FORM 10KSB40

Annual and transition reports of small business issuers [Section 13 or 15(d), S-B Item 405]

Filing Date: **2001-04-02** | Period of Report: **2000-12-31**
SEC Accession No. 0000912057-01-506573

FILER

CRAGAR INDUSTRIES INC /DE

CIK:**1024125**| IRS No.: **860721001** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10KSB40** | Act: **34** | File No.: **001-12559** | Film No.: **1592319**
SIC: **3714** Motor vehicle parts & accessories

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2000

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission File No. 1-12559

CRAGAR INDUSTRIES, INC.
(Name of small business issuer in its charter)

DELAWARE	86-0721001
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7373 NORTH SCOTTSDALE ROAD, SUITE B-274, SCOTTSDALE, ARIZONA 85253
(Address of principal executive offices)

(480) 596-6483
(Issuer's telephone number)

Securities Registered Under Section 12(b) of the Exchange Act:

None

Securities Registered Under Section 12(g) of the Exchange Act:

COMMON STOCK, $.01 PAR VALUE
COMMON STOCK PURCHASE WARRANTS

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) 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 disclosure of delinquent filers in response to Item 405 of Regulation S-B is not 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]

The issuer's revenues for the fiscal year ended December 31, 2000 were $754,854.

At March 12, 2001, the aggregate market value of Common Stock held by non-affiliates of the registrant was $8,160,782 based on the closing sales price of the Common Stock on such date as reported by the OTC Bulletin Board.

The number of shares outstanding of the registrant's Common Stock on March 12, 2001 was 3,627,014.

DOCUMENTS INCORPORATED BY REFERENCE

Portions from the registrant's definitive Proxy Statement relating to its Annual Meeting of Stockholders to be held May 21, 2001, are incorporated by

reference into Part III of this Annual Report on Form 10-KSB.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

CRAGAR INDUSTRIES, INC.
ANNUAL REPORT ON FORM 10-KSB

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL

From the inception of Cragar Industries, Inc. ("Cragar" or the "Company") in December 1992 through the first nine months of 1999, Cragar designed, produced, and sold high-quality custom vehicle wheels and wheel accessories. Cragar sold its wheel products in the automotive aftermarket through a national distribution network of value-added resellers, including tire and automotive performance warehouse distributors and retailers and mail order companies.

Historically, Cragar manufactured or assembled its line of wheels manufactured with wrought aluminum alloy outer rims and its line of wheels manufactured with steel outer rims, while outsourcing the production of its cast one-piece aluminum wheels and wheel accessories from other manufacturers. Over time, the combination of moving Cragar's manufacturing facility from California to Arizona in 1993 and the increased competitiveness in the market for custom wheels forced Cragar to outsource an increasing percentage of its production. In addition, in September 1997, Cragar's then largest customer, Super Shops, Inc., declared bankruptcy. As a result of the substantial one-time write-off, resulting from the non-payment of amounts owed by Super Shops to Cragar and the loss of a significant portion of Cragar's ongoing business for the future, Cragar was forced to reformulate its strategy because the lower level of sales could not support its cost of operations and overhead on a continuing basis.

In response to these events, Cragar actively pursued other customers to replace the lost sales and focused on reducing its cost of operations and overhead. Cragar also took steps to evaluate strategic combinations or alliances with larger, better financed companies that could complement Cragar's existing business and possibly provide for new product development to enhance Cragar's future business. Because many of the potential partners Cragar evaluated for such strategic combinations or alliances had similar or duplicative manufacturing and/or sales operations, Cragar believed that these strategic combinations or alliances could result in significantly reduced costs of

operations and overhead in manufacturing, selling, marketing and distributing products under the CRAGAR brand name.

As a result of this change in strategy, in September 1999, Cragar entered into an Exclusive Field of Use Agreement and an Agreement of Purchase and Sale of Assets with Weld Racing, Inc., a Missouri Corporation ("Weld"). Pursuant to this agreement Cragar granted an exclusive, worldwide license to Weld to manufacture, sell, market, and distribute its line of wheels with non-cast wrought aluminum alloy outer rims and related accessories ("Wrought Wheel Business") in exchange for a royalty based on net sales of the licensed products and sold certain assets to Weld related to its Wrought Wheel Business. This transaction enabled Cragar to shift the costs of manufacturing, selling, marketing, and distributing its Wrought Wheel Business to Weld in exchange for a royalty based on net sales of these products by Weld. From this transaction, Cragar intends to improve the profitability of its Wrought Wheel Business by securing a stream of royalties based on net sales of the licensed products, which Cragar believes Weld has the capability to increase in the future, both as a result of increased sales of existing Cragar wrought wheel products and sales of new wrought wheel products developed by Weld under the CRAGAR brand name. Weld is a fully-integrated aluminum aftermarket automotive and motorcycle wheel manufacturer. The Company utilizes state-of-the-art forging, spinning, drawing, stamping, machining, and chrome-plating processes to manufacture precision aluminum race wheels, among other types of aftermarket wrought aluminum wheels. Weld is the largest supplier of aluminum race wheels in the United States.

