

PRELUDE VENTURES INC  
Form 10QSB  
May 17, 2004  
Table of Contents

---

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

---

**FORM 10Q-SB**

---

**Quarterly Report Pursuant to Section 13 or 15 (D)**  
**of the Securities Act of 1934**  
**for the quarterly period ended: March 31, 2004**

Commission File number: 000-49950

---

**American Capital Alliance, Inc.**

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

Nevada

(State or other jurisdiction of Incorporation or organization)

98-0232018

(IRS Employee Identification No.)

Edgar Filing: PRELUDE VENTURES INC - Form 10QSB

**1400 N. Gannon Drive**

**2nd Floor**

**Hoffman Estates, IL 60194**

**(Address of principal executive offices)**

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

Common Stock, \$0.001 par value

22,825,000

(Class)

(Outstanding as of March 31, 2004)

---

**Table of Contents**

**American Capital Alliance, Inc.**

**Form 10Q-SB**

**Index**

	<b><u>Page</u></b>
Part I FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
<u>Condensed Balance Sheets</u>	F-1
<u>Condensed Statements of Operation</u>	F-2
<u>Condensed Statements of Stockholder s Equity</u>	F-3
<u>Condensed Statements of Cash Flows</u>	F-4
<u>Notes on Condensed Financial Information</u>	F-5
Item 2 <u>Management s Discussion and Analysis or Plan of Operation</u>	F-11
Item 3 <u>Quantitative and Qualitative Disclosures about Market Risk</u>	F-16
Item 4 <u>Control and Procedures</u>	F-19
Part II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	F-21
Item 2. <u>Changes in Securities</u>	F-21
Item 3. <u>Defaults Upon Senior Securities</u>	F-21
Item 4. <u>Submission Of Matters To A Vote of Security Holders</u>	F-21
Item 5. <u>Other Information</u>	F-21
Item 6. <u>Exhibits and Reports on Form 8 - K</u>	F-21
<u>Signatures</u>	F-22
Certifications	

**Table of Contents****AMERICAN CAPITAL ALLIANCE, INC.****(A Development Stage Company)****Interim Balance Sheets**

March 31, 2004 and December 31, 2003

	(Unaudited) March 31, 2004	Audited December 31, 2003
<b>ASSETS</b>		
Cash and cash equivalents	\$ 954	\$ 35,432
Acquisition deposits	226,200	200,200
<b>TOTAL ASSETS</b>	<b>\$ 227,154</b>	<b>\$ 235,632</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 91,139	\$ 67,792
<b>Total Liabilities</b>	<b>91,139</b>	<b>67,792</b>
<b>Stockholders Equity</b>		
Common stock, \$0.001 par value; 100,000,000 shares authorized; 22,825,000 and 28,300,000 shares issued and outstanding, respectively	22,825	28,300
Additional paid-in capital	9,825,175	9,801,700
Deficit accumulated during the pre-exploration and development stages	(9,711,985)	(9,662,160)
	<b>136,015</b>	<b>167,840</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 227,154</b>	<b>\$ 235,632</b>

The accompanying notes are an integral part of these financial statements.

**Table of Contents**

AMERICAN CAPITAL ALLIANCE, INC.

(A Development Stage Company)

**Interim Statements of Operations**

Three Month Periods Ended March 31, 2004 and 2003 Unaudited

	March 31, 2004	March 31, 2003
<b>Income</b>	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
Acquisition expense	10,000	
Accounting and audit fees	13,500	5,321
Bank charges		56
Consulting fees	1,500	
Legal fees	18,715	5,657
Management fees		15,000
Office and miscellaneous	350	116
Transfer agent fees	1,783	306
Travel and entertainment	3,977	
<b>Total Expenses</b>	<b>49,825</b>	<b>26,456</b>
<b>NET LOSS FOR THE PERIOD</b>	<b>\$ (49,825)</b>	<b>\$ (26,456)</b>
Loss per share	0.002	0.002
Weighted average number of shares outstanding	26,475,000	15,000,000

The accompanying notes are an integral part of these financial statements.

