

CHAMPIONSHIP AUTO RACING TEAMS INC
Form 10-Q
August 15, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

- Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2005.
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period _____ to _____.

Commission File No. 1-13925

CHAMPIONSHIP AUTO RACING TEAMS, INC.

(Exact name of registrant as specified in its charter)

Delaware

38-3389456

(State or other jurisdiction of
Incorporation or organization)

(IRS Employer Identification No.)

5350 Lakeview Parkway Drive South, Indianapolis, IN 46268

(Address of principal executive offices)
(Zip Code)

(317) 715-4196

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 126-2 of the Securities Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

COMMON STOCK \$0.01 PAR VALUE

14,718,134 SHARES

(class of common stock)

(outstanding at June 30, 2005)

This report contains 25 pages.

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June 30, 2005

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 5,128
Accounts receivable (net of allowance for doubtful accounts of \$2,116 at June 30, 2005 and December 31, 2004)	8
Prepaid expenses and other current assets	180
Other	3

Total current assets 5,319

TOTAL ASSETS \$ 5,319

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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 58
Accrued liabilities:	
Payroll	12
Professional fees and other	181

Total current liabilities 251

COMMITMENTS AND CONTINGENCIES (NOTE 3) --

STOCKHOLDERS' EQUITY:

Preferred stock, \$.01 par value, 5,000,000 shares authorized, none issued and outstanding at June 30, 2005 and December 31, 2004	
Common stock \$.01 par value, 50,000,000 shares authorized, 14,718,134 shares issued and outstanding at June 30, 2005 and December 31, 2004	147
Additional paid-in capital	87,765
Accumulated deficit	(82,844)

Total stockholders' equity 5,068

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$ 5,319

=====

See accompanying notes to unaudited consolidated financial statements

CHAMPIONSHIP AUTO RACING TEAMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(UNAUDITED)
(IN THOUSANDS, EXCEPT LOSS PER SHARE)

THREE MONTHS ENDED
JUNE 30,

SIX MONTHS ENDED
JUNE 30,

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	2005	2004	2005	2004
REVENUES:				
Other revenue	\$ -	\$ 47	\$ 2	\$ -
Total revenues	-	47	2	-
EXPENSES:				
Administrative and indirect expenses	96	596	483	2,000
OPERATING LOSS	(96)	(549)	(481)	(2,000)
Realized gain on sale of investments	-	5	-	-
Interest income	30	28	56	-
LOSS BEFORE INCOME TAXES	(65)	(516)	425	(2,000)
Income tax expense (benefit)	-	(877)	25	(-)
NET INCOME (LOSS)	\$ (65)	\$ 361	\$ (450)	\$ (1,000)
NET INCOME (LOSS) PER SHARE:				
BASIC AND DILUTED	\$ 0.00	\$ 0.02	\$ (0.03)	\$ (0.00)
WEIGHTED AVERAGE SHARES OUSTANDING:				
BASIC AND DILUTED	14,718	14,718	14,718	14,718

See accompanying notes to unaudited consolidated financial statements.

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CHAMPIONSHIP AUTO RACING TEAMS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2005
(UNAUDITED)
(IN THOUSANDS)

	COMMON STOCK		ADDITIONAL	ACCUMULATED
	SHARES	AMOUNT	PAID-IN CAPITAL	DEFICIT
BALANCES, JANUARY 1, 2005	14,718	\$ 147	\$ 87,765	\$ (82,394)
Net loss	--	--	--	(450)
BALANCES, JUNE 30, 2005	14,718	\$ 147	\$ 87,765	\$ (82,844)

See accompanying notes to unaudited consolidated financial statements.

CHAMPIONSHIP AUTO RACING TEAMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	2005	
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (450)	\$
Adjustments to reconcile net loss to		
net cash used in operating activities:		
Bad debt	450	
Accounts receivable	(450)	
Income tax refundable		
Prepaid expenses and other assets	73	
Other	--	
Accounts payable	(44)	
Accrued liabilities	90	
	-----	-----
Net cash used in operating activities	(331)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	--	
Proceeds from sale of CART, Inc. assets, equipment and stock of		
subsidiary (net of cash sold)	--	
	-----	-----
Net cash provided by investing activities	--	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	--	
	-----	-----
Net cash used in financing activities	--	
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(331)	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,459	
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 5,128	
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Income taxes	\$ 25	\$

See accompanying notes to unaudited consolidated financial statements.

