICAN CAPITAL HOLDINGS, INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FROM JUNE 1, 2003 THROUGH FEBRUARY 28, 2005

	Number of Shares Issued	At Par Value $.0001	Add'l Paid in Capital & Treasury Stock	Retained Earnings (Loss)	Accum. other Comprehen- sive Inc.	Total Stockholder Equity
Balance 6/01/03	5	$ 0	$ 0	$ 0	$ 0	$ 0
Cancellation of Common Stock held by eCom eCom	(5)	(0)	(0)	0	0	0
Issuance of Common Stock To eCom eCom.com Inc. shareholders	2,497,756	250	-	-	-	250
Issuance of Common Stock for the acquisition of ACHI, Inc. assets.	13,226,147	1,322	13,176,443	-	-	13,177,765
Issuance of detachable warrants	-	-	10,050	-	-	10,050
Purchase of IS Direct						

Agency NY for 800,000 subscribed but unissued shares	-	80	999,920	-	-	1,000,000
Conversion of $500,000 Debt to stock - unissued	-	50	499,950	-	-	500,000
Accumulated other Comprehensive loss	-	-	-	-	(512,997)	(512,997)
Net Operating Loss	-	-	-	(651,224)	-	(651,224)
Balance 5/31/04	15,723,903	1,702	14,686,363	(651,224)	(512,997)	13,523,844
Sale of 780,000 shares of Common Stock - unissued	-	78	779,922	-	-	780,000
Accumulated other Comprehensive Loss	-	-	-	-	(1890,265)	(1,890,265)
Net Operating Loss	-	-	-	(963,844)	-	(963,844)
Bal. 02/28/05	15,723,903	$1,780	$15,466,285	$(1615,068)	$(2403,262)	$11,449,735

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

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AMERICAN CAPITAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2005 AND 2004

	FEBRUARY 28, 2005	FEBRUARY 29, 2004
Cash Flows From Operating Activities		
Cash received from customers	$ 123	$ -
Cash paid to suppliers of goods and services	(906,807)	(4,378)
Income Taxes Paid	-	-
Interest Paid	(25,479)	-
Interest Received	773	-
Net Cash Flows Used in Operating Activities	(931,390)	(4,378)
Cash Flows From Investing Activities		
Purchase of Equipment	(9,490)	-
Deposit Made on Insurance Carrier in Escrow	(250,000)	-
Sale of Marketable Securities	871,636	-
Purchase of Marketable Securities	(377,348)	-
Purchase of Promissory Notes	(11,906)	
Payment of Security Deposit	-	(2,535)
Net Cash Flows Provided By (Used In) Investing Activities	222,892	(2,535)
Cash Flows From Financing Activities		
Loans from Related Companies	1,005,205	6,913

Loans to Related Companies	(1,264,834)	-
Proceeds from Sale of Stock	1,030,000	-
Payments on Notes Payable	(50,000)	-
Net Cash Flows Provided By Financing Activities	720,371	6,913
Net Increase / (Decrease) in Cash	11,873	0
Cash and Cash Equivalents at Beginning of Period, June 1, 2004 and 2003	22,614	0
Cash and Cash Equivalents at End of Period, February 28, 2005 and 2004	$ 34,487	$ 0

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

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AMERICAN CAPITAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2005 AND 2004

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

	FEBRUARY 28, 2005	FEBRUARY 29, 2004
Net Income (Loss)	$ (2,854,109)	$ (3,474)
Cash was increased by:		
Increase in accrued expenses		
Other Comprehensive Income	1,890,265	-
Valuation Loss		
Amortization	-	-
Depreciation	9,128	-
Decrease in Prepaid Expenses	20,765	-
Increase in Accounts Payable	15,869	-
Increase in Accrued Expenses	10,401	96
Cash was decreased by		
Increase in Prepaid Expenses	-	(1,000)
Increase in Account Receivable	(23,709)	-
Net Cash Flows Used in Operating Activities	$ (931,390)	$ (4,378)

Supplemental Disclosures
Of Non Cash Investing and
Financing Activities:

On February 29, 2004 the Company acquired approximately $137,000 in notes receivable, common and preferred stock in various entities valued at $3.1

million, equipment of $47,000, intangible assets of $6,000, intellectual property valued at $3.5 million, various prepaid assets valued at $92,000, goodwill of $7.2 million and assumed $1,005,000 in debt for the issuance of 13,226,147 shares of the Company's common stock.