**Table of Contents****AMERICAN CAPITAL ALLIANCE, INC.**

(A Development Stage Company)

**Interim Statements of Stockholders Equity (Deficit)**

Three Month Periods Ended March 31, 2004 and 2003 Unaudited

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Deficit Accumulated During the Pre-exploration and development Stages</u>	<u>Total</u>
	<u>Number</u>	<u>Par Value</u>			
<b>Balance at December 31, 2002</b>	15,000,000	\$ 15,000	\$ 85,000	\$ (92,466)	\$ 7,534
Net loss				(9,569,694)	(9,569,694)
Stock subscriptions shares issued	13,300,000	13,300	9,716,700		9,730,000
<b>Balance at December 31, 2003</b>	28,300,000	28,300	9,801,700	(9,662,160)	167,840
Net loss				(49,825)	(49,825)
Contributed capital			18,000		18,000
Stock shares cancelled	(5,475,000)	(5,475)	5,475		
<b>Balance at March 31, 2004</b>	<b>22,825,000</b>	<b>\$ 22,825</b>	<b>\$ 9,825,175</b>	<b>\$ (9,711,985)</b>	<b>\$ 136,015</b>

The accompanying notes are an integral part of these financial statements.

**Table of Contents**

AMERICAN CAPITAL ALLIANCE, INC.

(A Development Stage Company)

**Interim Statements of Cash Flows**

Three Month Periods Ended March 31, 2004 and 2003 Unaudited

	<b>March 31, 2004</b>	March 31, 2003
<b>Cash flows from operating activities:</b>		
Net loss	\$ (49,825)	\$ (26,456)
Adjustments to reconcile net loss to net cash used in operating activities:		
(Increase) decrease in operating assets:		
Acquisition deposits	(26,000)	
Prepaid expenses		300
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	23,347	5,822
<b>Net cash used in operating activities</b>	<b>(52,478)</b>	<b>(20,334)</b>
<b>Cash flows from financing activities:</b>		
Proceeds for additional paid-in capital	18,000	
Loans payable		14,000
<b>Net cash provided by financing activities</b>	<b>18,000</b>	<b>14,000</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(34,478)</b>	<b>(6,334)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>35,432</b>	<b>24,397</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 954</b>	<b>\$ 18,063</b>

The accompanying notes are an integral part of these financial statements.

**Table of Contents**

**AMERICAN CAPITAL ALLIANCE, INC.**

**(A DEVELOPMENT STAGE COMPANY)**

**Notes to Financial Statements**

March 31, 2004 - Unaudited

---

**Note A - Interim Reporting**

While information presented in the accompanying interim three months financial statements is unaudited, it includes all adjustments which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim period presented. All adjustments are of a normal recurring nature. It is suggested that these interim financial statements be read in conjunction with the Company's December 31, 2003 financial statements.

**Note B - Reorganization and Name Change**

The Board of Directors (the Board) by unanimous written consent dated as of November 18, 2003, and certain stockholders (the Majority Stockholders) owning a majority of issued and outstanding capital stock of the Company entitled to vote, by written consent dated as of November 18, 2003, approved and adopted resolutions to amend the Company's Certificate of Incorporation. The Certificate of Amendment to the Company's Certificate of Incorporation, already filed with the Secretary of State of Nevada, changed the Company's name to American Capital Alliance, Inc. from Prelude Ventures, Inc.

**Note C - Continuance of Operations**

The financial statements have been prepared using accounting principles generally accepted in the United States of America applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. At March 31, 2004, the Company has accumulated losses of \$9,711,985, since its inception. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. The Company is currently pursuing new debt and equity financing in conjunction with the proposed acquisitions. Additionally, approximately \$18,000 was raised during the quarter ended March 31, 2004, in a private placement whose proceeds were used for working capital needs, as well as a down payment toward the purchase of an option on one of the proposed acquisitions.

**Operations**

American Capital Alliance, Inc. (the Company) is a Chicago based holding company with an agenda to acquire, merge, and manage various business opportunities. The Company's current direction is in the manufacturing and distribution of petroleum and related products for the



automotive industry.

F-5

**Table of Contents**

AMERICAN CAPITAL ALLIANCE, INC.

(A DEVELOPMENT STAGE COMPANY)

**Notes to Financial Statements - Continued**

March 31, 2004 - Unaudited

---

**Note D - Summary of Operations and Significant Accounting Policies**

**Development Stage**

The Company is no longer classified as a pre-exploration stage company, since it has abandoned its mining lease. The Company is now a development stage company as defined in Statement of Financial Accounting Standards No. 7 in respect to its acquisitions.

**Use of Estimates in Financial Statement Preparation**

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 during the reporting period. Actual results could vary from the estimates that were used.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Income Taxes**

The Company uses the liability method of accounting for income taxes pursuant to Statement of Financial Accounting Standards, No. 109, Accounting for Income Taxes .