On October 15, 1999, in furtherance of this change in strategy, Cragar entered into a similar arrangement with Carlisle Tire and Wheel Company, a Delaware Corporation and a wholly owned subsidiary of the Carlisle Companies, Inc. ("Carlisle"). Pursuant to this agreement Cragar granted an exclusive, worldwide license to Carlisle to manufacture, sell, market, and distribute its line of wheels with steel outer rims and related accessories ("SOR Wheel Business") in exchange for a royalty based on net sales of the licensed products and sold certain assets to Carlisle related to its SOR

Wheel Business. This transaction enabled Cragar to shift the costs of manufacturing, selling, marketing, and distributing its SOR Wheel Business to Carlisle in exchange for a royalty based on net sales of these products by Carlisle. As a result, Cragar intends to improve the profitability of its SOR Wheel Business by securing a stream of royalties based on net sales of the licensed products, which Cragar believes Carlisle has the capability to increase substantially in the future, both as a result of increased sales of existing Cragar SOR wheel products and sales of new SOR wheel products developed by Carlisle under the CRAGAR brand name. Carlisle is a leading manufacturer and distributor of quality commercial, recreational and utility tires and wheels. Carlisle is a wholly-owned subsidiary of Carlisle Companies Incorporated, a diversified manufacturing company, that, together with its parent and related subsidiaries, possesses substantially greater financial, operational and distribution capabilities than Cragar. Through its subsidiaries, Carlisle Companies Incorporated manufactures and distributes a wide variety of products in four major product segments, including construction materials, industrial components, general industry, and automotive components. Carlisle, a segment of the industrial components sector, is a fully integrated manufacturer and seller of a wide range of bias tires and wheels for the commercial and consumer lawn and garden, golf car, all terrain vehicle, utility trailer and other industrial markets. Carlisle is also a large manufacturer and seller of steel wheels to customers in the automotive aftermarket. The automotive components segment of Carlisle Companies Incorporated also manufacturers non-tire and wheel components for certain customers of Carlisle.

On September 1, 2000, in furtherance of this change in strategy, Cragar entered into a similar arrangement with Performance Wheel Outlet, Inc., a California Corporation ("Performance"). Pursuant to this agreement Cragar granted an exclusive, worldwide license to Performance to manufacture, sell, market, and distribute its line of one-piece cast aluminum wheels and related accessories ("One-Piece Wheel Business") in exchange for a royalty based on net sales of the licensed products. This transaction enabled Cragar to shift the costs of selling, marketing, and distributing its One-Piece Wheel Business to Performance in exchange for a royalty based on net sales of these products by Performance. As a result, Cragar intends to improve the profitability of its One-Piece Wheel Business by securing a stream of royalties based on net sales of the licensed products, which Cragar believes Performance has the capability to increase substantially in the future, both as a result of increased sales of existing Cragar One-Piece wheel products and sales of new One-Piece wheel products developed by Performance under the CRAGAR brand name. Performance is a leading designer, marketer and distributor of quality custom aftermarket wheels. Performance designs its own wheels and then sources them from third party suppliers located throughout the world. Performance has its own retail outlet and Internet presence. It is familiar with or supplies many of Cragar's former customers. Performance is owned by an experienced former wheel manufacturing

executive, who was founder, owner and president of KMC Custom Wheels, Inc.

Cragar no longer engages in the manufacture, marketing, sale, or distribution of any products related to its One-Piece Wheel Business, Wrought Wheel Business, and SOR Wheel Business, which together generated approximately 100.00% of Cragar's combined sales and royalty revenues in 1999 and 2000. The outsourcing of the manufacturing, marketing, sales and distribution operations with respect to the licensed products, together with the sale of all the related assets, has substantially decreased Cragar's revenues and related operating and marketing costs.

Cragar intends to rely on Performance's, Weld's and Carlisle's greater financial, operational and distribution capabilities to increase net sales of the licensed products and generate a stream of revenues in the form of quarterly royalty payments. In addition, Cragar is entitled to receive royalties based on the net sales of any new products developed by Carlisle related to the SOR Wheel Business under the CRAGAR brand name, including products and related accessories for vehicles other than automobiles, trucks, and vans, such as all-terrain vehicles and golf carts. Cragar is also entitled to receive royalties based on net sales of any new products developed by Weld related to the Wrought Wheel Business under the CRAGAR brand name, including motorcycle wheels, two-piece aluminum wheels and new types of race wheels.

Because the licensing partners' primary fiduciary obligation is to their shareholders rather than Cragar's shareholders, they may make decisions or take steps that may result in lower royalty payments or that could adversely affect the CRAGAR brand name. See "Factors That May Affect Future Results and Financial Conditions - Dependence on Third Parties to Generate Royalties."

PRODUCT EXTENSION USING A LICENSING AGENT

As part of its new business strategy, Cragar also intends to pursue licensing opportunities through the utilization of the CRAGAR brand name for other products, including but not limited to aftermarket performance automotive products. Effective April 1, 2001, Cragar has retained the services of Trademarketing Resources, Inc. ("TRI") a Licensing Agent. TRI will act as Cragar's exclusive agent for the purpose of exercising the merchandising rights in and to the trademarks owned by Cragar, including CRAGAR(R), CRAGAR Lite(R), Keystone(R) Klassic(R), S/S(R), Street Pro(R), Star Wire(TM), CRAGAR XLS(TM), TRU=CRUISER(TM), and TRU=SPOKE(R). According to the Licensing Representation Agreement, TRI will act as Cragar's exclusive agent to develop a marketing strategy to broaden the use of Cragar's intellectual property, including the CRAGAR brand name. Once Cragar approves the marketing strategy, then TRI will implement the strategy. There can be no assurance that Cragar, through TRI, will be successful developing or implementing such a marketing strategy or that any sales of products utilizing Cragar's intellectual property, including the CRAGAR brand name and, related royalties, will be material. In addition, TRI will act as Cragar's exclusive agent with respect to coordinating advertising and promotion all of Cragar's products, services, and premiums across all media.