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CHAMPIONSHIP AUTO RACING TEAMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION. The accompanying unaudited consolidated financial statements have been prepared by management and, in the opinion of management, contain all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial position of Championship Auto Racing Teams, Inc. and subsidiaries (the "Company") as of June 30, 2005 and December 31, 2004, the results of their operations for the three months and six months ended June 30, 2005 and 2004, the statement of stockholder's equity for the six months ended June 30, 2005, and their cash flows for the six months ended June, 2005 and 2004.

The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Form 10-K for the year ended December 31, 2004, filed with the Securities and Exchange Commission.

ORGANIZATION. CART, Inc., ("CART") (a Michigan corporation) was organized as a not-for-profit corporation in 1978, with its main purpose being to promote the sport of automobile racing, primarily open-wheel type racing cars. As of January 1, 1992, the entity became a for-profit corporation and continued to use the CART name.

In December 1997, Championship Auto Racing Teams, Inc., (a Delaware corporation) was formed to serve as a holding company for CART and its subsidiaries (the "Reorganization"). Each outstanding share of common stock of CART was acquired in exchange for 400,000 shares of common stock of the Company. References to the "Company" mean Championship Auto Racing Teams, Inc. and its subsidiaries.

On August 18, 2003, we publicly announced that we had received a proposal from Open Wheel Racing Series ("Open Wheel") related to the acquisition of the Company and that we were engaged in negotiations regarding a possible transaction with Open Wheel.

On August 24, 2003, we publicly announced that our board of directors had instructed management to continue negotiating with Open Wheel with respect to all terms related to a possible acquisition of the Company. The Company, Open Wheel and their respective advisors continued to engage in negotiations regarding the terms of a possible transaction and related definitive agreements.

On September 10, 2003, representatives of the Company, Open Wheel and Open Wheel Acquisition Corp., a wholly-owned subsidiary of Open Wheel, executed and delivered the merger agreement and other related agreements and issued a joint press release announcing the proposed transaction.

On December 2, 2003, we announced that representatives of Open Wheel had informed us that Open Wheel believed that a number of conditions of the pending merger between the parties would not be satisfied by the time of the special meeting of stockholders that was scheduled for December 19, 2003.

On December 15, 2003, we announced that we had entered into an Asset Purchase Agreement (the "Agreement") with Open Wheel. The Agreement would allow Open Wheel to purchase the assets of CART, needed to operate the Champ Car World Series and the stock of Pro-Motion Agency, Inc., our subsidiary that operates the Toyota Atlantics series and CART Licensed Products, Inc., our subsidiary that operates our licensed merchandise function. In addition, Open Wheel would assume from us and CART, the rights and

obligations under certain promoter, sponsor and other contracts. Open Wheel stated that it intended to continue to operate the Champ Car World Series and the Toyota Atlantic series. The total consideration that would be paid under the agreement was \$3.0 million less \$1.5 million in 2003 prize money to teams who were not affiliated with Open Wheel; which was an obligation of CART that would be assumed by Open Wheel. The Agreement terminated the previously announced merger agreement that we had entered into with Open Wheel on September 10, 2003.

On December 16, 2003, CART filed a petition under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court Southern District of Indiana (RE CART, Inc., Case No. 03-23385-FJO-11).

An Amendment by Interlineation (the "Amendment") with respect to the Agreement was entered into on January 15, 2004 to reflect the change in consideration and the assumption of certain claims.

On February 13, 2004, the assets of CART, the stock of Pro-Motion Agency, Inc. and CART Licensed Products, Inc., were sold to Open Wheel for total cash consideration of \$3.3 million, assumption of liabilities of \$1.4 million in 2003 prize money to teams who were not affiliated with Open Wheel which was an obligation of CART, forgiveness of \$1.3 million in prize money due principals of Open Wheel which was an obligation of CART and the assumption of certain promoter, sponsor and other contracts, pursuant to an order of the bankruptcy court at a hearing held on January 28, 2004.