**Basic Loss Per Share**

The Company reports basic loss per share in accordance with the Statement of Financial Accounting Standards No. 128, Earnings Per Share . Basic loss per share is computed using the weighted average number of shares outstanding during the period.

**Fair Value of Financial Instruments**

The carrying value of cash, accounts payable and loans payable approximates fair value because of the short maturity of these instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**New Accounting Standards**

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted could have a material effect on the accompanying financial statements.

**Table of Contents**

**AMERICAN CAPITAL ALLIANCE, INC.**

**(A DEVELOPMENT STAGE COMPANY)**

**Notes to Financial Statements - Continued**

March 31, 2004 - Unaudited

---

**Note D - Summary of Operations and Significant Accounting Policies (Continued)**

**Impairment of Long Lived Assets**

The Company evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The measurement of possible impairment is based on the ability to recover the balance of assets from expected future operating cash flows on an undiscounted basis. In the opinion of management, no such impairment existed at March 31, 2004.

**Note E - Commitments**

**Mining Lease**

By a lease letter agreement effective March 9, 2001, and amended March 4, 2002 and September 4, 2002, the Company was granted the exclusive right to explore, develop and mine the Medicine Project property located in Elko County of the State of Nevada. The term of the lease was for 20 years, with automatic extensions so long as the conditions of the lease are met. During the year ended December 31, 2003, management of the Company terminated the mining lease. As the Company terminated the lease, it is required to pay all federal and state mining claim maintenance fees for the current year. The Company is required to perform reclamation work on the property as required by federal state and local law for disturbances resulting from the Company's activities on the property. In the opinion of management, there will be no continuing liability.

**Termination**

During the third quarter of 2003, the Company agreed to issue 200,000 common shares to its former President for the settlement of management fees payable (\$105,000), advances to the Company (\$10,000) and termination expense (\$355,000). The shares were valued at \$2.35 per share, by prior consultants. These shares were issued to the former President during the quarter ended December 31, 2003, and were accounted for as an addition to paid in capital.

**Note F - Non-Cash Transactions**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the cash flow statement.

F-7

**Table of Contents**

**AMERICAN CAPITAL ALLIANCE, INC.**

**(A DEVELOPMENT STAGE COMPANY)**

**Notes to Financial Statements - Continued**

March 31, 2004 - Unaudited

---

**Note G - Business Acquisitions**

**Business Acquisition Cancelled**

On April 1, 2003, the Company entered into an agreement to acquire 100% of the issued and outstanding shares of Pascal Energy, Inc., a Canadian corporation, by the issuance of 5,000,000 common shares, restricted under Rule 144 of the Securities and Exchange Act and at a later date, issue 5,000,000 common shares, restricted under Rule 144 of Securities and Exchange Act, subject to the Company paying not less than \$1,000,000 in accumulated dividends to its shareholders of record. Pascal Energy, Inc.'s business is to provide servicing for the oil and gas industry.

The Company has determined that the transaction cannot be completed due to the inability to complete a comprehensive due diligence. The 5,475,000 shares of common stock previously transferred in anticipation of the completion of the transaction were returned to the treasury of the Company and cancelled.

In addition, on October 9, 2003, the Company entered into an agreement to acquire an option for \$500,000 to purchase the assets and certain liabilities of Tri-State Stores, Inc., an Illinois Corporation ( Tri-State ), GMG Partners LLC, an Illinois Limited Liability Company ( GMG ), and SASCO Springfield Auto Supply Company, a Delaware Corporation ( SASCO ). Tri-State, GMG and SASCO are collectively referred to herein as TSG. Upon exercise of the option, the Company must pay \$3,000,000 and assume certain liabilities, not exceeding \$700,000. TSG is involved in the automotive after market. During the first quarter of 2004, the Company elected not to continue to pursue this acquisition. The termination of this transaction resulted in a \$185,000 charge to operations in the form of acquisition expense for the year ended December 31, 2003 and \$10,000 charged for the quarter ended March 31, 2004.