RECENT DEVELOPMENTS

In December 1999, Cragar completed a Stock Purchase Agreement with an individual investor of Wrenchead, Inc. to exchange $150,000 in cash for 240,000 shares of common stock of Wrenchead, Inc. ("Wrenchead" at www.wrenchead.com). Wrenchead provides enabling software solutions for the automotive aftermarket sector. Wrenchead offers a full range of products that connect warehouse distributors and installers through a neutral and open environment, which enhances the flow of parts purchasing information. Wrenchead's business enabling software, (www.wrencheadpro.com), consists of Wrenchead Pro Manager(TM), a turn-key shop management solution for installers, and Wrenchead Pro Lite(TM), a business-solution software program for installers, which links those individuals to their current suppliers, permitting installers to access required parts, and check pricing and availability.

In December 2000, Wrenchead consummated the acquisition of 100% interest in Profit Pro, Inc., a privately held company founded in 1990. Profit Pro, Inc. (www.profitpro.com), supplies point-of-sale and business management software, electronic parts cataloging, e-commerce technology, and Internet solutions to the automotive aftermarket. In addition, Profit Pro offers the industry's only true AAIA-compatible Electronic Parts Catalog, with more than 20,000 installations nationwide.

In December 1999, the Company also entered into a Stock Option Agreement with an individual investor of Wrenchead to exchange $300,000 in cash for an irrevocable option to purchase 315,000 shares of Wrenchead's common stock and 312,500 shares of Wrenchead's Series A Preferred Stock for $8.08 per share ($5,070,000 in cash, less the $300,000 option premium) and 75,000 shares of common stock of Cragar. The option was to be exercised on April 27, 2000. During

the first quarter ended March 31, 2000, the Stock Option Agreement was amended, with Cragar assigning its rights to purchase a specified number of shares in Wrenchead to certain other investors in Wrenchead. For $204,000 in cash, the Company assigned its irrevocable option to purchase 214,602 shares of Wrenchead's common stock and 212,898 shares of Wrenchead's Series A Preferred Stock to certain investors. Following this transaction, the Company held an irrevocable option to purchase 100,398 shares of Wrenchead's common stock and 99,602 shares of Wrenchead's Series A Preferred Stock for $8.56 per share ($1,712,000 in cash, less the $96,000 paid with the option). The difference in the option price, or $204,000, was repaid to Cragar during February 2000. The Company subsequently exercised this option and the transaction was completed during the quarter ended June 30, 2000.

In December 1999, the Company also entered into a Sales Agreement with the same individual investor, pursuant to which the Company agreed to pay $363,300 in cash for 45,000 shares of Wrenchead common stock. This transaction closed on April 27, 2000. As a result of all these transactions, the Company owns as of December 31, 2000, 385,398 shares of Wrenchead common stock and 99,602 shares of Wrenchead Series A Preferred Stock.

The Company formed a limited partnership during the second quarter of 2000 to raise the funds necessary to complete the two Wrenchead transactions discussed above. The Company is the general partner of the limited partnership. As of December 31, 2000, the limited partnership had raised $2,720,000, which was used primarily to acquire the economic rights to 181,333 shares of Wrenchead common stock owned by the Company and pay for the costs of forming and administering the partnership.

In September 2000, the Company entered into a licensing transaction pursuant to which the Company granted an exclusive worldwide license to Performance Wheel Outlet, Inc. ("Performance") to manufacture, sell, and distribute Cragar's line of one-piece cast aluminum wheels ("One-Piece Wheel Business") in exchange for a royalty based on sales of the licensed products.

The Company sold or disposed all of its remaining inventory during the third quarter of 2000.

INDUSTRY BACKGROUND

PRODUCT OFFERINGS

The automotive wheel industry is generally divided into two segments, original equipment wheels and custom aftermarket wheels. Cragar operates in custom aftermarket wheel segment. The custom wheel market is generally divided into six product categories: (1) one-piece cast aluminum wheels (representing the largest segment of the market based on dollar sales); (2) performance racing wheels; (3) multi-piece aluminum wheels; (4) steel wheels; (5) wire wheels; and (6) composite wheels. These product categories are differentiated by the material content of the wheel, the level of technology necessary to produce the wheel, price, target customer, styling attributes, and applications. While Cragar has historically offered products in each of these product categories and will continue to do so through existing licensing arrangements, Cragar believes that the market for one- and multi-piece aluminum wheels has grown substantially relative to the other categories of wheels and will continue to do so in the future.

PRODUCT DISTRIBUTION

Custom wheel manufacturers and assemblers may sell their products to wholesalers (such as large warehouse distribution centers), directly to product retailers (such as tire and auto parts dealers and performance automotive centers), or directly to the public via mail order, sales outlets, direct telemarketing, or E-commerce using the Internet. A number of Cragar's competitors have taken a step toward vertical integration by establishing company-owned warehouse distribution centers that can sell their products to retailers or directly to the public. As a result of Cragar's change in business strategy, Cragar will rely on the distribution channels and networks of its licensing partners to market, sell, and distribute CRAGAR branded products.

