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AMERICAN CAPITAL HOLDINGS INC  
Form 10KSB/A  
December 02, 2005

AMERICAN CAPITAL HOLDINGS, INC. FORM 10-KSB/A MAY 31, 2005  
AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 1, 2005

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

AMENDMENT NO. 1 TO  
FORM 10-KSB/A

ANNUAL REPORT UNDER OR OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended May 31, 2005  
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TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-50776  
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American Capital Holdings, Inc.  
-----  
(Name of small business issuer in its charter)

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

100 Village Square Crossing, Suite 202 33410  
Palm Beach Gardens, FL  
-----  
(Address of principal executive offices) (Zip Code)

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

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

Title of each class Name of each exchange on which registered

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

Common Stock, par value \$.0001 per share  
-----  
(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section

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or of the Exchange Act during the past 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 [X] No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB 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, 2005:  
17,398,903

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

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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

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Crossing, Suite 202, Palm 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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AMERICAN CAPITAL HOLDINGS, INC.  
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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AMERICAN CAPITAL HOLDINGS, INC.  
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 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](http://www.americancapitalholdings.com).

ACQUISITION OF SPAULDING. On December 30, 2003, prior to the Company's acquisition from ACHI, ACHI entered into a letter agreement with Spaulding



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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 some of our directors are in the business of providing services to the insurance industry, they could encounter conflicts of interest from time to time between the interests of the Company and the interests of their clients. Douglas Sizemore provides consulting services to various insurance companies. Norman E. Taplin is an attorney specializing in insurance regulatory matters. Michael Camilleri owns an actuarial firm which provides services to various insurance entities. 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.

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

CHANGES IN STATE AND FEDERAL REGULATION MAY AFFECT OUR PROFITABILITY. We are subject to regulation under applicable insurance statutes, including insurance

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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 insurance companies or their holding companies. Regulators oversee matters

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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

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AMERICAN CAPITAL HOLDINGS, INC.

shares in any market that may develop for them. Potential investors should be aware that, according to the Securities and Exchange Commission Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include:

- \* control of the market for the security by one or a few broker-dealers that 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. The company is located at 100 Village Square Crossing, Suite 202, Palm Beach Gardens, FL 33410, consisting of approximately 1,231 square feet of office space. ACH incurs the cost and full responsibility of the lease. The lease is for a term of one year, at a rental of \$3,478 per month including sales tax.

### 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 or failing businesses, and lost shareholder value. In 1999, eCom reached market capitalization of over \$250 million. Since 1999, market capitalization has hit record lows of approximately \$120 thousand, and currently ranges between \$500 thousand and \$1 million. The bankruptcy filing will allow the Company to reorganize and/or divest their interest in order to pursue profitable strategies as a means of restoring lost shareholder value.

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AMERICAN CAPITAL HOLDINGS, INC.

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

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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 quarter ended May 31, 2005.

### 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.

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

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AMERICAN CAPITAL HOLDINGS, INC.

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

(CONTINUED)

RECENT SALES OF UNREGISTERED SECURITIES. Item 701 Reg. SB- During the period of June 1, 2004 through May 31, 2005, 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

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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.

Date	Share	Amount	Consideration	Description
07/01/2004	10,000		\$ 10,000	Individual Private Placement
07/01/2004	15,000		\$ 15,000	Individual Private Placement
10/07/2004	25,000		\$ 25,000	Individual Private Placement
10/07/2004	25,000		\$ 25,000	Individual Private Placement
11/08/2004	35,000		\$ 35,000	Individual Private Placement
11/09/2004	15,000		\$ 15,000	Individual Private Placement
11/09/2004	15,000		\$ 15,000	Individual Private Placement
11/11/2004	100,000		\$ 100,000	Individual Private Placement
11/11/2004	50,000		\$ 50,000	Individual Private Placement
11/16/2004	5,000		\$ 5,000	Individual Private Placement
12/01/2004	25,000		\$ 25,000	Individual Private Placement
12/01/2004	115,000		\$ 115,000	Individual Private Placement
12/02/2004	30,000		\$ 30,000	Individual Private Placement
12/02/2004	150,000		\$ 150,000	Individual Private Placement
12/01/2004	140,000		\$ 140,000	Individual Private Placement
01/04/2005	25,000		\$ 25,000	Individual Private Placement
03/03/2005	50,000		\$ 50,000	Individual Private Placement
03/09/2005	50,000		\$ 50,000	Individual Private Placement
04/01/2005	100,000		\$ 100,000	Individual Private Placement
04/22/2005	40,000		\$ 40,000	Individual Private Placement
04/22/2005	40,000		\$ 40,000	Individual Private Placement
05/19/2005	60,000		\$ 60,000	Individual Private Placement
05/19/2005	4,000		\$ 4,000	Individual Private Placement
05/19/2005	3,000		\$ 3,000	Individual Private Placement
05/19/2005	1,000		\$ 1,000	Individual Private Placement
05/19/2005	12,000		\$ 12,000	Individual Private Placement
05/20/2005	60,000		\$ 60,000	Individual Private Placement
05/23/2005	150,000		\$ 300,000	Individual Private Placement
05/27/2005	250,000		\$ 250,000	Individual Private Placement
05/31/2005	75,000		\$ 150,000	Individual Private Placement

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AMERICAN CAPITAL HOLDINGS, INC.