**Table of Contents**

**AMERICAN CAPITAL ALLIANCE, INC.**

**(A DEVELOPMENT STAGE COMPANY)**

**Notes to Financial Statements - Continued**

March 31, 2004 - Unaudited

---

**Note G - Business Acquisitions (Continued)**

**New Acquisitions**

On October 9, 2003, the Company entered into a Stock Purchase Agreement ( Alliance Agreement ) with Alliance Petroleum Products Company ( Alliance ), an Illinois Corporation, and a Rider to the Alliance Agreement ( Rider ). Alliance is in the business of blending and bottling motor oil and anti-freeze. Under the Alliance Agreement, the Company issued 5,000,000 shares of common stock for 100% of the issued and outstanding shares of the common stock of Alliance (757,864 common shares). An additional 5,000,000 shares of common stock of the Company shall be issued to Worldlink International Network, Inc. upon 24 months from the date hereof. Under the terms of the Rider, the Company is required to provide funding of at least \$3,500,000 to pay Harris Bank, a secured creditor of Alliance. The shareholders of Alliance have the option to have the 757,864 issued and outstanding shares of common stock of Alliance returned and the Alliance Agreement rescinded if they choose, if the Company does not arrange the funding within 150 days from the date of the execution of the Alliance Agreement. Since the expiration of the option period has expired, the principals of the transactions have verbally agreed to extend the option period pending completion of the financing.

In addition, On October 9, 2003, the Company entered into an agreement with the shareholders of Motor Parts Warehouse, Inc. ( MPW ), of St. Louis, Missouri, to acquire the rights to an option to purchase 100% of the outstanding shares of MPW ( MPW Option ). As consideration for the rights to this option, the Company must issue 5,000,000 shares of common stock. Upon exercise of the MPW Option, the Company must issue an additional 5,000,000 shares of common stock to the shareholders of MPW and pay \$2,200,000 in cash. This MPW Option cannot be exercised until after the refinancing of the TSG debt of approximately \$3,000,000. MPW is also an auto parts distributor. If the Company does not arrange the funding within 180 days from the date of the execution of the MPW agreement, MPW can rescind this agreement. Since the expiration of the option period has expired, the principals of the transactions have verbally agreed to extend the option period pending completion of the financing and to waive the provisions related to exercising the option after the refinancing of the TSG debt.

In connection with these agreements, the Company entered into several service agreements.

The agreements above are subject to shareholder approval. Upon execution of these agreements, Alliance, TSG and MPW have become related to the Company through appointments of members of their Board of Directors to the Company's Board of Directors.

**Table of Contents**

**AMERICAN CAPITAL ALLIANCE, INC.**

**(A DEVELOPMENT STAGE COMPANY)**

**Notes to Financial Statements - Continued**

March 31, 2004 - Unaudited

---

**Note G - Business Acquisitions (Continued)**

The Company entered into the following service agreements:

A professional services agreement was entered into on October 9, 2003, with Alpha Advisors, LLC for a term of one year and renewable for an additional year. The fee for these services is the issuance of 1,000,000 shares of common stock of the Company upon execution of the agreements (issued), \$25,000 due at signing of the Tri-State Stores and Alliance Petroleum, Inc. agreements, and \$6,000 payable on the first of each month thereafter. In addition, a finder's fee of 10% of any new financing shall be paid on funds being committed. Upon execution of this agreement, a director of Alpha Advisors, LLC was appointed to the Board of Directors of the Company. This director resigned from the Board of Directors during the first quarter of 2004 and was replaced.

A consulting services agreement was entered into on October 9, 2003, with National Securities Corporation, Inc. for a term of six months renewable on a monthly basis. The fee for this service is the issuance of 1,000,000 shares of common stock of the Company (issued).

A consulting services agreement was entered into on October 9, 2003, with New Century Consultants, Inc. for a term of six months renewable on a monthly basis. The fee for this service is the issuance of 1,000,000 shares of common stock of the Company (issued). New Century Consultants, Inc. will become a related party to the Company as it has agreed to purchase a significant portion of the Company's issued and outstanding shares.

A consulting agreement was entered into on October 10, 2003, with Commonwealth Partners NY, LLC for a term of three years. The fee for this service is the issue of 200,000 free trading shares and 300,000 restricted shares (issued) of common stock of the Company.



**Table of Contents**

**Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations.**

FORWARD LOOKING STATEMENT

The following discussion should be read in conjunction with our audited financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of, the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by, or on our behalf. We disclaim any obligation to update forward looking statements.

OVERVIEW

History And Organization

American Capital Alliance, Inc., formerly Prelude Ventures, Inc. (the Company) was incorporated under the laws of the State of Nevada on May 24, 2000. The Company has commenced limited business operations and we are considered a development stage enterprise. To date, our activities principally have been limited to organizational matters, and examining business and financing opportunities for the Company. In connection with the organization of our company, the founding shareholder of our company contributed an aggregate of \$25,000 cash in exchange for 1,000,000 shares of common stock and conducted a public offering of 1,500,000 common shares for \$75,000. We have no significant assets.