Cragar believes that a majority of retail custom wheel purchases traditionally have been made at four outlet types: new vehicle dealers, specialty product and installation outlets, speed shops and performance retailers, and mail order companies. Cragar anticipates, however, that a growing percentage of custom wheel purchases will be made via the Internet in E-commerce transactions.

FRAGMENTED NATURE OF INDUSTRY

Cragar believes that the custom wheel industry is highly fragmented,

with only a few companies holding market share in excess of 10%. Many of its competitors do not manufacture their own wheels, but purchase the wheel components from third parties for later assembly and sale to the public. Unlike Cragar, however, most of its competitors do not offer an established brand identity.

The industry data presented herein is derived from information obtained from the Specialty Equipment Market Association.

BUSINESS STRATEGY

Cragar has determined, that to maximize the value of its brand name and to effectively compete in all segments of the custom wheel market, the Company must find strong and focused manufacturing, distribution, sales and marketing partners to act as the Company's Licensees. To implement this strategy it has entered into licensing agreements with Weld, Carlisle and Performance, and has engaged TRI as its exclusive licensing representative. As will be described below, Cragar continues to have products sold and technology utilized in almost all segments of the custom wheel market.

PRODUCTS

Cragar offers, through its licensing alliances, a large variety of custom wheels, which can be divided into six general categories: (i) composite SOR wheels, also known as Legacy wheels; (ii) wire or spoked SOR wheels; (iii) race or wrought aluminum wheels; (iv) one-piece cast aluminum wheels; (v) commodity steel SOR wheels; and (vi) street steel SOR wheels. Through its licensing alliances, Cragar also offers a full line of wheel accessories, including lug nuts, spacers, bolts, washers, spinners, and hubcaps.

The following table describes Cragar's major product lines:

<TABLE>
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PRODUCT LINE	TYPE OF CONSTRUCTION	CUSTOMER NICHE
<S>	<C>	<C>
Composite and Legacy SOR Wheels	Inner cast aluminum disc welded to outer steel rim	Nostalgia car and current line truck owners
Star Wire, Wire or Spoked SOR Wheels	Steel spokes attached to inner steel hub and outer steel rim or felly	Urban and inner city consumers
Race or Wrought Aluminum Wheels	Two outer aluminum rim halves welded together with aluminum center or spacer	Pro and amateur race drivers and performance car owners
One-piece Cast Aluminum Wheels	Cast one-piece aluminum with machined, painted or chrome plated	Low and high-end consumers of all types of vehicles
Commodity Steel SOR Wheels	Inner steel disc welded to outer steel rim	Low-end consumers of all types of vehicles
Street Steel SOR Wheels	Three-piece steel and aluminum center welded to outer steel rim	Hot rod and race enthusiasts with cars and trucks
Wheel Accessories	Steel and aluminum hub caps, lug nuts, spinners, locks, spacers	All types of consumers and vehicles

</TABLE>

COMPOSITE AND LEGACY SOR WHEELS

Legacy wheels are composite SOR wheels consisting of a chrome plated die cast aluminum centers welded to a chrome plated rolled steel outer rim. Cragar pioneered the process of attaching the aluminum center to the steel rim in 1964. In addition to Cragar's popular S/S and SS/T composite wheels, Cragar in 1995 purchased the exclusive rights to manufacture and market the Keystone Klassic, a custom wheel that has been selling continuously since 1969 and a style that management believes is one of the most popular in automotive history. Cragar believes this product solidifies Cragar's Legacy Line to include some of the most popular nostalgia wheels in the market. These CRAGAR wheels are manufactured, assembled, marketed, sold and distributed by Carlisle with a royalty paid to Cragar based on the annual net sales of these wheels.

Carlisle has introduced 16 inch and 17 inch versions of Cragar's popular S/S SOR wheels in 2001. Carlisle also re-introduced a CRAGAR G/T style SOR wheel in 14 inch and 15 inch sizes.

WIRE OR SPOKED SOR WHEELS

In the past, Cragar offered a complete line of chrome plated wire or spoked SOR wheels. Cragar sold most of these products under the TRU=SPOKE brand name, although currently the brand is not being used by Carlisle to market wire SOR wheels. Cragar offers a spoked SOR wheel product using patented technology, called the Star Wire, which is sold by Carlisle under the CRAGAR brand name. Wire SOR wheels are high-end, niche products that are sold to a limited group of vehicle owners. The 80-spoke SOR wheels and the Star Wire SOR wheels are manufactured, assembled, marketed, sold and distributed by Carlisle with a royalty paid to Cragar based on the annual net sales of these SOR wheels. Since the completion of the licensing arrangement with Carlisle, the other wire SOR Wheels Cragar previously assembled and sold have been discontinued.

RACE OR WROUGHT ALUMINUM WHEELS

CRAGAR race or wrought aluminum wheels are higher-priced, three-piece, lightweight, polished aluminum wheels. These wrought wheels are used by professional drag racers, who are sometimes provided CRAGAR wheels without charge in return for their promotion of CRAGAR and for displaying a CRAGAR sticker on their cars. The Super Race and the Super Star are Cragar's two highest-end professional race wrought wheels.