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

American Capital's primary business is insurance and insurance-related financial products. In addition to traditional offerings such as life insurance, health insurance, and annuities, we will offer financial strategies which utilize insurance as a part of their balance sheet asset structure. American Capital also is in the process of buying a licensed NASD Broker Dealer, which is planned to be renamed Wall Street Securities, Inc. On the completion of NASD approval, Wall Street Securities will be a wholly owned subsidiary of American Capital Holdings, Inc. American Capital has entered into an agreement to purchase Parker Asset Management, LLC, which is a licensed commodities trader.

Our GPACS(TM) product ("Government Pension Accounting Contract Solutions")

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relate to a business method of adjusting the balance sheet of a business or governmental organization. Recently, the Governmental Accounting Standards Board issued Statement 45, which requires government employers to account for other post-employment benefits ("OPEB") as a liability on the balance sheet. This new requirement is likely to adversely affect the balance sheet of governmental organization. The GPACS(tm) product relates to a balance sheet method devised to address this issue, particularly addressing the unfunded current and post employment liabilities for those obligations on the municipality's or school board's balance sheet is offset by a life insurance beneficiary asset. By purchasing whole and term life insurance products for a pool of employees, with the employer as the beneficiary, and utilizing the tax benefits of mandatory participation in a tax-qualified retirement plans, an employer can realize various financial benefits.

The product provides improved treatment of tax obligations via qualified plans which exempt FICA Taxes for both the employer and the employee regarding unfunded sick, vacation and other special pay liabilities. The offsetting life insurance asset on the organization's balance sheet can generate favorable financial implications such as improved borrowing scenarios, reduction in the cost of municipal bond insurance coverage and could possibly increase value of outstanding or newly-issued bonds.

We intend to collect premiums and commissions on the insurance products sold as a part of the investment structure, and also collect a consulting fee for the product itself. Until our pending acquisition of Universe Life is completed, and 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. American Capital Holdings, Inc. plans to utilize the existing sales and marketing divisions of IS Direct Agency, Inc. to target the municipalities and school boards in the states in which the subsidiaries are licensed to do business. IS Direct Agency will not be involved in the sale of any financial products that are, or involve the sale of, securities.

Our plan of operation includes the underwriting of the insurance aspects of our products through our subsidiaries. Pending approvals of our above described proposed acquisition of Universe Life, we will use third party insurance carriers. However, upon completing the acquisition, which is expected in due course, we will retain as much premium and commission money as possible within our subsidiaries. We expect to be able to support operating expenses with operating revenues beginning in 2006.

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AMERICAN CAPITAL HOLDINGS, INC.

IS Direct Agency, Inc.

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

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

IS Direct is an insurance agency which currently sells primarily term and whole life insurance products. However, upon the completion of our proposed acquisition of Universe Life, a life, health, and annuities carrier, the scope of products available for sale by IS Direct is expected to broaden. In addition



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to placing the insurance components of our financial products, IS Direct will also sell term life products, annuities, and other traditional insurance products. We expect most of the insurance products sold by IS Direct will eventually be underwritten by Universe Life. IS Direct Agency will not be involved in the sale of any financial products that are, or involve the sale of, securities.

### Universe Life

Universe Life is a life insurance company which we expect to use to underwrite the insurance policies required by our GPACS products. We have an agreement to purchase Universe Life, which is planned as another wholly-owned subsidiary of the Company, pending regulatory approval of the change in control by the Insurance Commissioner of the State of Idaho. The agreement stipulates a purchase price of \$100,000 in exchange for 100% ownership. Universe Life will be acquired through receivership with no existing operations, but the process for reinstatement is in progress and should be completed by November 30, 2005. Universe Life is a life, health and annuities insurance carrier, which is currently licensed to operate in four (4) states. Universe Life will be initiating the application process to become licensed in all remaining states, and expects to obtain the necessary licenses to operate in all fifty (50) states in the near future. We expect Universe Life to be domiciled in the State of South Carolina, with its principal offices in Charleston.

Our application for approval of our acquisition of Universe Life has been filed with the Insurance Commissioner of the State of Idaho. We expect to receive regulatory approval for our purchase of Universe Life by February 2006

### Cosmopolitan Life

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

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AMERICAN CAPITAL HOLDINGS, INC.