New Acquisitions

On October 9, 2003, the Company entered into a Stock Purchase Agreement (Alliance Agreement) with Alliance Petroleum Products Company (Alliance), an Illinois corporation and a Rider to the Alliance Agreement (Rider). Alliance is in the business of blending and bottling motor oil and anti-freeze. Under the Alliance Agreement, the Company issued 5,000,000 shares of common stock as partial consideration for the right to acquire 100% of the issued and outstanding shares of the common stock of Alliance (757,864 common shares). An additional 5,000,000 shares of common stock of the Company shall be issued to World-link International Network, Inc.

**Table of Contents**

after the expiration of 24 months from the date hereof. Under the terms of the Rider, the Company is required to provide funding of at least \$3,500,000 to refinance and to pay a secured creditor of Alliance. As of the date hereof, this financing has not been completed. The shareholders of Alliance have the option to have the 757,864 issued and outstanding shares of common stock of Alliance returned and the Alliance Agreement rescinded if they choose, if the Company does not arrange the funding within 150 days from the date of the execution of the Alliance Agreement.

In addition, on October 9, 2003, the Company entered into an agreement to acquire an option for \$500,000 to purchase the assets and certain liabilities of Tri-State Stores, Inc. an Illinois corporation ( Tri-State ), GMG Partners LLC, an Illinois Limited Liability Company ( GMG ) and SASCO Springfield Auto Supply Company, a Delaware Corporation ( SASCO ) (Tri-state, GMG and SASCO are collectively referred to herein as TSG ). Upon exercise of the options, the Company must pay \$3,000,000 and assume certain liabilities, not exceeding \$700,000. TSG is involved in the automotive after market. As of the date hereof this transaction has not been completed.

In addition, on October 9, 2003, the Company entered into another agreement with the shareholders of Motor Parts Warehouse, Inc. ( MPW ), of St. Louis, Missouri to acquire the rights to an option to purchase 100% of the outstanding shares of MPW ( MPW Option ). As consideration for the rights to this option, the Company issued 5,000,000 shares of common stock. Upon exercise of the MPW Option, the Company must issue an additional 5,000,000 shares of common stock to the shareholders of MPW and \$2,200,000. This MPW option cannot be exercised until after the refinancing of the TSG debt of approximately \$3,000,000. MPW is also an auto parts distributor. This financing has not been completed.

The agreements above are subject to shareholder approval. Alliance, TSG and MPW have become related to the Company through the appointment of members of their boards of directors to the Company s board of directors.

The Company also entered into the following consulting and/or service agreements during 2003:

A professional services agreement dated October 9, 2003 with Alpha Advisors, LLC for a term of one year and renewable for an additional year. The fee for these services was the issuance of 1,000,000 shares of common stock of the Company upon execution of the agreements, \$25,000 due at signing of the Tri-State Stores and Alliance Petroleum, Inc. agreements and \$6,000 payable on the first of each month thereafter. In addition, a finder s fee of 10% of any new financing shall be paid on funds being committed. Upon execution of this agreement, a director of Alpha Advisors, LLC may be appointed to the board of directors of the Company. Alpha Advisors has agreed to waive the \$6,000 monthly fee.

**Table of Contents**

A consulting services agreement dated October 9, 2003 with National Securities Corporation, Inc. for a term of six months renewable on a monthly basis. The fee for this service was the issuance of 1,000,000 shares of common stock of the Company.

A consulting services agreement dated October 9, 2003 with New Century Consultants, Inc. for a term of six months renewable on a monthly basis. The fee for this service was the issuance of 1,000,000 shares of common stock of the Company. New Century Consultants, Inc. may be a related party to the Company because it has agreed to purchase an amount of the Company's issued and outstanding shares.

A consulting agreement dated October 10, 2003 with Commonwealth Partners NY, LLC for a term of three years. The fee for this service was the issuance of 200,000 free trading shares and 300,000 restricted shares of common stock of the Company.

**Limited Operating History Need for Additional Capital**

There is no historical financial information about our Company on which to base an evaluation of our performance. We are a development stage Company and have not generated any revenues from operations. We can not guarantee we will be successful in our business operations. Our business is subject to the risks inherent in the establishment of a new business enterprise, including limited capital resources and the ability to find and finance suitable acquisition candidates. We are seeking equity and debt financing to provide the capital required to fund the proposed acquisitions and our on-going operations.