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

AMERICAN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED FEBRUARY 28, 2005

NOTE A - DESCRIPTION OF BUSINESS

American Capital Holdings, Inc. ("American Capital Holdings") is a Florida Corporation whose primary business consists of solutions offered by proprietary financial products designed to utilize tax incentives, and mitigate the impact of balance sheet liabilities. The Company's main office is located at 100 Village Square Crossing, Suite 202, Palm Beach Gardens, Florida 33410, and the telephone number is (561) 207-6395.

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 and Cash Equivalents
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 quarterly. At year end, the amount expensed as bad debt will be evaluated and compared to prior years to establish an allowance for the year to come.

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.

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

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AMERICAN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED FEBRUARY 28, 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization
The accounting for a recognized intangible asset acquired after June 30, 2001 is based on its useful life to the Company. If an intangible asset has a finite life, but the precise length of that life is not known, that intangible asset shall be amortized over management's best estimate of its useful life. An intangible asset with a indefinite useful life is not amortized. The useful life of an asset 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.

NOTE C - NOTES RECEIVABLE

Notes Receivable at February 28, 2005 consist of the following:

An 8% non-collateralized note that matures in December 2004, Interest is payable quarterly. Included in the balance is $15,957 of accrued interest receivable.	$117,924
A 4% non-collateralized note due on demand. Included in The balance is $2,490 of accrued interest receivable.	27,737
Nine 8% promissory notes purchased from holders of notes with Air Media Now, Inc.	11,906
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. Included in the balance is $2,083 of accrued interest.	252,083
Total Notes Receivable	$409,650

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

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

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AMERICAN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED FEBRUARY 28, 2005

NOTE D - LOANS RECEIVABLE RELATED PARTIES

The three loans receivable from related corporate entities are non-collateralized, non-interest bearing and are due on demand. The loans due as of February 28, 2005 are as follows:

A Super Deal.com, Inc	$ 10,150
Swap and Shop.net Corp.	7,150
A Classified Ad, Inc.	10,150
AAB National Company	31,050
Pro Card Corporation	13,150
USAS Digital, Inc.	7,150
eSecureSoft Company	8,150
eCom eCom.com Inc.	65,039
MyZipSoft, Inc.	5,500
USA Performance Products	150
American Environmental, Inc.	979
Total	$ 158,618

NOTE E - INVESTMENTS

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

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

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

AMERICAN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED FEBRUARY 28, 2005

NOTE E - INVESTMENTS (CONTINUED)

On February 28, 2005, investments consisted of the following:

Equity Method of Accounting	
Investment Securities at Cost	
@Visory, LLC	$ 112,500
Brilliant Coatings, Inc.	250,000
Century Aerospace Corporation	285,000
Efficien, Inc.	287,000
Metroflex, Inc.	900,000
MyZipSoft, Inc.	670,199
Total Equity Method Securities at Cost	2,504,699
Available-for-Sale method of accounting	
eCom eCom.com Inc.	81,355
Total Available-for-Sale securities	81,355
Total Investment Securities	$ 2,586,054

Equity Method Securities:

@Visory, LLC is a Limited Liability Company located in East Aurora NY. The Company owns 250,000 Series A units of @Visory, LLC. The Company's investment amounts to 1.2% of the outstanding units of @Visory, LLC. @Visory, LLC is taxed as a partnership, and is not publicly traded. As of February 28, 2005, @Visory, LLC had investments in the following companies: Appraisal.com; SmartPill Diagnostcs; Efficien; Liquid Matrix; Saturn Internet Reservations; StudentVoice; Synacor; and Yipee, Inc.