Department of Insurance. July 7, 2005 American Capital Holdings, Inc. withdrew the Form A submission and terminated our acquisition agreement due to the outcome of our due diligence investigation.

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AMERICAN CAPITAL HOLDINGS, INC.

ITEM 7. FINANCIAL STATEMENTS

PART II

FINANCIAL STATEMENTS

American Capital Holdings, Inc.

May 31, 2005

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Wieseneck, Andres & Company, P.A.  
Certified Public Accountants  
772 U. S. Highway 1, Suite 100  
North Palm Beach, Florida 33408  
(561) 626-0400

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

Independent Auditors' Report

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

We have audited the accompanying Consolidated Balance Sheet-RESTATED of American Capital Holdings, Inc. as of May 31, 2005 and 2004 and the related Consolidated Statements of Operations-RESTATED, Changes in Shareholders' Equity-RESTATED and Cash Flows-RESTATED 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 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

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financial position of American Capital Holdings, Inc. as of May 31, 2005 and 2004 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.

As described in Note R to the financial statements, the Company wrote down goodwill in the amount of \$7,229,071 as impaired, and marketable securities in the amount of \$2,933,019 as a loss on investment in common stock in the Consolidated Statement of Operations for the period ended May 31, 2004. The remaining goodwill in the amount of \$980,000 was reclassified as Insurance Licenses that were acquired from IS Direct NY, Inc. The Net Loss for the year ended May 31, 2004 was increased by \$10,152,040, Retained Deficit was increased by \$10,689,644, and Accumulated Comprehensive Loss of \$512,997 changed to Accumulated Comprehensive Gain of \$24,607.

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

North Palm Beach, Florida  
November 22, 2005

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AMERICAN CAPITAL HOLDINGS, INC.  
CONSOLIDATED BALANCE SHEETS-RESTATE  
FOR THE YEARS ENDING MAY 31, 2005 AND 2004

ASSETS	2005	2004
	-----	-----
Current Assets		
Cash and Cash Equivalents	\$ 400,487	\$ 22,614
Notes Receivable	384,966	138,952
Loans Receivable Related Parties	445,645	27,067
Prepaid Expenses	94,405	87,198
	-----	-----
Total Current Assets	1,325,503	275,831
	-----	-----
Property and Equipment, net	38,595	43,472
	-----	-----
Other Assets		
Marketable Securities	81,355	2,963,177
Intangible Assets, net	28,938	27,649
Insurance Licenses	980,000	980,000
Security Deposit	3,110	3,110
	-----	-----
Total Other Assets	1,093,403	3,973,936
	-----	-----
TOTAL ASSETS	\$ 2,457,501	\$ 4,293,239
	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 106,998	\$ 27,806
Accrued Expenses	52,438	11,021
Loans Payable-Related Companies	29,511	57,681
Loans Payable-Shareholders	175,887	-
Notes Payable	1,040,477	839,977
	-----	-----
Total Current Liabilities	1,405,311	936,485
	-----	-----
Total Liabilities	1,405,311	936,485

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Stockholders' Equity		
Common Stock \$.0001 par value, 100 million shares authorized, 17,398,903 with 1,300,000 unissued and 15,723,903 with 1,300,000 unissued	1,870	1,702
Paid-in-Capital	16,581,195	14,681,363
Retained Deficit	15,378,157	(11,350,918)
Accumulated Comprehensive Gain(Loss)	(152,718)	24,607
Total Stockholders' Equity	1,052,190	3,356,754
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 2,457,501	\$ 4,293,239

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

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AMERICAN CAPITAL HOLDINGS, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS-RESTATE  
FOR THE YEARS ENDED MAY 31, 2005 and 2004

	2005	2004
Revenues		
Net Sales	\$ 123	\$ -
Cost of Sales	(10,839)	(3,952)
Gross (Loss)	(10,716)	(3,952)
Operating Expenses		
General and Administrative, Net	261,448	122,647
Bad Debt	-	343,995
Sales and Marketing	55,531	13,391
Impairment Expense	433,956	7,235,564
Total Operating Expenses	750,935	7,715,597
Loss from Operations	(761,651)	(7,719,549)
Other Income (Expense)		
Interest Income	12,670	2,260
Interest Expense	(48,408)	(23,006)
Loss on Disposition of Common Stock	(2,204,151)	(140,000)
Write Down/Off of Securities	-	(3,470,623)
Net Other Expenses	(2,239,889)	(3,631,369)
Net Loss Before Other Comprehensive Losses	(3,001,540)	(11,350,918)
Other Comprehensive Income / (Loss)		
Unrealized Holding Gain (Loss)	(177,325)	24,607
Net Other Comprehensive Gain(Loss)	(177,325)	24,607
Net Loss	\$ (3,178,865)	\$ (11,326,311)
Basic and Diluted		
Net Loss Per Common Share	\$ (.20)	\$ (1.73)