Upon completion of the sale of substantially all of our operating assets to Open Wheel in February 2004, most of our employees resigned and accepted employment with Open Wheel and we ceased operations. The Company currently has two employees who are winding up the affairs of the Company; the Chief Executive Officer and Chief Financial Officer.

CART operated as debtor-in-possession under the Bankruptcy Code in order to wind up its affairs. On August 3, 2004 CART, Inc. filed CART's Amended Chapter 11 Plan (the "Plan") and the Second Amended Disclosure Statement For Amended Chapter 11 Plan Of CART (the "Disclosure Statement") with the Bankruptcy Court. The Plan provides for the distribution of the asset sale proceeds and other currently available cash and the liquidation and distribution of the remaining estate assets to CART's creditors. The Disclosure Statement was approved as containing adequate information by the Bankruptcy Court on August 3, 2004. The hearing on the confirmation of the plan was held on September 13, 2004. On September 23, 2004, the Bankruptcy Court entered its Findings Of Fact, Conclusions Of Law, And Order Under 11 U.S.C. Sections 1129(a) And (b) And Fed. R. Bankr. P. 3020 Confirming CART's Amended Chapter 11 Plan.

Pursuant to the "Plan" on November 18, 2004, the Company canceled its stock in CART and all remaining CART assets and liabilities were transferred to the CART Liquidating Trust ("CLT") to be held, pending allowance or disallowance of disputed claims, and distributed to holders of allowed claims.

We currently intend to liquidate our remaining assets, pay off our remaining liabilities, and complete the process of liquidation and winding up the Company's affairs as soon as practicable. Our Board of Directors has not adopted a plan of liquidation and dissolution but will consider this option when all material claims against the Company are resolved and paid and after approval by our stockholders. In the event that our Board of Directors adopts a plan of liquidation and dissolution, we would expect to incur liquidation expenses, in

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addition to payments of ongoing operating expenses and settlement of existing or potential obligations. Liquidation expenses may include, among others, employee salaries and related costs, and legal and accounting fees. While we cannot currently make a precise estimate of the expenses, we believe that a portion of our current cash may be required to pay the above expenditures.

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The accompanying unaudited financial statements have been prepared assuming that the Company will continue as a going concern. As discussed above, the Company's intention to liquidate the remaining assets, pay off the remaining liabilities, and complete the process of liquidation and dissolution of the Company's affairs raise substantial doubt about its ability to continue as a going concern. The unaudited financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION. For the three and six months ended June 30, 2004, the financial statements include the financial statements of Championship Auto Racing Teams, Inc. and its wholly-owned subsidiaries - CART, Inc. (Debtor in Possession) and Raceworks, LLC and through February 13, 2004, Pro-Motion Agency, Ltd. and CART Licensed Products, Inc. For the three and six months ended June 30, 2005, the financial statements include financial statements of Championship Auto Racing Teams, Inc. and its wholly-owned subsidiary Raceworks, LLC. All significant intercompany balances have been eliminated in consolidation.

BASIC AND DILUTED LOSS PER SHARE. Basic earnings per share is calculated as net income loss divided by the weighted average number of shares of common shares outstanding during the period. Diluted per share amounts assume the exercise of shares issuable under certain stock option plans, when dilutive.

STOCK BASED COMPENSATION. The Company has chosen to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25") in accounting for its stock options granted to employees and directors. Under APB No. 25, the Company does not recognize compensation expense on the issuance of its stock options because the option terms are fixed, and the exercise price equals the market price of the underlying stock on the grant date. The following illustrates the effect on net income (loss) if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure":

(In Thousands)	Three Months Ended June 30,	
	2005	2004
	-----	-----
NET INCOME (LOSS)		

As reported	\$ (65)	\$ 361
Total stock-based employee compensation expense determined under the fair value based method, net of tax	-	(358)
Pro forma	\$ (65)	\$ 3

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	=====	=====
DILUTED INCOME (LOSS) PER SHARE		

As reported	\$ 0.00	\$ 0.02
Total stock-based employee compensation expense determined under the fair value based method, net of tax	-	(0.02)
	-----	-----
Pro forma	\$ 0.00	\$ 0.00
	=====	=====

All outstanding stock options were voluntarily forfeited as of March 31, 2005.

MANAGEMENT ESTIMATES. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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

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during the reporting period presented. The actual outcome of the estimates could differ from the estimates made in the preparation of the consolidated financial statements.