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

eSmokes, Inc is a Florida Corporation. The Company owned 300,000 common shares of eSmokes, Inc. The Company's investment amounted to 3.3% of the outstanding shares of eSmokes, Inc. On October 19, 2004, the company sold the 300,000 common shares for the cost of $45,000, which resulted in a loss of $55,000.

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

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

AMERICAN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED FEBRUARY 28, 2005

NOTE E - INVESTMENTS (CONTINUED)

SmartPill Diagnostics, Inc. is a Delaware Corporation. The Company owned 1,194,824 Series A preferred shares of SmartPill Diagnostics, Inc. The Company's investment amounts to 11.60% of the outstanding shares of SmartPill Diagnostics, Inc. SmartPill Diagnostics, Inc. is a leading developer of SmartPill Capsule endoscopy technology. About the size of a vitamin pill, the SmartPill Capsule is a capsule endoscopy device that uses patented technology to measure peristaltic pressure, pH and transit time, and determine real-time location--factors that aid Gastroenterologists in the diagnosis of such GI motility disorders such as gastroparesis and dyspepsia. The patient benefits from a more accurate diagnosis and a more comfortable, non-invasive, non-surgical approach to GI exploratory examinations. On June 28, 2004 the Company sold all 1,194,824 shares for $776,635.60, resulting in a gain of $6,635.60. On June 30, 2004 the Company purchased 175,909 shares for $345,000. On February 25, 2005, the Company sold its remaining 175,909 shares of SmartPill Diagnostics, Inc. for $50,000.

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

Available-for-Sale Securities:

eCom eCom.com, Inc. is a Florida Corporation and trades on the OTC/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. The cost for this investment as of February 28, 2005 was $254,869. On February 28, 2005 the market value based on a closing bid price of 0.05 per share was $81,355. The difference in cost versus market value is recorded as a deficit in Accumulated Other Comprehensive Income of $173,514.

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

AMERICAN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED FEBRUARY 28, 2005

NOTE F - PROPERTY AND EQUIPMENT

Equipment is stated at cost less depreciation. As of February 28, 2005, equipment consisted of computer hardware, software, and office furniture and equipment. Depreciation expense of $1,049 has been recorded for the quarter ending February 28, 2005. Accumulated depreciation at February 28, 2005 is $1,224.

NOTE G - PREPAID EXPENSES

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

NOTE H - AVAILABLE FOR SALE SECURITIES

On February 29, 2004, a stockholder of the Company contributed 53,910,922 shares of Air Media Now, Inc. to the Company as additional paid in capital. The only asset of Air Media Now, Inc. is the right to certain intellectual property. The fair value of the publicly traded shares at the date of receipt was $3,469,622 ($.064 per share.) The market value of Air Media Now, Inc. shares between February 29, 2004 and February 29, 2005 has decreased in value by approximately $2,230,000 and has been recognized as an other comprehensive loss in the consolidated statement of operations.

Management reviews intangible assets for impairment annually. Intangible assets with a finite useful life acquired after June 30, 2001 are amortized over their useful lives to the company. Intangible assets acquired after June 30, 2001 having an infinite useful life are recorded at their fair value and are not amortized. Management reviews all intangible assets for impairment annually.

NOTE I - OTHER ASSETS

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

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

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AMERICAN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED FEBRUARY 28, 2005

NOTE J - PROMISSORY NOTES

Promissory Notes as of February 28, 2005 consisted of:

Four interest bearing, non-collateralized loans. The loans have various maturities throughout 2004.	$ 444,950

Total Notes Payable	444,950
Less Current Portion	(444,950)
Net Long-term Debt	$ 0

The short-term notes payable mature as follows:

February 28, 2005	$ 444,950

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

NOTE K - WARRANTS

The Company has issued 1,005,000 (505,000 + 500,000) detachable warrants for each dollar of debt as described in Note J above. Management has determined that the value of the detachable warrants to be $.01 on the date of issuance and have charged paid in capital $10,050 during the period. Each warrant entitles the holder to purchase one (1) share of common stock at $.01. The Company also issued 400,000 warrants to one of the former owners of IS Direct Agency for providing his insurance licensing in all fifty states. The warrants can be exercised for $.01 each. An additional 216,209 warrants were issued in connection with the acquisition of Spaulding Ventures, LLC ("Spaulding"); 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 February 28, 2005:

Outstanding warrants at the beginning of the year	$ 1,621,209
Warrants issued	0
Warrants expired	0
Warrants exercised	0
Warrants outstanding at February 28, 2005	$ 1,621,209

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

NOTE L - COMMITMENTS AND CONTINGENCIES

On October 30, 2004, the Company entered into a purchase agreement with Cosmopolitan Life Insurance Company to acquire 80% ownership of the entity. The acquisition is expected to close in the second quarter of 2005, pending approval by the Insurance Commissioner of Arkansas.

The Company leases approximately 1,231 feet office facilities in Palm Beach Gardens, Florida under an operating lease of $3,478 per month which expires on January 31, 2006. ISDA leases approximately 200 square feet of office facilities in Buffalo, NY under a month to month agreement of $425.00 per month.

Future minimum lease payments including sales tax as of February 28, 2005 are:
Fiscal Years ending:

May 31, 2005	$ 10,433
May 31, 2006	27,822
Total Minimum Lease Payments	$ 38,255

Rent expense for the nine month period ending February 28, 2005 was $32,601

NOTE M - 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 February 28, 2005 totals approximately $1,959,498. These carry-forwards will be available to offset future taxable income, and begin to expire 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.

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.

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

NOTE N STOCKHOLDERS' EQUITY

To facilitate the purchase of the assets of ACHI, the Company recorded a 1-for-20 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 Note holders 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 nine-months ended February 28, 2005 does not include shares from potentially dilutive securities as the assumption of conversion or exercise of these would have an anti-dilutive effect on loss per share before extraordinary items. In accordance with generally accepted accounting principles, diluted loss per share from extraordinary item is calculated using the same number of potential common shares as used in the computation of loss per share before extraordinary items.

NOTE O - 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:

	February 28, 2005
Loss carry-forward for tax purposes	$ 1,959,498
Deferred tax asset (34%)	666,229
Valuation allowance	(666,229)
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 February 28, 2005 was approximately $1,959,000. These carry-forwards will be available to offset future taxable income, and will expire through the year 2024.

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

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

NOTE P - RELATED PARTY TRANSACTIONS

The Company has receivables due from nine related company entities. eCom eCom.com, Inc. owes $65,039 for services paid to the Company's transfer agent and accountant. Freedom 4 Wireless, Inc. owed the Company $670,199 for working capital and inventory purchased by ACHI, and for contributions made 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 to MyZipSoft after February 1, 2005, resulting in a balance due from MyZipSoft of $5,500. Additional advances of $10,000 were made into each of the following seven 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, and eSecureSoft Company. These related party transactions totaled $158,618 on February 28, 2005. The Company has received loans from various Officers and Directors. As of February 28, 2005, the company owes $187,555 to Barney Richmond and $17,244 to Richard Turner.

NOTE Q - 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; depreciation and accretion expense will be higher in the later years of an asset's 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 assets. An impairment loss is recognized if the carrying amount of a long-lived asset 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 the carrying amount may not be recoverable. This statement does not apply to goodwill and intangible assets that are not amortized. The Company adapted SFAS No. 144 in the first quarter of 2002. The adoption of SFAS No. 144 had no impact on the Company's operating results or financial position.

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

NOTE Q - RECENT ACCOUNTING PRONOUNCEMENTS(CONTINUED)

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

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

See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.

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AMERICAN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED FEBRUARY 28, 2005

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

HISTORY AND BUSINESS STRATEGY

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 trades on the OTC/Pink Sheets under the symbol 'ECEC.' 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.) The Company's main office is located at 100 Village Square Crossings, Suite 202, Palm Beach Gardens, Florida 33410, and the telephone number is (561) 207-6395.