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Weighted Average Shares Outstanding 15,863,486    6,551,685  
=====

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

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AMERICAN CAPITAL HOLDINGS, INC.  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY-RESTATED  
FROM JUNE 1, 2003 THROUGH MAY 31, 2005

	# of Shares Issued	At Par Value \$.0001	Add'l Paid in Capital	Retained Deficit	Accumulated other Comprehen- sive Income	Total Stockholder Equity
Balance 6/1/03	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	0	0	0	250
Issuance of Common Stock for the acquisition of ACH, Inc assets	13,226,147	1,322	13,176,443	0	0	13,177,765
Issuance of Detach- able Warrants	0	0	10,050	0	0	10,050
Purchase of IS Direct Agency NY for 800,000 subscribed but unissued shares	0	80	999,920	0	0	1,000,000
Conversion of \$500,000 debt to stock-unissued	0	50	494,950	0	0	495,000
Accumulated other comprehensive loss	0	0	0	0	24,607	24,607
Net Operating Loss	0	0	0	(11,350,918)	0	(11,350,918)
Bal 5/31/04	15,723,903	1,702	14,681,363	(11,350,918)	24,607	3,356,754
Sale of 1,675,000 shares Common Stock	1,675,000	168	1,899,832	0	0	1,900,000
Accumulated other Comprehensive Loss	0	0	0	0	(177,325)	(177,325)
Dividend Paid	0	0	0	(1,025,699)	0	(1,025,699)

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Net Operating Loss	0	0	0	(3,001,540)	0	(3,001,540)
Bal 5/31/05	17,398,903	\$1,870	\$16,581,195	\$(15,378,157)	\$(152,718)	\$1,052,190

See accompanying summary of accounting policies and notes to financial statements. F-5

AMERICAN CAPITAL HOLDINGS, INC.  
STATEMENTS OF CASH FLOWS-RESTATEd  
FOR THE YEARS ENDED MAY 31, 2005 and 2004

	2005	2004
	-----	-----
Cash Flows From Operating Activities		
Cash received from customers	\$ 123	\$ -
Cash paid to suppliers of goods and services	(196,798)	(155,059)
Income Taxes Paid	-	-
Interest Paid	(48,408)	(3,679)
Interest Received	12,670	2,260
	-----	-----
Net Cash Flows Used in Operating Activities	(232,413)	(156,478)
	-----	-----
Cash Flows From Investing Activities		
Purchase of Equipment	(49,434)	-
Purchase of Intangible Asset	(1,289)	(7,649)
Deposit Made on Insurance Carrier in Escrow	(250,000)	-
Proceeds from Sale of Marketable Securities	871,636	-
Purchase of Marketable Securities	(345,000)	(362,816)
Acquisition of Common Stock-Related Companies	(1,198,752)	-
Note Proceeds Converted to Equity	-	500,000
Security Deposit	-	(3,110)
	-----	-----
Net Cash Flows Provided By (Used In) Investing Activities	(972,839)	126,425
	-----	-----
Cash Flows From Financing Activities		
Note Receivable Proceeds Disbursed	(271,014)	(138,952)
Repayment of Notes Receivable	25,000	-
Loan Receivable Proceeds Disbursed	(418,578)	(27,067)
Loan Proceeds from Stockholders	175,887	80,338
Repayment of Loans to Stockholders	-	(22,657)
Repayment of Loan from Related Company	(28,170)	-
Note Payable Proceeds	250,000	-
Repayment of Note Payable	(50,000)	-
Proceeds from Sale from Common Stock	1,900,000	-
Proceeds from Notes Payable	-	505,000
Credit Card Loans	-	14,410
Repayment of Credit Card Loans	-	(14,410)
Loans to Freedom 4	-	(343,995)
	-----	-----
Net Cash Flows Provided By Financing Activities	1,583,125	52,667
	-----	-----
Net Increase in Cash	377,873	22,614
Cash and Cash Equivalents at Beginning of Period, June 1, 2005 and 2004	22,614	0
	-----	-----
Cash and Cash Equivalents at End of Period, May 31, 2005 and 2004	\$ 400,487	\$ 22,614
	=====	=====

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

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AMERICAN CAPITAL HOLDINGS, INC.  
STATEMENTS OF CASH FLOWS-RESTATED  
FOR THE YEARS ENDED MAY 31, 2005 and 2004