Cragar also sells race wrought aluminum wheels to amateur racers, professional racers, and individuals that want the look of the race wheel for street use. The race wrought wheels for this product category are the Dragstar and the Super Lite II. In 2001, Cragar's licensing partner, Weld, has introduced 16 inch and 17 inch versions of these wrought aluminum wheels.

The CRAGAR race wheels are manufactured, assembled, marketed, sold, and distributed by Weld with a royalty paid to Cragar based on the annual net sales of these wheels. In 2001, Weld has also introduced 17, 18, and 20-inch versions of the wrought aluminum CRAGAR S/S Alloy. In addition, Weld has introduced a series of Super Truck wheels targeted at truck enthusiasts.

ONE-PIECE CAST ALUMINUM WHEELS

In the past, Cragar offered several styles of one-piece cast aluminum wheels. These efforts were discontinued in 1998. In September 2000, Cragar signed a licensing agreement with Performance to design, develop, market, and distribute a new series of Cragar one-piece cast aluminum wheels. Performance anticipates introducing these wheels during the second quarter of 2001.

COMMODITY STEEL SOR WHEELS

CRAGAR commodity steel SOR wheels have been sold for over 30 years. While aluminum has slowly been replacing steel as the major wheel material, Cragar (through its licensing partner Carlisle), continues to sell large quantities of steel wheels, which represent a less costly option for many consumers. These CRAGAR wheels are manufactured, assembled, marketed, sold, and distributed by Carlisle with a royalty paid to Cragar based on the annual net sales of these wheels.

STREET STEEL SOR WHEELS

Carlisle sells CRAGAR chrome plated steel, look-alike versions of its CRAGAR race wheels. The Street Star is a lower-priced copy of the Dragstar, and the Street Lite is a copy of the SuperLite II. These CRAGAR wheels are manufactured, assembled, marketed, sold, and distributed by Carlisle with a royalty paid to Cragar based on the annual net sales of these wheels.

WHEEL ACCESSORIES

All CRAGAR accessories associated with the wheel product lines being licensed will be marketed, sold, and distributed by Cragar's licensing partners. Cragar continues to seek licensing partners with respect to the other CRAGAR branded wheel accessories not included in the existing License Agreements.

PRODUCT DEVELOPMENT

Cragar has historically offered a broad spectrum of products that are designed to fit a wide variety of automobiles, vans, and trucks. Cragar has always evaluated ways to leverage these product lines by adapting its wheels and accessories to fit additional vehicle models, makes, and years. As a part of

Cragar's business strategy of licensing its CRAGAR brand name, management anticipates that the licensing partners will develop new applications for existing styles, as well as introduce new wheel styles as part of their CRAGAR product lines. There can be no assurance that the licensing partners will develop new applications or styles and, if they do, that the new applications and styles will increase the net sales of the CRAGAR branded product lines resulting in higher royalty payments to Cragar.

Carlisle, as part of its license agreement with Cragar, may also design, sell, market, and distribute SOR wheel products under the CRAGAR brand name, for vehicles such as automobiles, trucks, and vans, as well as other types of vehicles, such as all-terrain vehicles and golf carts.

Weld, as part of its license agreement with Cragar, may also design, sell, market and distribute Wrought wheel products under the CRAGAR brand name, as well as other race wheels and wrought aluminum wheels for motorcycles.

Performance, as part of its license agreement with Cragar, will design, sell, market, and distribute One-Piece wheel products under the CRAGAR brand name, and introduce a whole new product line.

DISTRIBUTION, SALES AND MARKETING

PRODUCT DISTRIBUTION

Historically, Cragar sold its products through the following distribution channels: warehouse distributors, tire dealers and automotive performance retailers, mail order outlets, and international distributors. As a result of the licensing strategy adopted by Cragar in 1999, Cragar's products will now be sold through the distribution channels chosen by its licensing partners. Cragar believes most of the licensees' channels of distribution and customers will be similar to those historically employed by Cragar.

SALES AND MARKETING

During the first quarter of 2000, Cragar employed one outside sales representative in its sales and marketing efforts to liquidate its remaining inventory. As of June 30, 2000, Cragar had transferred all of its sales and marketing efforts to its licensing partners.

PRODUCTION

During 1999, Cragar entered into licensing agreements whereby the licensees undertook the responsibility for the manufacture, assembly, marketing, sales, and distribution of Cragar's Wrought Wheel Business and SOR Wheel Business. Cragar, in conjunction with those licensing arrangements, also sold to the licensees the manufacturing machinery related to the Wrought Wheel Business and the SOR Wheel Business. In 2000, Cragar entered into a licensing arrangement related to one-piece cast aluminum wheels and related wheel accessories. As a result of its change in business strategy, Cragar no longer has any production capability or manufacturing employees.

COMPETITION

The market for custom aftermarket wheels is highly competitive and fragmented with over 100 domestic and foreign sellers of custom wheels. Competition is based primarily on product selection (including style and vehicle fit), product availability, quality, design innovation, price, payment terms, and service. Competition in the custom wheel market is intense. Cragar believes that several major wheel manufacturers, such as American Racing Equipment, Inc., Ultra Custom Wheel Co., Panther Custom Wheel, and American Eagle, as well as suppliers to major automobile manufacturers, pose significant competition because of their substantial resources. There can be no assurance that Cragar's licensing partners, Performance, Weld and Carlisle, will be successful in marketing custom aftermarket wheels under the CRAGAR brand name.