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

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 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 to be issued 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 ("ETIPS")and Guaranteed Principal Insured Convertible Securities ("GPICS") 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 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 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.

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 Roadways, Inc.
@visory, LLC	eSmokes, Inc.
Efficien, Inc.	IS Direct Agency, Inc.
Solid Imaging, Ltd.	Century Aerospace Corporation.
Traffic Engine, Inc.	Metroflex, Inc.

American Capital Holdings, Inc.'s principal executive offices are located at 100 Village Square Crossing, Suite 202, Palm Beach Gardens, FL 33410, and our telephone number is (561) 207-6395. The Company's fiscal year ends May 31, 2005. The company maintains a web site at www.americancapitalholdings.com.

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AMERICAN CAPITAL HOLDINGS, INC.

Business Strategy

American Capital Holdings, Inc. ("the Company") is a Florida Corporation whose primary business consists of solutions offered by proprietary financial products designed to utilize tax incentives for principal-guaranteed capital investment, and mitigate the impact of balance sheet liabilities of unfunded government and private sector post-employment benefit plans. The Company has ownership rights of the trademarks for five proprietary products:

GPICSTM -- Guaranteed Principle Insured Convertible Securities

ETIPSTM -- Energy Tax Incentive Preferred Securities

ETICSTM -- Equipment Tax Incentive Convertible Securities

GPACSTM -- Guaranteed Pension Accounting Contract Solutions

GPACSTM -- Government Pension Accounting Contract Solutions

Our Chairman, Barney A. Richmond, has applied for a patent on the GPACS product, and intends to assign the patent to the Company upon approval.

Our proprietary products use insurance as part of their investment structure. For example, the GPACSTM uses a life insurance platform to structure the balance sheet towards a more favorable financial portrayal of the business organization. These insurance contracts will be written through licensed insurance carriers, and underwritten through three subsidiaries of the Company: IS Direct Agency, Inc.("ISDA"), Universe Life Insurance Company ("Universe"), and Cosmopolitan Life Insurance Company ("Cosmopolitan"). ISDA and Universe are wholly-owned subsidiaries of the Company, and Cosmopolitan will be a majority-owned subsidiary of the Company, with the transaction expected to close in the second quarter of 2005. The Company intends to conduct its primary business operations through these three subsidiaries.

SUBSIDIARIES

IS Direct Agency, Inc.

IS Direct Agency, Inc. ("ISDA") was incorporated in the State of Florida on May 20, 2004. On May 21, 2004 ISDA acquired the assets of IS Direct Agency, Inc., a New York Corporation. On May 21, 2004 an asset purchase agreement was executed between American Capital Holdings and ISDA. ISDA is currently licensed in 33 states, but expects to obtain the necessary licenses to operate nationally.

Chris Dillon, President of IS Direct, is licensed as an independent agent in 49 states, and in the District of Columbia. In addition to term life, annuities, and other traditional insurance products, IS Direct will offer placement for the insurance components of our proprietary products. We anticipate most of the insurance products sold by ISDA to be underwritten by Universe. We also intend to sell the products of other licensed insurance carriers through ISDA. Although ISDA currently sells primarily term insurance products, the acquisition of Universe is expected to broaden the scope of its offerings.

Universe Life Insurance Company

Universe is a wholly-owned subsidiary of The Company, pending change-of-control approval by the Insurance Commission of the State of Idaho. Universe is a life, health, and annuities insurance carrier currently licensed in 23 states. Universe is in the process of obtaining licenses to operate in the remaining 27 states. We expect Universe to be domiciled in the state of South Carolina, with principle offices in Charleston.