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

	2005	2004
	-----	-----
Net Loss	\$ (3,178,865)	\$ (11,326,311)
Cash was increased by		
Add Non-Cash Items:		
Depreciation	10,839	3,952
Loss on Disposition of Common Stock	1,860,787	3,639,973
Loss on Sale of Common Stock	343,364	-
Comprehensive Loss	177,325	(24,607)
Impairment Loss	433,956	7,235,564
Write Off of Equipment	6,779	-
Bad Debt	-	343,995
Increase in Accounts Payable	79,192	27,806
Increase in Accrued Expenses	41,417	33,458
Cash was decreased by		
Increase in Prepaid Expenses	(7,207)	(87,198)
Increase in Security Deposits	-	(3,110)
	-----	-----
Net Cash Flows Used in Operating Activities	\$ (232,413)	\$ (156,478)
	=====	=====

### 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 and notes to financial statements.

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AMERICAN CAPITAL HOLDINGS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-RESTATED  
TWELVE MONTHS ENDED MAY 31, 2005



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### 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 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

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 an indefinite useful life is not amortized. The useful life to an entity is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of that entity.

#### Investments

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

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AMERICAN CAPITAL HOLDINGS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-RESTATED  
TWELVE MONTHS ENDED MAY 31, 2005

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment

Management test for impairment loss of goodwill, intangible assets, and long-

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lived assets at least annually in accordance with SFAS 142, Goodwill and Other Intangible Assets and SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

### 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.

### NOTE D - NOTES RECEIVABLE

Notes Receivable at May 31, 2005 and 2004 consisted of the following:

	2005	2004
8% non-collateralized notes due on demand. Interest is payable quarterly. Included in the balance is \$19,935 of accrued interest receivable.	----- \$ 119,935	----- \$ 111,963
Nine 8% promissory notes purchased from holders of notes with Air Media Now, Inc.	11,906	-
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 in 2005. See below.	-	26,989
A 5% non-collateralized surplus note that Cosmopolitan Life Insurance has the right to repay, provided Cosmopolitan has sufficient capital operate as a stipulated premiums life insurance company. Included in the balance is \$3,125 of accrued interest. See below.	253,125 -----	-
Total Notes Receivable	\$ 384,966	\$ 138,952 =====

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AMERICAN CAPITAL HOLDINGS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-RESTATED  
TWELVE MONTHS ENDED MAY 31, 2005

### NOTE D - NOTES RECEIVABLE (Continued)

Management has made a determination that the \$25,000 note receivable from Solid Imaging, LTD was uncollectible, and has written off the amount due and accrued interest totaling \$27,737 as a loss on investment. All of the other notes receivable have been determined to be collectable and therefore, management has not established an allowance for doubtful accounts.

American Capital and Cosmopolitan Life Insurance Company were in the process of

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merging their operations. Between December 31, 2004 and May 31, 2005 issues arose and the merger was withdrawn. American Capital and Cosmopolitan are currently in discussion regarding payment of the note receivable.

### 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, 2005, eCom, a related party, owed American Capital \$71,086. 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 receivable as of May 31, 2005 and 2004 consisted of the following:

	2005	2004
	-----	-----
eCom eCom.com Inc.	1,086	27,067
AAB National Company	50,517	-
A Super Deal.com, Inc.	45,717	-
American Environmental, Inc.	43,973	-
ProCard Corporation	43,161	-
eSecureSoft Company	38,079	-
USAS Digital, Inc.	36,287	-
Swap and Shop.net Corp.	36,028	-
A Classified Ad, Inc.	34,319	-
USA Performance Products	33,517	-
MyZipSoft, Inc.	11,613	-
Other	1,348	-
	-----	-----
Total	\$ 445,645	\$ 27,067
	=====	=====

### 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.

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AMERICAN CAPITAL HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-RESTATED  
TWELVE MONTHS ENDED MAY 31, 2005

### NOTE F - INVESTMENTS (Continued)

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 Investments in the amount of approximately \$ 3.4 million on the May 31, 2004, financial statements.

#### 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 May 31, 2005 was \$254,869. At May 31, 2005, the market value based on a closing bid price of 0.05 per share was \$81,355. The difference in

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cost versus market value is recorded as an unrealized holding loss of \$177,325 in the Consolidated Statement of Operations at May 31, 2005.

### NOTE G - PROPERTY AND EQUIPMENT

Equipment is stated at cost less depreciation. As of May 31, 2005, equipment consisted of computer hardware, software, and office furniture and equipment. Depreciation expense of \$10,549 and \$3,952 has been recorded for the years ending May 31, 2005 and 2004 respectively.

### NOTE H - 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 I - INTANGIBLE ASSETS

Intangible assets consist of website and software costs for \$20,000, and fees related to applications for patents and trademarks, \$7,649 and \$8,938 for 2004 and 2005 respectively. The intangible assets have not been placed into service, therefore, no amortization has been computed.

### NOTE J - OTHER ASSETS

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

### NOTE K - LOAN PAYABLE RELATED PARTY

A non-interest bearing, non-collateralized loan payable to a related company in the amount of \$29,511 is due on demand. The company reduced the balance of the loan payable at May 31, 2004 by paying principal of \$28,170.