INTELLECTUAL PROPERTY

Cragar's licensing partners market CRAGAR custom wheels and products under a variety of brand names designed to capitalize on Cragar's reputation and brand recognition. Cragar believes that its trademarks, most importantly the CRAGAR name, are critical to its business. Cragar owns the rights to certain design and other patents and also relies on trade secrets and proprietary know-how, which it seeks to protect, in part, through confidentiality and proprietary information agreements. As part of its licensing agreements, Cragar has licensed its intellectual property including, designs, tradenames, and patents to Performance, Weld, and Carlisle, while retaining ownership of the

intellectual property. The licensing partners are required to maintain the confidentiality of the CRAGAR intellectual property, including any designs, tradenames, and patents. There can be no assurance, however, that Cragar's patents will preclude Cragar's competitors from designing competitive products, that the proprietary information or confidentiality agreements with its licensing partners, Cragar's employees and others will not be breached, that Cragar's patents will not be infringed, that Cragar would have adequate remedies for any breach or infringement, or that Cragar's trade secrets will not otherwise become known to or independently developed by competitors. Furthermore, although there are controls within the licensing agreements, there is no assurance that actions taken by Cragar's licensing partners will not lead to a decrease in the value of Cragar's intellectual property.

CRAGAR(R), CRAGAR XLS(TM), Keystone(R) Klassic(R), Legacy(TM), CRAGAR Lite(R), Star Wire(TM), TRU=CRUISER(TM), Street Pro(R), S/S(R), The Wheel People(TM), and TRU=SPOKE(R) are trademarks of Cragar.

PRODUCT RETURNS AND WARRANTIES

Historically, Cragar's wheels have been sold with a limited one-year warranty from the date of purchase. Cragar's warranties generally have provided that, in the case of defects in material or workmanship, Cragar, at its option, would either replace or repair the defective product without charge. Under the licensing agreements, Weld and Carlisle are responsible for warranty claims associated with the Wrought Wheel Business and SOR Wheel Business for products manufactured by Cragar prior to the closing dates of the transactions of up to $30,000 and $100,000, respectively, during the first 12 months of their licensing relationship and up to all warranty claims and $50,000, respectively, during the second 12 months of their licensing relationship. Cragar has set aside what it believes to be adequate reserves for any anticipated warranty claims in excess of the claim amounts assumed by the licensees. In addition, each licensee is responsible for 100% of all warranty claims related to products they sell under the CRAGAR brand names, other than products they purchased from CRAGAR. Cragar currently maintains discontinued operations insurance for the products it produced, with limits of $1.0 million per occurrence and $2.0 million in the aggregate, per annum. This coverage is becoming increasingly expensive. There can be no assurance that Cragar's insurance will be adequate to cover future product liability claims or that Cragar will be able to maintain adequate liability insurance at commercially reasonable rates.

Under the licensing agreements with Weld and Carlisle, the licensees are responsible for determining the stock return policies as they relate to their businesses. Cragar's stock adjustment returns were $0 in 2000, $528,791 in 1999, and $787,764 for 1998. Warranty returns were approximately $4,000

in 2000, $173,514 in 1999, and $213,355 in 1998. As of December 31, 2000, Cragar has recorded what it believes to be adequate reserves necessary to cover any potential stock adjustments and excess warranty claims not covered by the licensing transactions. There can be no assurance that future warranty claims, returns, or stock adjustments experienced by Cragar's licensing partners will not be materially greater than anticipated and may have a material adverse effect on the licensee's net sales of CRAGAR licensed products and related royalty payments to Cragar.

EMPLOYEES

As of December 31, 2000, Cragar had one full-time employee, Michael Hartzmark, and two consultants, Michael Miller, president of Cragar, and Richard Franke, Chief Financial Officer of Cragar. Mr. Miller also serves as Vice-President and General Manager for Medsource Technologies, Inc. a manufacturer of medical products and surgical instrumentation. Mr. Franke also serves as Co-Managing Member & Chief Financial officer of New Horizon Capital, LLC, a company providing receivable financing to small businesses.

ITEM 2. DESCRIPTION OF PROPERTY

Cragar's facilities are currently housed in a shared office facility. As of December 31, 2000, Cragar held a lease for the 167,171 square foot facility located in Phoenix, Arizona where it had previously manufactured and distributed its product. The lease expires in June 2003. As a result of the change in business strategy and completion of the sale and licensing of the One-Piece Wheel Business, Wrought Wheel Business and the SOR Wheel Business, Cragar sub-leased, to an unrelated party, all 167,171 square feet of office and warehouse space beginning in December 1999. Effective March 23, 2001, Cragar no longer has any obligations under the lease, except for the payment of property taxes due on April 30, 2001 totaling $78,884.

ITEM 3. LEGAL PROCEEDINGS

Cragar is an unsecured creditor in the matter of in Re Super Shops, Inc., et al., Case No. LA 97-46094-ER, a bankruptcy action filed by Super Shops, Inc., previously Cragar's primary customer. Because Cragar is an unsecured creditor in this matter, the amount and timing of the recovery, if any, on its account receivable from Super Shops, Inc. is uncertain. In connection with this proceeding, Cragar incurred an obligation of $125,000 in 1998, for preference payments as a result of the on-going liquidation of the bankruptcy estate. Cragar paid this obligation during the third quarter ended September 30, 1999.