Cosmopolitan Life Insurance Company

On October 30, 2004, the Company entered into a purchase agreement with Cosmopolitan Life Insurance Company to acquire 80% ownership of the entity. The acquisition is expected to close in the second quarter of 2005, pending approval by the Insurance Commissioner of Arkansas. Cosmopolitan Life Insurance Company is a stipulated premium insurer, chartered in 1931 in the State of Arkansas. Until 1998, Cosmopolitan was engaged exclusively in providing burial / final expense insurance, and was operated as a small stipulated premium carrier in association with the mortuary business. In 1998, Cosmopolitan broadened the company's offerings to include a dental insurance product and specific stop-loss coverage for employer self-funded plans. In recent periods, the majority of revenues reported are a result of re-insurance assumed, although the dental product has remained a small but profitable operating segment. Cosmopolitan anticipates significant growth potential from the additional affiliations resulting from the American Capital Holdings, Inc. acquisition.

Capital City Holding, Inc.

Currently, the company is in negotiations with a company known as Capital City Holding Company, Inc. ("CCHC"), a South Carolina Corporation

PROPRIETARY PRODUCTS

Our GPICS(TM), ETIPS(TM), and ETICS(TM) products are investment structures designed to utilize and maximize energy and equipment tax incentives, while encouraging investment in oil and gas exploration in the United States, and investment in developing companies. These products are characterized by the guarantee of principal due to the structure of the investment.

Our GPACS(TM) product was created in response to General Accounting Standards Board Statement 45 ("GASB 45"), which requires state and local governments to account for and report the annual cost of other post-employment benefits (referred to hereafter as "OPEB"), in essentially the same manner in which they are required to account for pension obligations. This creates a liability on the balance sheet which often misrepresents an entity's financial health in an adverse manner. Our product is designed to structure an investment that offsets the liability with an asset, and additionally, provides investment income and a tax benefit when coupled with the proper treatment of employee's accrued income (part of OPEB.)

AMERICAN CAPITAL HOLDINGS, INC.

Management's plan of operation consists of selling our proprietary products to government and private sector customers for whom the product provides maximum utilility, and underwriting the insurance element of the product through our wholly-owned subsidiaries. We intend to use third-party insurance carriers, but intend to retain commissions and premium payments within our subsidiaries.

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.

In May of 2004, the GASB issued a corresponding "plan" statement, Statement 43 - Financial Reporting for Post-Employement 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.

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.

Government Regulation

Life insurance companies are subject to regulation and supervision by the states in which they transact business. State insurance laws establish supervisory agencies with broad regulatory authority, including the power to:

* grant and revoke licenses to transact business
* regulate and supervise trade practices and market conduct
* establish guaranty associations
* license agents
* approve policy forms
* approve premium rates for some lines of business
* establish reserve requirements
* prescribe the form and content of required financial statements and reports
* determine the reasonableness and adequacy of statutory capital and surplus
* perform financial, market conduct and other examinations
* define acceptable accounting principles
* regulate the type and amount of permitted investments
* limit the amount of dividends and surplus note payments that can be paid without obtaining regulatory approval.

Our life subsidiaries are subject to periodic examinations by state regulatory authorities. The payment of dividends or the distributions, including surplus note payments, by our life subsidiaries is subject to regulation by each subsidiary's state of domicile's insurance department. In addition, dividends and surplus note payments may be made only out of earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities.

Most states have also enacted regulations on the activities of insurance holding company systems, including acquisitions, extraordinary dividends, the terms of surplus notes, the terms of affiliate transactions and other related matters.

Most states have enacted legislation or adopted administrative regulations affecting the acquisition of control of insurance companies as well as transactions between insurance companies and persons controlling them. The nature and extent of such legislation and regulations currently in effect vary from state to state. However, most states require administrative approval of the direct or indirect acquisition of 10% or more of the outstanding voting securities of an insurance company incorporated in the state. The acquisition of 10% of such securities is generally deemed to be the acquisition of "control" for the purpose of the holding company statutes and requires not only the filing of detailed information concerning the acquiring parties and the plan of

acquisition, but also administrative approval prior to the acquisition. In many states, the insurance authority may find that "control" in fact does not exist in circumstances in which a person owns or controls more than 10% of the voting securities.