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AMERICAN CAPITAL HOLDINGS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-RESTATED  
TWELVE MONTHS ENDED MAY 31, 2005

### NOTE L - NOTES PAYABLE

Promissory Notes Payable as of May 31, 2005 and 2004 consisted of:

	May 31, 2005	May 31, 2004
Six 10% non-collateralized loans that have various maturities throughout 2005. These loans have been reduced by the amount of the value assigned to the detachable warrants.	\$ 450,450	\$ 499,950
	450,450	499,950
Total Notes Payable	(450,450)	(499,950)
	\$ 0	\$ 0
Less Current Portion	\$ 0	\$ 0
	\$ 0	\$ 0
Net Long-term Debt	\$ 450,450	\$ 499,950
The short-term notes payable mature as follows:		
May 31, 2005	\$ 450,450	\$ 499,950

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Two non-interest bearing, non-collateralized loans due on demand	590,027 -----	340,027 -----
Total Notes Payable	\$1,040,477 =====	\$ 839,977 =====

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 M - WARRANTS

The Company has issued 1,005,000 detachable warrants for each dollar of debt as described in Note K above. Management has determined that the value of the detachable warrants to be \$.01 on the date of issuance and have charged paid in capital \$10,050 during the period. Each warrant entitles the holder to purchase one (1) share of common stock at \$.01. The Company also issued 400,000 warrants to one of the former owners of IS Direct Agency for providing his insurance licensing in all fifty states. The warrants can be exercised for \$.01 each. An additional 216,209 warrants were issued in connection with the Spaulding acquisition, one warrant for every ten shares owned. Each unit of Spaulding entitled the owner to one warrant with an exercise price of \$6.00 each. The warrants are considered out of the money and are, therefore, not valued.

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AMERICAN CAPITAL HOLDINGS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-RESTATED  
TWELVE MONTHS ENDED MAY 31, 2005

### NOTE N - DIVIDENDS

The company, in the current year, bought a controlling interest in common stock in the ten spin off companies as listed in Note E for various amounts. (eCom eCom not being one of the ten companies.) The Board of Directors made the decision that it did not want American Capital to be a holding company and, therefore, approved a dividend to its stockholders of the stock of each of its ten companies. Each shareholder of American capital received a prorated share of the common stock of each of the ten companies it had previously acquired.

### NOTE O - COMMITMENTS AND CONTINGENCIES

The Company leases approximately 1,231 square 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 May 31, 2005 are:  
Fiscal Years ending:

May 31, 2006	\$ 28,247 -----
Total Minimum Lease Payments	\$ 28,247

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

### NOTE P - 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, 2005 totals approximately \$15,000,000. These carry-forwards, which will be available to offset future taxable income, 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. 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.

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AMERICAN CAPITAL HOLDINGS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-RESTATED  
TWELVE MONTHS ENDED MAY 31, 2005

### NOTE Q - STOCKHOLDERS' EQUITY

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

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

The computation of diluted loss per share before extraordinary item for the year ended May 31, 2005 does not include shares from potentially dilutive securities as the assumption of conversion or exercise of these would have an 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 - CHANGE IN ACCOUNTING PRINCIPLE/ERROR

For the year ended May 31, 2004, management determined that goodwill in the amount of \$7,229,071 was impaired, and marketable securities in the amount of \$2,933,019 had no value and, therefore, recognized impairment loss and a loss on investment in common stock in the May 31, 2004 Restated Consolidated Statement of Operations. These individual assets were purchased on February 29,

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2004 from ACHI and included numerous equity interests and other holdings of Spaulding Ventures, Inc. In addition, Goodwill in the amount of \$980,000 was reclassified as Insurance Licenses. The Insurance Licenses are an asset of the wholly owned subsidiary of IS Direct, Inc. The Net Loss for the period ended May 31, 2004 was increased by \$10,152,040, the deficit in Retained Earnings was increased by \$10,689,644 and Accumulated Comprehensive Loss of \$512,997 changed from \$512,997 to an Accumulated Comprehensive Gain of \$24,607.

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.

In addition, \$1,025,699 was inadvertently recorded as a "Declared Dividend" in the current asset section of the May 31, 2005 balance sheet. This amount has been correctly reclassified to Retained Earnings.

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AMERICAN CAPITAL HOLDINGS, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-RESTATED  
 TWELVE MONTHS ENDED MAY 31, 2005

### NOTE S - 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, 2005	May 31, 2004
	-----	-----
Loss carry forward for tax purposes	\$(15,000,000)	\$ 11,000,000
	=====	=====
Deferred tax asset (34%)	5,100,000	3,740,000
Valuation allowance	(5,100,000)	(3,740,000)
	-----	-----
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, 2005 was approximately \$3,608,116. These carry-forwards, which will be available to offset future taxable income, will expire through the year 2024.