3. COMMITMENTS AND CONTINGENCIES

LITIGATION. On November 4, 2003, 88 Corp. filed suit against CART, Inc. in the United States Federal District Court for the Central District of California. 88 Corp., the promoter of the CART Champ Car World Series race at the California Speedway in Fontana, California, claimed that the race, which was to be held on November 2, 2003, was canceled due to a "force majeure" and requested a judicial determination as to whether the organizational and rights fee of \$2.5 million, previously paid by 88 Corp. to CART, minus reasonable expenses incurred by CART, should be refunded to 88 Corp. As a result of the bankruptcy of CART, this litigation was suspended. 88 Corp. has filed a proof of claim against CART in the bankruptcy court proceedings requesting repayment of the \$2.5 million, imposition of a constructive trust, and such other relief as the bankruptcy court deems appropriate. CART has objected to the claim and has asserted against 88 Corp. a claim for wrongful termination of the sanction agreement as it relates to the 2003 and 2004 races in the amount of \$5.2 million. At the time the CART stock was canceled and its assets and liabilities were placed in the CLT, the Company was unable to make a determination as to the likelihood of an unfavorable outcome or estimate the amount or range of the recovery or loss. On April 27, 2005, CLT entered into a settlement agreement with 88 Corp. in which CLT agreed to pay 88 Corp. \$1.7 million. The settlement was subject to approval by the bankruptcy court. On May 10, 2005, the bankruptcy court approved the settlement.

In connection with CART's bankruptcy filing, based upon filings by creditors of CART, there is one claim that we are aware of that resulted in litigation against CART in bankruptcy court and there may be other claims by creditors against CART which could result in additional litigation. The Company is currently unable to determine to what extent or whether these asserted and unasserted claims will be allowed or if they will ultimately result in litigation involving the Company. The amount of any distributions to the Company

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as a creditor of CART will be effected by any such litigation whether the result is the cost of litigation, settlement, or ultimate adverse decision. The result of such disputes will affect the amount ultimately distributed to the Company and thus available for distributions to stockholders.

On August 5, 2004, the Company was served with a complaint to avoid and recover preferential transfers filed on behalf of WorldCom, Inc. and MCI, Inc., in the United States Bankruptcy Court for the Southern District of New York. The action alleges that the Company received \$1.5 million in July of 2002, which was a payment within 90 days of the date that WorldCom, Inc. and its subsidiaries commenced their bankruptcy by filing under Chapter 11 of the Bankruptcy Code. The parties are discussing a settlement.

EMPLOYMENT AGREEMENTS. The Company has modified the employment agreements with its Chief Executive Officer and Chief Financial Officer. The modified employment agreements expire on November 30, 2005.

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ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Upon completion of the sale of substantially all of our operating assets to Open Wheel in February 2004, most of our employees resigned and accepted employment with Open Wheel and we ceased operations. We cannot list here all the risks and uncertainties that could cause our financial results to differ materially from our present expectations or projections regarding the estimated distribution to stockholders, but we can identify many of them. These are set forth in "Factors That May Affect Future Results."

The following information is presented primarily for historical purposes and should be read noting that the Company is no longer involved in an active business.

CRITICAL ACCOUNTING POLICIES

Use of Estimates

The following discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us 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 periods.

Significant accounting estimates include the allowance for doubtful accounts for trade accounts receivable, income taxes and related valuation allowances, litigation and certain accrued liabilities.

We believe that the estimates, assumptions and judgments involved in the accounting policies described below have a material impact on our financial statements. These areas are subject to the risks and uncertainties we describe in this report. Actual results, therefore, could differ from those estimated.

Litigation

We are involved in litigation as a result of CART, Inc.'s bankruptcy

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filing. Our litigation proceedings are included in our most recent Form 10-K, Item 3: Legal Proceedings and updated, as needed, in Part II-Other Information, Item 1: Legal Proceedings in this Form 10-Q. When a complaint is filed by or against us that represents a material claim, we disclose the proceeding in our financial statements. When a claim against us is probable and reasonably estimable, we record the expense. When we are the party filing the claim, we do not record gain contingency until any recovery from the claim are assured.