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.

State insurance regulators and the NAIC are continually reexamining existing laws and regulations and developing new legislation for the passage by state legislatures and new regulations for adoption by insurance authorities. Proposed laws and regulations or those still under development pertain to insurer solvency and market conduct and in recent years have focused on:

* insurance company investments
* risk-based capital ("RBC") guidelines, which consist of regulatory targeted surplus levels based on the relationship of statutory capital and surplus, with prescribed adjustments, to the sum of stated percentages of each element of a specified list of company risk exposures
* the implementation of non-statutory guidelines and the circumstances under which dividends may be paid
* product approvals
* agent licensing
* underwriting practices
* insurance and annuity sales practices.

Results of Operations

Comparison of the nine months ended February 28, 2005 with the nine months ended February 28, 2004.

Revenue for the nine month period ended February 28, 2005 was $123 compared to no revenue recorded during the same period of the prior year. Revenues were recorded from commission received by our insurance subsidiary IS Direct Agency, Inc.

Gross profit reflects a loss of $9,005 in the current year versus no loss for the prior years nine month period. Depreciation expense contributed $9,128 to the current years deficit in gross profit.

General and administrative costs of $913,164 for the current nine month period reflect costs of staffing our administrative and sales offices. Consulting costs contributed $210,441, rent contributed $32,601, and travel contributed $101,189 of the total administrative expenses for the current nine month period.

Our operations for the nine months ended February 28, 2005 resulted in a net loss of $963,844. Unrealized holding losses during the current nine month period of $1,890,265 was the result of a decline in the market value of both the Company's holdings in eCom eCom.com and Air Media Now, Inc. A $154,008 decline in the eCom market value plus a $1,736,257 decline in the Air Media Now market value combined for the $1,890,265 loss the nine months ended February 28, 2005.

Realized gains and losses during the current nine month period resulted in a net loss of $343,364, comprised of a $55,000 loss on the company's sale of eSmokes, Inc., and a $288,364 loss on the company's sale of its 1,370,733 share holding of Smart Pill Diagnostics, Inc.

Liquidity and Capital Resources

As of February 28, 2005, current assets totaled $3,279,549, compared to $3,239,008 at the end of the prior fiscal year. The $40,541 increase in total current assets is the result of an increase in cash from financing activities, and an increase in accounts receivable.

Accounts payable increased from $27,806 to $43,675 during the current nine months. Current liabilities increased from $931,485 at the end of the prior fiscal year to $1,335,027 at the end of the current quarter, an increase of $403,542 due to the increase of short-term borrowing.

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.

ITEM 3. CONTROLS AND PROCEDURES

Evaluation of the Company's Disclosure Controls and Internal Controls:
Within the 90 days prior to the date of this Quarterly Report on Form 10-QSB, the Company evaluated the effectiveness of the design and operation of its 'disclosure controls and procedures'("Disclosure Controls"). This 'evaluation' ("Controls Evaluation") was done under the supervision and with the participation of management, including the Chief Executive Officer/Chairman ("CEO")and Chief Financial Officer ("CFO"). As a result of this review, the Company adopted guidelines concerning disclosure controls and the establishment of a disclosure control committee made up of senior management.

Limitations on the Effectiveness of Controls:
The Company's management, including the CEO/CHAIRMAN and CFO, does not expect that its Disclosure Controls or its 'internal controls and procedures for financial reporting' ("Internal Controls")will prevent all error and all fraud. control system, no matter how well conceived and managed, can provide only reasonable assurance that the objectives of the control system are met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon

certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Conclusions:
Based upon the Controls Evaluation, the CEO/CHAIRMAN and CFO have concluded that, subject to the limitations noted above, the Disclosure Controls are effective to timely alert management to material information relating to the

Company during the period when its periodic reports are being prepared.

In accordance with SEC requirements, the CEO/CHAIRMAN and CFO note that, since the date of the Controls Evaluation to the date of this Quarterly Report, there have been no significant changes in Internal Controls or in other factors that could significantly affect Internal Controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

The Company is not a party to any legal proceedings.