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

### NOTE T - RELATED PARTY TRANSACTIONS

The Company has receivables due from nine related entities. eCom eCom.com, Inc. owes \$71,086 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

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shares of MyZipSoft, Inc. common stock. Additional advances were made after February 1, 2005, resulting in a balance due from MyZipSoft of \$11,613. 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 \$445,645 on May 31, 2005. The Company has received loans from various Officers and Directors. As of May 31, 2005, the company owes \$155,243 to Barney Richmond and \$20,418 to Richard Turner.

### NOTE U - 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,

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AMERICAN CAPITAL HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-RESTATED

TWELVE MONTHS ENDED MAY 31, 2005

### NOTE U - RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

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 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



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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 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.

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

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

#### Item 8A. Controls and Procedures.

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

There were no changes in the Company's internal controls over financial reporting during the year ended May 31, 2005 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
Barney A. Richmond	54	Chairman/President/Secretary Director
Richard C. Turner Officer/Director	46	Treasurer/Chief Financial
Matthew Salmon	47	Director

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Barry M. Goldwater, Jr.	67	Director
Douglas Sizemore	75	Director
Norman E. Taplin	55	Director
Michael Camilleri	52	Director

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AMERICAN CAPITAL HOLDINGS, INC.

### 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 served as CFO of eCom eCom.com, Inc. until December 26, 2004. Mr. Turner's resignation from eCom on December 26, 2004, was not accepted by the Board of Directors of eCom. Mr. Turner remained CFO and continued to act as Interim President of eCom until Mr. Richmond was appointed CEO of eCom by the Bankruptcy Court on June 6, 2005.

Michael Camilleri has been a Director of the Company since November 2004, and holds a number of positions within the insurance industry. He is a principal of Preferred Insurance Capital Consultants, LLC. Preferred specializes in actuarial, litigation support and insurance management consulting services. Mr. Camilleri serves as a director and General Counsel of First Commercial Insurance Company, and as a director and officer of various insurance related affiliates of First Commercial. Mr. Camilleri is also President of Newport Star Reinsurance Company, Inc.; a director and Vice President of CEIB Marketing Group, LLC; President, Treasurer and Vice President of Spoleto Holdings, LLC; and Manager of Power One Real Estate Investments, LLC. Within the last five years, Mr. Camilleri has also served as Secretary of Accident Insurance Company, Inc., President and CEO of AmTrust Insurance Company, and Senior Vice President of Insurance Services Offices, Inc. From 1996 to 1999, he was President of Insurance Data Resources, Inc. (IDR) and IDR Statistical Services, Inc. (IDRSS), national workers compensation rating organizations. Prior to joining IDR in 1996, Mr. Camilleri was a senior partner and head of the insurance regulatory and health practices for Adorno & Zeder, P.A. From 1978 to 1991 he was with the National Council on Compensation Insurance, Inc. (NCCI), where he served as Senior Vice President and General Counsel. At NCCI, Mr. Camilleri directed the Legal, National Affairs, Public Affairs and Residual Markets division. During his career with NCCI, he managed countrywide workers compensation assigned risk plans and reinsurance pools, established a prototype National Affairs

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Department, managed all internal and external affairs, provided oversight on multi state and federal issues including testimony before U.S. Congress, and served as Secretary to the Board of Directors. Mr. Camilleri is the author of

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AMERICAN CAPITAL HOLDINGS, INC.

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

texts and articles on workers compensation and health care and is a frequent speaker on workers compensation and health related issues at national conferences.

Barry M. Goldwater, Jr., has been a Director of the Company since November 2004. Mr. Goldwater is President of B2 Solutions, which represents client companies before Congress and various branches of the United States Government, as well as the California and Arizona state legislatures . Prior to joining B2 Solutions, Mr. Goldwater served as a General Partner for 13 equipment leasing partnerships. Mr. Goldwater's background includes 14 years as a United States Congressman and 8 years as a Series 7 Registered Representative in the securities brokerage industry and a member of the New York Stock Exchange. While in Congress, Mr. Goldwater served on committees that had jurisdiction over Energy, Aviation, Space, Defense and Public Works. Mr. Goldwater served on the Joint Committee on Energy, which responded to the oil crisis in 1974.

Matthew Salmon has been a Director of the Company since January 2004. Since November 2000, Mr. Salmon has been President of his own company, Upstream Consulting. As a Public Affairs Consultant and because of favorable contacts which he has kept current with local and state government officials, Members of Congress, and the White House Administration he is able to assist businesses and government agencies with their strategies and helps them solve problems and find favorable solutions for all involved. Mr. Salmon was elected to the U.S. House of Representatives in November 1994 to represent Arizona's First Congressional District. He served three terms, and chose not to seek re-election in the year 2000, fulfilling a campaign promise he made to Arizona's voters in 1994.