Cragar has filed a complaint in the matter of Cragar Industries, Inc. versus Keystone Automotive Operations, Inc. ("Keystone") in the Superior Court of Arizona, County of Maricopa, Case No. CV99-21619, seeking to recover in excess of $290,000 in past due amounts for product purchased from CRAGAR by Keystone. As of March 12, 2001, the parties had begun drafting documents associated with a proposed settlement. There can be no guarantee that this settlement will be consummated.

Cragar has filed a complaint in the matter of Cragar Industries, Inc. versus Titan Wheel International, Inc. and Titan International, Inc. ("Titan") in the United States District Court for the District of Arizona, Case No. CIV99-0649, seeking damages of more than $4,500,000, claiming breach of contract, breach of warranty, and conversion arising out of a supply contract with Titan's subsidiary Automotive Wheel, Inc. for the delivery of automotive wheels to Cragar. The Company recently amended its complaint to include the charge of fraud by Titan.

There are currently no other material pending proceedings to which Cragar is a party or to which any of its property is subject, although Cragar from time to time is involved in routine litigation incidental to the conduct of its business.

Cragar currently maintains discontinued product liability insurance, with limits of $1.0 million per occurrence and $2.0 million in the aggregate per annum. However, such coverage is becoming

increasingly expensive and difficult to obtain. There can be no assurance that Cragar will be able to maintain adequate product liability insurance at commercially reasonable rates or that Cragar's insurance will be adequate to cover future product liability claims. Any losses that Cragar may suffer as a result of claims in excess of Cragar's coverage could have a material adverse effect on Cragar's business, financial condition, and results of operations.

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

Cragar did not submit any contemplated matters to shareholders during the fourth quarter of 2000.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S CAPITAL STOCK AND RELATED STOCKHOLDER MATTERS

During the year ended December 31, 2000 and in January 2001, the holders of the Company's Series A Preferred Stock converted their 22,500 shares into 1,072,524 shares of Common Stock.

In connection with the issuance of the Series A Preferred Stock, Cragar also granted warrants to the holders of the Series A Preferred Stock to acquire up to 333,333 shares of Cragar's Common Stock at an exercise price of $8.10 per share on or before January 23, 2001. In January 2001, all 333,333 of the warrants expired unexercised.

During 2000, warrants to purchase 97,500 shares of Common Stock were exercised by certain lenders who used their debt instruments to exercise their warrants. No other options or warrants were exercised in 2000.

Each transaction described above was deemed exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of that Act regarding transactions not involving any public offering.

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PRICE RANGE OF COMMON STOCK; DIVIDENDS

Cragar's outstanding Common Stock is currently quoted on the OTC Bulletin Board under the symbol "CRGR.OB." Cragar's Common Stock and Warrants ("CRGRW") were delisted from Nasdaq in October 1998 and from the Boston Stock Exchange in March 1998 for failure to meet the minimum listing requirements for these exchanges. The following table sets forth the high and low closing sale prices of the Common Stock, as reported by Nasdaq through September 30, 1998 and the OTC Bulletin Board thereafter.

<TABLE>
<CAPTION>

	MARKET PRICE	
	HIGH	LOW
<S>	<C>	<C>
FISCAL YEAR 1998		
First Quarter	$6.0000	$5.0000
Second Quarter	5.7500	5.0000
Third Quarter	5.1875	4.2500
Fourth Quarter	4.3125	3.0625
FISCAL YEAR 1999		
First Quarter	5.5000	3.7500
Second Quarter	4.2500	3.5000
Third Quarter	3.8750	3.0000
Fourth Quarter	3.5000	3.0000
FISCAL YEAR 2000		
First Quarter	4.0469	3.2500
Second Quarter	5.0000	3.2500
Third Quarter	3.5000	3.0000
Fourth Quarter	3.1250	2.5000
FISCAL YEAR 2001		
First Quarter	2.7500	2.1250

</TABLE>

On March 12, 2001, the last reported sale price of the Common Stock on the OTC Bulletin Board was $2.25 per share. As of March 12, 2001, Cragar estimates that there were approximately 350 beneficial holders of Cragar's Common Stock.

Cragar has never paid cash dividends on its Common Stock and does not anticipate doing so in the foreseeable future. It is the current policy of Cragar's Board of Directors to retain any earnings to finance the operations and expansion of Cragar's business.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

FORWARD LOOKING STATEMENTS

This report contains forward-looking statements. Additional written or oral forward-looking statements may be made by Cragar from time to time in filings with the Securities Exchange Commission or otherwise. Such forward-looking statements are within the meaning of that term in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may include, but not be limited to, projections of revenues, income or loss, estimates of capital expenditures, plans for future operations, products or services, and financing needs or plans, as well as assumptions relating to the foregoing. The words "believe," "expect," "anticipate," "estimate,"

"project," and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. The following disclosures, as well as other statements in Cragar's report, including those contained below in this Item 6, "Management's Discussion and Analysis of Financial Condition or Plan of Operation," and in the Notes to Cragar's Financial Statements, describe factors, among others, that could contribute to or cause such differences. Specifically, management is uncertain whether the anticipated cash flow from operations will be sufficient to meet Cragar's anticipated operations and working capital needs. There can be no assurance that Cragar's cash flow will be sufficient to finance its operations as currently planned or that it will be able to supplement its cash flow with additional financing. If additional financing is required, no assurance can be given regarding Cragar's ability to obtain such financing on favorable terms, it at all. If Cragar is unable to obtain additional financing, its ability to meet its anticipated operating and working capital needs could be materially and adversely affected. As a result of Cragar's stockholders' deficit and the uncertainty surrounding Cragar's ability to meet its anticipated operating and working capital needs, the independent auditors' report on Cragar's 2000 financial statements has been qualified for a going concern. See note 16 to Cragar's financial statements.