We have no assurance that future financing will be available to the Company on acceptable terms. If financing is not available on satisfactory terms, we may be unable to continue, develop or expand our operations. Equity financing could result in additional dilution to shareholders.

Our auditors issued a going concern opinion on our audited financial statements for the year ended December 31, 2003. This means that our auditors believe there is doubt that we can continue as an on-going business for the next 12 months unless we obtain additional capital to finance our operations. This is because we have not generated any revenues and no revenues are anticipated until we complete any of the acquisitions described in this document or other acquisitions. Accordingly, we must raise money from sources other than the operations of this business. Our only other source of cash at this time is investments by others in our Company. We must raise cash to complete the acquisitions and stay in business.

To meet our need for cash, we are attempting to raise debt and equity financing to complete the acquisitions described in this document and fund the Company's on-going operations. There is no assurance that we will be able to raise these funds and stay in business. If we do not raise the funds required to complete any of the acquisitions, we will have to find alternate sources such as a secondary public offering, private placement of securities, or loans from officers or others. If we need additional cash and can not raise it, we will either have to suspend operations until we do raise the cash or cease operations entirely.

## Table of Contents

### Liquidity and Capital Resources

Since the Company's inception, the Company has raised approximately \$100,000 from the sales of its common shares and approximately \$482,000 from capital contributed by the Company's promoters. This money has been utilized for start-up costs and operating capital. As of March 31, 2004, the Company has sustained cumulative operating losses of \$9,711,985, of which \$8,778,000 is compensation expense related to the issuance of 13,300,000 common shares of stock related to two (2) on-going acquisitions.

In this regard, the Company's plan of operations for the next 12 months is to pursue business acquisitions, including the following:

### New Acquisitions

On October 9, 2003, the Company entered into a Stock Purchase Agreement ( Alliance Agreement ) with Alliance Petroleum Products Company ( Alliance ), an Illinois Corporation, and a Rider to the Alliance Agreement ( Rider ). Alliance is in the business of blending and bottling motor oil and anti-freeze. Under the Alliance Agreement, the Company issued 5,000,000 shares of common stock for 100% of the issued and outstanding shares of the common stock of Alliance (757,864 common shares). An additional 5,000,000 shares of common stock of the Company shall be issued to Worldlink International Network, Inc. upon 24 months from the date hereof. Under the terms of the Rider, the Company is required to provide funding of at least \$3,500,000 to pay a secured creditor of Alliance. The shareholders of Alliance have the option to have the 757,864 issued and outstanding shares of common stock of Alliance returned and the Alliance Agreement rescinded if they choose, if the Company does not arrange the funding within 150 days from the date of the execution of the Alliance Agreement. Since the option period has expired, the principals of the transactions have verbally agreed to extend the option period pending completion of the financing.

In addition, On October 9, 2003, the Company entered into an agreement with the shareholders of Motor Parts Warehouse, Inc. ( MPW ), of St. Louis, Missouri, to acquire the rights to an option to purchase 100% of the outstanding shares of MPW ( MPW Option ). As consideration for the rights to this option, the Company must issue 5,000,000 shares of common stock. Upon exercise of the MPW Option, the Company must issue an additional 5,000,000 shares of common stock to the shareholders of MPW and pay \$2,200,000 in cash. MPW is also an auto parts distributor. If the Company does not arrange the funding within 180 days from the date of the execution of the MPW agreement, MPW can rescind this agreement. Since the expiration of the option period has expired, the principals of the transactions have verbally agreed to extend the option period pending completion of the financing.

### Results of Operations

The Company is a development stage Company and has not generated any revenues from operations.

**Table of Contents**

During the quarter ended March 31, 2004, the Company incurred a loss of \$49,825, which was primarily the result of the following:

Failed Acquisition

On October 9, 2003, the Company entered into an agreement to acquire an option for \$500,000 to purchase the assets and certain liabilities of Tri-State Stores, Inc., an Illinois Corporation ( Tri-State ), GMG Partners LLC, an Illinois Limited Liability Company ( GMG ), and SASCO Springfield Auto Supply Company, a Delaware Corporation ( SASCO ). Tri-State, GMG and SASCO are collectively referred to herein as TSG. Upon exercise of the option, the Company must pay \$3,000,000 and assume certain liabilities, not exceeding \$700,000. TSG is involved in the automotive after market. During the first quarter of 2004, the Company elected not to continue to pursue this acquisition. The termination of this transaction resulted in a \$185,000 charge to operations in the form of acquisition expense for the year ended December 31, 2003 and a \$10,000 charge for the quarter ended March 31, 2004.