RESULTS OF OPERATIONS THREE MONTHS ENDED JUNE 30, 2005

We plan to liquidate our remaining assets, pay off our remaining liabilities and complete the process of liquidation and winding up the Company's affairs as soon as practicable.

In 2005, the Company does not expect to receive any revenue as it has ceased operation and is in the process of winding up its affairs.

Expenses will be incurred to complete the wind up of the Company. Wind up expenses will be incurred for salaries and benefits, office, legal, accounting and public company expenses.

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Total expenses were \$546,000 for the three months ended June 30, 2005 which were partially offset by a recovery of \$450,000 from the CART Liquidation Trust. Expenses consisted of legal and consulting fees of \$277,000, salaries, employee and related expenses of \$197,000, insurance of \$62,000 and other office and miscellaneous expenses and credits.

Interest income from cash investments for three months ended June 30, 2005 was \$30,000.

Net loss for the three months ended June 30, 2005 was \$65,000.

RESULTS OF OPERATIONS SIX MONTHS ENDED JUNE 30, 2005

Total expenses were \$933,000 for the six months ended June 30, 2005 which were partially offset by a recovery of \$450,000 from the CART Liquidation Trust. Expenses consisted of legal and consulting fees of \$387,000, salaries, employee and related expenses of \$391,000, insurance of \$133,000 and other office and miscellaneous expenses and credits.

Interest income from cash investments for six months ended June 30, 2005 was \$56,000.

Income tax expense for the six months ended June 30, 2005 was \$25,000.

Net loss for the six months ended June 30, 2005 was \$450,000.

RESULTS OF OPERATIONS THREE MONTHS ENDED JUNE 30, 2004

In 2004, the only revenues the Company received were from sanctioning revenues paid to us by Open Wheel for sanctioning their races for the 2004 season, miscellaneous revenue and interest income from our remaining cash and short-term investments. Sanctioning fees are \$12,500 per domestic race and there were eight domestic events in 2004.

Expenses were incurred to complete the wind up of the Company. Wind up expenses were incurred for salaries and benefits, severance and related

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expenses, office, legal, accounting and public company expenses. CART, Inc., will also incur expenses related to setting up a liquidation trust and expenses of a liquidation trustee as well as other expenses related to its Chapter 11 Bankruptcy filing.

Total revenues were \$47,000 for the three months ended June 30, 2004, related to sanction fees of \$38,000 and other miscellaneous revenues.

Total expenses were \$596,000 for the three months ended June 30, 2004. Expenses consisted of legal and consulting fees of \$320,000, salaries, employee and related expenses of \$302,000 and other office and miscellaneous expenses and credits.

Net loss before income taxes was \$516,000. An income tax benefit of \$877,000 was recognized during the quarter, representing management's estimate for tax refunds expected to be received by the Company through the utilization of net operating loss carryback claims previously deemed not realizable. Net income for the quarter ended June 30, 2004 was \$361,000.

RESULTS OF OPERATIONS SIX MONTHS ENDED JUNE 30, 2004

Total revenues were \$104,000 for the six months ended June 30, 2004, related to sanction fees of \$38,000, equipment rental of \$12,000 and other miscellaneous revenues of \$54,000.

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Total expenses were \$2.8 million for the six months ended June 30, 2004. Administrative expenses consisted of normal operating expenses through, February 13, 2004, the date the "Asset Purchase Agreement" was finalized. Expenses consisted of legal and consulting fees of \$1.7 million, salaries, employee and severance related expenses of \$893,000, offices expenses of \$135,000 and other miscellaneous expenses.

Net loss before income taxes was \$2.6 million. An income tax benefit of \$877,000 was recognized during the six months ended June 30, 2004 for reasons stated above. Net operating loss for the six months ended June 30, 2004 was \$1.7 million.

LIQUIDITY AND CAPITAL RESOURCES

We intend to liquidate our remaining assets, pay off our remaining liabilities and complete the process of liquidation and winding up the Company's affairs. Our Board of Directors has not adopted a plan of liquidation and dissolution at this time but intend to adopt a plan option when all material claims against the Company are resolved. In the event that our Board of Directors adopts a plan of liquidation and dissolution, we would expect to incur liquidation expenses, in addition to payments of ongoing operating expenses and settlement of existing or potential obligations. Liquidation expenses may include, among others, employee salaries and related costs, and legal and accounting fees, as well as payments to a liquidation trustee. While we cannot currently make a precise estimate of the expenses, a significant portion of our current cash may be required to pay the above expenditures.