Mr. Salmon served on the International Relations Committee, and its subcommittees in Asia and in the Pacific, and International Operations and Human Rights. Salmon also served on the Helsinki Commission and was Chairman and a founding member of the House Renewable Energy Caucus. He also served on the Education and the Workforce Committee. Mr. Salmon maintained an active legislative agenda throughout his time in Congress, and played a prominent role on issues related to foreign affairs, crime, education, energy and taxes, among others.

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

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AMERICAN CAPITAL HOLDINGS, INC.

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

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

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

A Code of Ethics that applies to our chief executive and senior financial officers, as well as a Code of Business Conduct and Ethics that applies to all employees, have been drafted and presented to our Board of Directors for 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 officers were paid by eCom. After the Company was spun off from eCom, Richard C. Turner, our Chief Financial Officer, has been paid an annual salary of \$50,000, plus a minimum annual bonus of \$50,000. No other executive officer currently receives compensation from the Company. We have agreed to issue to our independent directors, but have not yet issued, warrants to purchase a total of 1,500,000 shares of our Common Stock at an 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, 2005, there were a total of 17,398,903 shares of the Company's stock outstanding. In addition, as of May 31, 2005, there were 1,300,000 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.

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AMERICAN CAPITAL HOLDINGS, INC.

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

Number of	% of Shares
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Name and Address -----	Shares Owned -----	Outstanding -----
Barney A. Richmond, Director & President 601 Seafarer Circle Jupiter, FL 33477	7,084,048	28.2%
Richard C. Turner, Director & Chief Financial Officer 4200 Oak Street Palm Beach Gardens, FL 33418	230,870	.9%
Matthew Salmon, Director 2700 N. 3rd Street, Suite 2012 Phoenix, AZ 85004	500,000(1)	2.0%
Barry M. Goldwater, Jr., Director 3104 E. Camelback, Suite 274 Phoenix, AZ 85016	250,000(1)	1.0%
Douglas Sizemore, Director 707 Rambling Road Johnson City, TN 37604	250,000(1)	1.0%
Norman E. Taplin, Director 1555 Palm Beach Lakes Blvd, Ste 1510 West Palm Beach, FL 33401	250,000(1)	1.0%
Michael Camilleri, Director 2101 NW Corporate Blvd. Suite 415 Boca Raton, FL 33431	250,000(1)	1.0%
David W. Pong(2) 161 San Antonio Way Sacramento, CA 95819	2,000,000	8.0%
All Directors & Executive Officers as a group (7 persons)	8,814,918	35.1%

- (1) Represent warrants to purchase common stock which the Company has committed to issue.
- (2) All shares are held by the David W. Pong Revocable Trust. Includes 380,000 shares currently owned, 810,000 shares to be issued pursuant to the conversion of convertible notes held by the Trust, and warrants to purchase an additional 810,000 shares.

AMERICAN CAPITAL HOLDINGS, INC.

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 t

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acquired 53,910,922 common shares of Air Media Now, Inc. from ACHI, a related company. The fair value of the publicly traded shares of Air Media Now, Inc. at date of receipt was \$3,469,622. On May 31, 2005 the market value based on a closing bid price of .01 per share was \$619,937. The difference in cost versus market value is recorded as a deficit in Accumulated Other Comprehensive Income of \$2,849,685. The only asset of Air Media Now, Inc. is the right to certain intellectual property.

### 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.

AMERICAN CAPITAL HOLDINGS, INC.

### 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 \$23,625 for the fiscal year ended May 31, 2004, and \$54,995 for the fiscal year ended May 31, 2005.

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Other Fees.

Other fees billed to the Company by accountants for consultation services, research and client assistance totaled \$0 for the fiscal year ended May 31, 2004, 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 December 1, 2005  
-----

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

By /s/ Barney A. Richmond  
-----  
Barney A. Richmond, Principal Executive Officer

Dated December 1, 2005  
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AMERICAN CAPITAL HOLDINGS, INC.

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

Dated December 1, 2005  
-----

By /s/ Michael Camilleri  
-----  
Michael Camilleri, Director

Dated December 1, 2005  
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By /s/ Norman E. Taplin  
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Norman E. Taplin, Director

Dated December 1, 2005  
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AMERICAN CAPITAL HOLDINGS, INC.

Exhibit 31.1

I, Barney A. Richmond, certify that:

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

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

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



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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: December 1, 2005

/s/ Barney A. Richmond

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

I, Richard C. Turner, certify that:

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

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

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

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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: December 1, 2005

/s/ Richard C. Turner

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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/A for the period ending May 31, 2005 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  
December 1, 2005

/s/ Richard C. Turner

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Richard C. Turner, Chief Financial Officer  
December 1, 2005