Consulting and accounting and audit fees

During the quarter ended March 31, 2004, the Company incurred consulting and accounting and audit fees related to its financing, acquisition and on-going operations, as follows:

Annual audit and annual and quarterly SEC filings	\$ 9,500
General accounting and legal	17,500
Financing Activities	5,215
Acquisition Activities	1,500
	<u>          </u>
	<u>\$ 33,715</u>

Travel Expenses

During the quarter ended March 31, 2004, the Company incurred travel expenses of \$3,977 in relation to its acquisition activities.

**Table of Contents**

**Item 3. Quantitative and Qualitative Disclosure about Market Risk**

RISK FACTORS

Much of the information included in this registration statement includes or is based upon estimates, projections or other forward looking statements . Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. We caution the reader that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements .

Our common shares are considered speculative during our search for a new business opportunity. Prospective investors should consider carefully the risk factors set out below.

## **Table of Contents**

### Government Regulation

To the best of our knowledge, we are not currently subject to direct federal, state or local regulation in the United States, other than regulations applicable to businesses generally.

### Key personnel

All of our present officers or directors are key to our continuing operations, we rely upon the continued service and performance of these officers and directors, and our future success depends on the retention of these people, whose knowledge of our business and whose technical expertise would be difficult to replace. At this time, none of the officers or directors is bound by employment agreements, and as a result, any of them could leave with little or no prior notice.

If we are unable to hire and retain technical, sales and marketing and operations personnel, any business we acquire could be materially adversely affected. It is likely that we will have to hire a significant number of additional personnel in the future if we identify and complete the acquisition of a business opportunity, or if we enter into a business combination. Competition for qualified individuals is likely to be intense, and we may not be able to attract, assimilate, or retain additional highly qualified personnel in the future. The failure to attract, integrate, motivate and retain these employees could harm our business.

### Limited Operating History. Need for Additional Capital

There is no historical financial information about our Company on which to base an evaluation of our performance. We are a development stage Company and have not generated any revenues from operations. We can not guarantee we will be successful in our business operations. Our business is subject to the risks inherent in the establishment of a new business enterprise, including limited capital resources and the ability to find and finance suitable acquisition candidates. We are seeking equity and debt financing to provide the capital required to fund the proposed acquisitions and our on-going operations.

We have no assurance that future financing will be available to the Company on acceptable terms. If financing is not available on satisfactory terms, we may be unable to continue, develop or expand our operations. Equity financing could result in additional dilution to shareholders.

We have not conducted or received results of market research indicating that there is a demand for the acquisition of a business opportunity or business combination as contemplated by our company. Even if there is demand for the acquisition of a business opportunity or combination as contemplated, there is no assurance we will successfully complete such an acquisition or combination.

## Table of Contents

### Regulation

Although we will be subject to regulation under the Securities Exchange Act of 1934, management believes that we will not be subject to regulation under the Investment Company Act of 1940, insofar as we will not be engaged in the business of investing or trading in securities. In the event that we engage in business combinations which result in us holding passive investment interests in a number of entities, we could be subject to regulation under the Investment Company Act of 1940, meaning that we would be required to register as an Investment company and could be expected to incur significant registration and compliance costs. We have obtained no formal determination from the Securities and Exchange Commission as to the status of our company under the Investment Company Act of 1940 and, consequently, any violation of such act would subject us to material adverse consequences.

### Uncertain Ability to Manage Growth

Our ability to achieve any planned growth upon the acquisition of a suitable business opportunity or business combination will be dependent upon a number of factors including, but not limited to, our ability to hire, train and assimilate management and other employees and the adequacy of our financial resources. In addition, there can be no assurance that we will be able to manage successfully any business opportunity or business combination. Failure to manage anticipated growth effectively and efficiently could have a materially adverse effect on our business.