At June 30, 2005, we had \$5.1 million in working capital, and our primary source of liquidity was \$5.1 million in cash and cash equivalents. Our cash balance on June 30, 2005 was \$5.1 million, a net decrease of \$331,000 from December 31, 2004. This decrease was the result of net cash used to pay net operating expenses of \$483,000.

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In April 2002, we entered into a lease for a corporate headquarters in Indianapolis, Indiana. The lease commenced on May 1, 2002 and expires on October 31, 2010. The total amount due through the life of the lease as of June 30, 2005 is \$1.7 million. We have sublet this office space to Open Wheel, and retain office space for our use, at no cost. However, we remain liable on the lease.

Contractual Obligations	Total	Payments due by Period		
		Less Than 1 Year	1-3 Years	4-5 Years
Operating Leases*	\$ 1,647,814	\$ 384,016	\$ 926,895	\$ 411,953
Employment Agreements	142,307	142,307	--	--
Total	\$ 1,790,121	\$ 526,323	\$ 926,895	\$ 411,953

* Sublet to Open Wheel for the amounts of lease obligations.

FACTORS THAT MAY AFFECT FUTURE RESULTS

WE CANNOT ASSURE YOU OF THE AMOUNT, IF ANY, OF ANY DISTRIBUTION TO OUR STOCKHOLDERS UNDER A PLAN OF COMPLETE LIQUIDATION AND DISSOLUTION.

Liquidation and dissolution may not create value to our stockholders or result in any remaining capital for distribution to our stockholders. We cannot assure you of the precise nature and amount of any distribution to our stockholders pursuant to a plan of distribution. Uncertainties as to the ultimate amount

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of our liabilities make it impracticable to predict the aggregate net value ultimately distributable to our stockholders. The actual nature and amount of all distributions will depend in part upon our ability to settle our liabilities or potential liabilities. We may not be successful in doing so to return a meaningful amount of cash to our stockholders.

WE MAY NOT BE ABLE TO SETTLE ALL OF OUR OBLIGATIONS TO CREDITORS.

We have current and future obligations to creditors. These include, without limitation, long-term contractual obligations. As part of the wind down process, we will attempt to settle our obligations with our creditors. We may not, however, succeed in doing so. If we cannot reach an agreement with a creditor concerning an obligation, that creditors may choose to bring a lawsuit against us, or continue an existing suit. Any litigation could delay or even prevent us from completing the plan of dissolution. Moreover, amounts required to settle our obligations to creditors will reduce the amount of remaining capital available for distributions to stockholders.

WE WILL CONTINUE TO INCUR CLAIMS, LIABILITIES AND EXPENSES WHICH WILL REDUCE THE AMOUNT AVAILABLE FOR DISTRIBUTION TO STOCKHOLDERS.

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Claims, liabilities and expenses from operations (such as operating costs, salaries, directors' and officers' insurance, payroll and local taxes, legal, accounting and consulting fees and miscellaneous office expenses) will continue to be incurred as we wind down. These expenses will reduce the amount of assets available for ultimate distribution to stockholders. If available cash is not adequate to provide for our obligations, liabilities, expenses and claims, we may not be able to distribute meaningful cash, or any cash at all, to our stockholders.

DISTRIBUTION OF ASSETS, IF ANY, TO OUR STOCKHOLDERS COULD BE DELAYED.

Our Board of Directors has not established a firm timetable for proposing to our stockholders a plan of liquidation, nor can we assure approval of such a plan or the amount of any distributions to our stockholders. We are currently unable to predict the precise timing of any distribution, if any, pursuant to our wind down. The timing of distribution, if any, will depend on and could be delayed by, among other things, the timing of claim settlements with creditors and actual and potential litigation. Additionally, a creditor could seek an injunction against the making of distributions to our stockholders on the grounds that the amounts to be distributed were needed to provide for the payment of our liabilities and expenses. Additionally, we could seek protection from creditors under the federal bankruptcy code. Any action of this type could delay or substantially diminish, or eliminate, the amount available for distribution to our stockholders.