ITEM 2. Unregistered sales of equity securities and use of proceeds.

In February 2004, the Company issued 162,099 shares for Spaulding, in connection with the company's acquisition of certain assets from that company (See Description of Business - Acquisition of American Capital Holdings"). Inasmuch as American Capital Holdings had access to comprehensive information about the Company, the shares were issued in reliance upon Section 4(2) of the Securities Act. A legend was placed on the certificates stating that the securities were not registered under the Securities Act and setting forth appropriate restrictions on their transfer or sale.

ITEM 3. Defaults Upon Senior Securities.

None

ITEM 4. Submission of Matters to a Vote of Security Holders.

None

ITEM 5. Other Information.

Board of Directors Vote

On November 15, 2004 the Board of Directors of American Capital Holdings made a motion which was passed to appoint the following individuals to the Board of Directors; Barney A. Richmond, Richard C. Turner, Matt Salmon, Michael Camilleri, Douglas Sizemore, Norman E. Taplin, and Barry M. Goldwater, Jr. Mr. Richmond will serve as Chairman, President and Secretary and Mr. Turner will serve as Treasurer.

On November 15, 2004 the Board of Directors of American Capital Holdings amended the Articles of Incorporation. Article Four was changed to increase the authorized shares of the corporation from one hundred million shares to three hundred million shares.

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

Exhibit 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)

Exhibit 3.2 Bylaws of the Company (incorporated by reference to the Company's Form 10-SB filed May 24, 2004)

Exhibit 31.1 Certification required under Section 302 of the Sarbanes-Oxley Act of 2002 by the CE0 on page

Exhibit 31.2 Certification required under Section 302 of the Sarbanes-Oxley Act of 2002 by the CFO on page

Exhibit 32 Section 1350 Certification on page

(b) Reports on Form 8-K:
None

SIGNATURES AND CERTIFICATIONS

In accordance with the requirements 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.

Date: April 5, 2005 /s/ Barney A. Richmond

Barney A. Richmond
President

Date: April 5, 2005 /s/ Richard C. Turner

Richard C. Turner
Chief Financial Officer

Exhibit 31.1

CERTIFICATION REQUIRED UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Barney A. Richmond, certify that:

1. I have reviewed this quarterly report on Form 10-QSB 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 registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (the "Evaluation Date"); and

c) presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. The registrant's other certifying officer and I have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 5, 2005

/s/ Barney A. Richmond

Barney A. Richmond
President

Exhibit 31.2

CERTIFICATION REQUIRED UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard C. Turner, certify that:

1. I have reviewed this quarterly report on Form 10-QSB 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 registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in

Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. The registrant's other certifying officer and I have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 5, 2005

/s/ Richard C. Turner

Richard C. Turner
Chief Financial Officer

Exhibit 32

CERTIFICATIONS OF CEO AND CFO PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Registration Statement of American Capital Holdings Inc., a Florida corporation (the "Company"), on Form 10-SB for the period ending August 31, 2004 as filed with the Securities and Exchange Commission (the "Report"), Barney A. Richmond, President of the Company and Richard C. Turner, Chief Financial Officer of the Company, respectively, do each hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), that to his knowledge:

(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

Barney A. Richmond
President
Date: April 5, 2005

/s/ Richard C. Turner

Richard C. Turner
Chief Financial Officer
Date: April 5, 2005

[A signed original of this written statement required by Section 906 has been provided to American Capital Holdings, Inc. and will be retained by American Capital Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]

Exhibits to Form 10-QSB will be provided to shareholders of the Registrant upon written request addressed to American Capital Holdings, Inc., 100 Village Square Crossing, Suite 202, Palm Beach Gardens, Florida 33410. Any exhibits furnished are subject to a reasonable photocopying charge.

The Securities and Exchange Commission has not approved or disapproved of this Form 10Q-SB nor has it passed upon its accuracy or adequacy.