### Penny Stock Rules May Restrict the Market for the Company's Shares

Our common shares are subject to rules promulgated by the Securities and Exchange Commission relating to penny stocks, which apply to companies whose shares are not traded on a national stock exchange or on the NASDAQ system, trade at less than \$5.00 per share, or who do not meet certain other financial requirements specified by the Securities and Exchange Commission. These rules require brokers who sell penny stocks to persons other than established customers and accredited investors to complete certain documentation, make suitable inquiries of investors, and provide investors with certain information concerning the risks of trading in the such penny stocks. These rules may discourage or restrict the ability of brokers to sell our common shares and may affect the secondary market for our common shares. These rules could also hamper our ability to raise funds in the primary market for our common shares.

### Possible Volatility of Share Prices

Our common shares are currently publicly traded on the Over-the-Counter Bulletin Board service of the National Association of Securities Dealers, Inc. The trading price of our common shares has been subject to wide fluctuations. Trading prices of our common shares may fluctuate in response to a number of factors, many of which will be beyond our control. The stock market has generally experienced extreme price and volume



## **Table of Contents**

fluctuations that have often been unrelated or disproportionate to the operating performance of companies with no current business operation. There can be no assurance that trading prices and price earnings ratios previously experienced by our common shares will be matched or maintained. These broad market and industry factors may adversely affect the market price of our common shares, regardless of our operating performance.

In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted. Such litigation, if instituted, could result in substantial costs for us and a diversion of management's attention and resources.

### Indemnification of Directors, Officers and Others

Our by-laws contain provisions with respect to the indemnification of our officers and directors against all expenses (including, without limitation, attorneys' fees, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that the person is one of our officers or directors) incurred by an officer or director in defending any such proceeding to the maximum extent permitted by Nevada law.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of our company under Nevada law or otherwise, we have been advised the opinion of the Securities and Exchange Commission is that such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

### Anti-Takeover Provisions

We do not currently have a shareholder rights plan or any anti-takeover provisions in our By-laws. Without any anti-takeover provisions, there is no deterrent for a take-over of our company, which may result in a change in our management and directors.

### Reports to Security Holders

Under the securities laws of Nevada, we are not required to deliver an annual report to our shareholders but we intend to send an annual report to our shareholders.

## **ITEM 4. CONTROLS AND PROCEDURES**

The registrant's Principal executive financial officer, based on their evaluation of the registrant's disclosure controls and procedures (as defined in Rules 13a-14 (c) of the Securities Exchange Act of 1934) as of December 31, 2003 have concluded that the registrant's disclosure controls and procedures are adequate and effective to ensure that material information relating to the registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the



**Table of Contents**

SEC's rules and forms, particularly during the period in which this quarterly report has been prepared.

The registrant's principal executive officers and principal financial officer have concluded that there were no significant changes in the registrant's internal controls or in other factors that could significantly affect these controls subsequent to December 31, 2003 the date of their most recent evaluation of such controls, and that there was no significant deficiencies or material weaknesses in the registrant's internal controls.

F - 20

**Table of Contents**

PART II. OTHER INFORMATION

**ITEM 1. LEGAL PROCEEDINGS.**

We know of no material, active or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceedings or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholders are an adverse party or have a material interest adverse to us.

**ITEM 2. CHANGES IN SECURITIES**

On April 1, 2003, the Company entered into an agreement to acquire 100% of the issued and outstanding shares of Pascal Energy, Inc., a Canadian corporation, by the issuance of 5,000,000 common shares, restricted under Rule 144 of the Securities and Exchange Act and at a later date, issue 5,000,000 common shares, restricted under Rule 144 of Securities and Exchange Act, subject to the Company paying not less than \$1,000,000 in accumulated dividends to its shareholders of record. Pascal Energy, Inc.'s business is to provide servicing for the oil and gas industry.

The Company has determined that the transaction cannot be completed due to the inability to complete a comprehensive due diligence. The 5,475,000 shares of common stock previously transferred in anticipation of the completion of the transaction were returned to the treasury of the Company and cancelled.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

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

There were no items submitted to a vote of security holders during the quarter ended March 31, 2004.

**ITEM 5. OTHER INFORMATION**

None

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

- a. Exhibits:

Edgar Filing: PRELUDE VENTURES INC - Form 10QSB

31.2 Section 302 Certification for Chief Financial Officer

32.1 Section 906 Certification for Chief Executive Officer

b. Reports on Form 8-K filed during the three months ended March 31, 2004.

None

F - 21

**Table of Contents**

Signatures

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 17, 2004

American Capital Alliance, Inc.

/s/ JESSE FULLER

---

**Jesse Fuller, President**

/s/ JAMES J. CARROLL

---

**James J. Carroll, Interim CFO**

F - 22