IF WE FAIL TO CREATE AN ADEQUATE CONTINGENCY RESERVE FOR PAYMENT OF OUR EXPENSES AND LIABILITIES, OUR STOCKHOLDERS COULD BE HELD LIABLE FOR PAYMENT TO OUR CREDITORS OF EACH SUCH STOCKHOLDER'S PRO RATA SHARE OF AMOUNTS OWED TO THE CREDITORS IN EXCESS OF THE CONTINGENCY RESERVE, UP TO THE AMOUNT ACTUALLY DISTRIBUTED TO SUCH STOCKHOLDER.

If a plan of dissolution is proposed to and approved by our stockholders, we will file a Certificate of Dissolution with the State of Delaware dissolving the Company. Pursuant to the Delaware General Corporation Law, we will continue to exist for three years after the dissolution becomes effective or for such longer period as the Delaware Court of Chancery shall direct, for the purpose of prosecuting and defending suits against us and enabling us gradually to close our business, to dispose of our property, to discharge our liabilities and to distribute to our stockholders any remaining assets. Under the Delaware

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General Corporation Law, in the event we fail to create an adequate contingency reserve for payment of our expenses and liabilities during this three-year period, each stockholder could be held liable for payment to our creditors of such stockholder's pro rata share of amounts owed to creditors in excess of the contingency reserve, up to the amount actually distributed to such stockholder.

However, the liability of any stockholder would be limited to the amounts previously received by such stockholder from us (and from any liquidating trust or trusts) in the dissolution. Accordingly, in such event a stockholder could be required to return all distributions previously made to such stockholder. In such event, a stockholder could receive nothing from us under the plan of dissolution. Moreover, in the event a stockholder has paid taxes on amounts previously received, a repayment of all or a portion of such amount could result in a stockholder incurring a net tax cost if the stockholder's repayment of an amount previously distributed does not cause a

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commensurate reduction in taxes payable. There can be no assurance that the contingency reserve established by us will be adequate to cover any expenses and liabilities.

WE DO NOT EXPECT TO RECOGNIZE ANY MATERIAL REVENUE IN THE FUTURE

We do not expect to recognize much additional revenue.

WE WILL CONTINUE TO INCUR THE EXPENSES OF COMPLYING WITH PUBLIC COMPANY REPORTING REQUIREMENTS.

We have an obligation to continue to comply with the applicable reporting requirements of the Securities Exchange Act of 1934, as amended, referred to as the "Exchange Act," even though compliance with such reporting requirements is economically burdensome.

RELATED PARTY TRANSACTIONS

Gerald R. Forsythe, is one of the principal members of Open Wheel which purchased the assets of CART, Inc. pursuant to an Asset Purchase Agreement, entered into in February 2004. The consideration paid to CART, Inc., for the purchase of the assets, along with the stock of Promotion Agency, Ltd. And CART Licensed Products, Inc. was \$3.3 million in cash, the assumption by the buyer of \$1.4 million in prize money owed to teams not affiliated with the principals of Open Wheel, forgiveness of \$1.3 million in prize money due teams affiliated with principals of Open Wheel, including Mr. Forsythe and the assumption of certain promoter, sponsorship, and other contracts. The agreement was approved by the order of the bankruptcy court at a hearing on January 28, 2004.

In 2004, the Company sanctioned the races for Open Wheel. The Company received \$12,500 for each domestic race it sanctions and was reimbursed for various expenses it incurred in sanctioning the events.

We have also sub-leased our Indianapolis office and warehouse to Open Wheel for substantially the same terms as our lease, we remain obligated on the lease which runs through 2010.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

With the exception of historical information contained in this Form 10-Q, certain matters discussed are forward-looking statements. These forward-looking statements involve risks that could cause the actual results and plans for the future to differ from these forward-looking statements. The factors listed below, among others, could cause the forward-looking statements to differ from actual results and plans:

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Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained in the Company's SEC filings made from time to time, including, but not limited to, the Form 10-K for the year ended December 31, 2004. Copies of those filings are available from the Company and at the SEC's website www.sec.gov. The Company undertakes no obligation to update publicly any forward-looking statements as a result of new information, future events, or otherwise.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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INTEREST RATE RISK. Our investment policy was designed to maximize safety and liquidity while maximizing yield within those constraints. At June 30, 2005, our cash equivalents consisted of money market funds. Because of the relatively short-term nature of our investments, our interest rate risk is not considered significant.

ITEM 4: CONTROLS AND PROCEDURES

(a) As of June 30, 2005 we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings.

(b) Upon completion of the sale of substantially all of our operating assets to Open Wheel in February 2004, most of our employees resigned and accepted employment with Open Wheel and we ceased operations. We are in the process of winding up the affairs of the Company. We currently have two employees, the Chief Executive Officer and Chief Financial Officer, and we also use temporary accounting help in winding up the Company's affairs. Our accounting staff consists of our Chief Financial Officer. All significant expenditures are authorized and approved by our Chief Executive Officer and considering the current state of the Company's affairs believe we have effective internal controls and authorizations in place.

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CHAMPIONSHIP AUTO RACING TEAMS, INC.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On November 4, 2003, 88 Corp. filed suit against CART, Inc. in the United States Federal District Court for the Central District of California. 88 Corp., the promoter of the CART Champ Car World Series race at the California Speedway in Fontana, California, claimed that the race, which was to be held on November 2, 2003, was canceled due to a "force majeure" and requested a judicial determination as to whether the organizational and rights fee of \$2.5 million, previously paid by 88 Corp. to CART, minus reasonable expenses incurred by CART, should be refunded to 88 Corp. As a result of the bankruptcy of CART, this litigation was suspended. 88 Corp. has filed a proof of claim against CART in the bankruptcy court proceedings requesting repayment of the \$2.5 million, imposition of a constructive trust, and such other relief as the bankruptcy court deems appropriate. CART has objected to the claim and has asserted against 88 Corp. a claim for wrongful termination of the sanction agreement as it relates to the 2003 and 2004 races in the amount of \$5.2 million. At the time the CART stock was canceled and its assets and liabilities were placed in the CLT, the Company was unable to make a determination as to the likelihood of an unfavorable outcome or estimate the amount or range of the recovery or loss. On April 27, 2005, CLT entered into a settlement agreement with 88 Corp. in which CLT agreed to pay 88 Corp. \$1.7 million. The settlement was subject to approval by the bankruptcy court. On May 10, 2005, the bankruptcy court approved the

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settlement.

In connection with CART's bankruptcy filing, based upon filings by creditors of CART, there is one claim that we are aware of that resulted in litigation against CART in bankruptcy court and there may be other claims by creditors against CART which could result in additional litigation. The Company is currently unable to determine to what extent or whether these asserted and unasserted claims will be allowed or if they will ultimately result in litigation involving the Company. The amount of any distributions to the Company as a creditor of CART will be effected by any such litigation whether the result is the cost of litigation, settlement, or ultimate adverse decision. The result of such disputes will affect the amount ultimately distributed to the Company and thus available for distributions to stockholders.

On August 5, 2004, the Company was served with a complaint to avoid and recover preferential transfers filed on behalf of WorldCom, Inc. and MCI, Inc., in the United States Bankruptcy Court for the Southern District of New York. The action alleges that the Company received \$1.5 million in July of 2002, which was a payment within 90 days of the date that WorldCom, Inc. and its subsidiaries commenced their bankruptcy by filing under Chapter 11 of the Bankruptcy Code. The parties are discussing a settlement.

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

(a) Exhibits.

- 31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Christopher R. Pook, Chief Executive Officer dated as of August 15, 2005.
- 31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Thomas L. Carter, Chief Financial Officer dated as of August 15, 2005.
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Christopher R. Pook, Chief Executive Officer dated as of August 15, 2005.
- 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Thomas L. Carter, Chief Financial Officer dated as of August 15, 2005.
- 99.1 Third Amendment to Employment Agreement with Christopher R. Pook.
- 99.2 Amendment of Employment Agreement with Thomas L. Carter.

(b) Reports on Form 8-K.

- 1) On May 26, 2005, Championship Auto Racing Teams, Inc. announced that the bankruptcy of its subsidiary CART, Inc. was complete and that distributions had been made to its creditors, including the Company.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHAMPIONSHIP AUTO RACING TEAMS, INC.

Date: August 12, 2005

By: /s/ Thomas L. Carter

Thomas L. Carter
Chief Financial Officer

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