INTRODUCTION

From Cragar's inception in December 1992 through the first nine months of 1999, Cragar designed, produced, and sold high-quality custom vehicle wheels and wheel accessories. Cragar sold its wheel products in the automotive aftermarket through a national distribution network of value-added resellers, including tire and automotive performance warehouse distributors and retailers and mail order companies.

In connection with a reassessment of its business strategy, Cragar considered combinations and strategic alliances with other companies that could complement Cragar's existing business, including outsourcing its manufacturing and sales operations. In furtherance of this business strategy, in September 1999, Cragar entered into an Exclusive Field of Use License Agreement and an Agreement of Purchase and Sale of Assets with Weld, pursuant to which Cragar granted an exclusive worldwide license to Weld to manufacture, sell, and distribute its line of Wrought Wheels in exchange for a royalty based on sales of the licensed products and sold certain assets to Weld related to its Wrought Wheel Business. Cragar and Weld completed this transaction in October 1999.

In October 1999, Cragar entered into a similar transaction with Carlisle, pursuant to which Cragar granted an exclusive worldwide license to Carlisle to manufacture, sell, and distribute Cragar's line of SOR wheels in exchange for a royalty based on sales of the licensed products and sold certain assets to Carlisle related to its SOR Wheel Business. Cragar and Carlisle completed this transaction in December 1999.

In September 2000, Cragar entered into and completed a similar transaction with Performance, pursuant to which Cragar granted an exclusive worldwide license to Performance to manufacture, sell, and distribute Cragar's line of one-piece cast aluminum wheels in exchange for a royalty based on sales of the licensed products.

As a consequence of the transactions with Performance, Weld and Carlisle, Cragar no longer engages in the manufacture, marketing, sale or distribution of any products related to its One-Piece Wheel Business, Wrought Wheel Business and SOR Wheel Business, which together generated approximately 100.00% of Cragar's revenues in 1999 and 2000. In general, the outsourcing of the manufacturing, marketing, sales and distribution operations with respect to the licensed products, together with the sale of all the related assets, has substantially decreased Cragar's revenues and related operating and marketing costs.

Cragar intends to rely on Performance's, Weld's and Carlisle's greater financial, operational and distribution capabilities to increase net sales of the licensed products and generate a stream of increasing revenues in the form of quarterly royalty payments. In addition, Cragar is entitled to royalties based on the

net sales of any new products developed by Carlisle related to the SOR Wheel Business under the CRAGAR brand name, including products and related accessories for vehicles other than automobiles, trucks, and vans, such as all-terrain vehicles and golf carts. Cragar is also entitled to royalties based on net sales of any new products developed by Weld related to the Wrought Wheel Business

under the CRAGAR brand name, including motorcycle wheels, two-piece aluminum wheels and new types of race wheels.

Because the licensing partners' primary fiduciary obligation is to their shareholders rather than Cragar's shareholders, they may make decisions or take steps that may result in lower royalty payments or that could adversely affect the CRAGAR brand name. See "Factors That May Affect Future Results and Financial Conditions - Dependence on Third Parties to Generate Royalties."

As part of its new business strategy, Cragar also intends to pursue licensing opportunities through the utilization of the CRAGAR brand name for other products, including but not limited to aftermarket performance automotive products. Effective April 1, 2001 Cragar entered into a Licensing Representation Agreement with Trademarketing Resources, Inc. ("TRI"). TRI will act as Cragar's exclusive agent for the purpose of exercising the merchandising rights in and to the trademarks owned by Cragar, including CRAGAR(R), CRAGAR Lite(R), Keystone(R) Klassic(R), S/S(R), Street Pro(R), Star Wire(TM), CRAGAR XLS(TM), TRU=CRUISER(TM), and TRU=SPOKE(R). In addition, TRI will act as Cragar's exclusive agent with respect to advertising and promoting all products, services and premiums in all media.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the percentage of net sales represented by certain items included in Cragar's Statements of Operations.

<TABLE>
<CAPTION>

STATEMENTS OF OPERATIONS DATA:	Years Ended December 31 2000	1999	1998
<S>	<C>	<C>	<C>
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	50.3	90.1	89.1
Gross profit	49.7	9.9	10.9
Selling, general and administrative expenses	(116.2)	(15.0)	(36.5)
Income (loss) from operations	(66.5)	(5.1)	(25.6)
Interest and other expenses, net	195.9	3.2	(7.3)
Extraordinary gain	13.0	2.3	0.0
Net earnings (loss)	142.4%	0.4%	(32.9)%

</TABLE>

COMPARISON OF YEAR ENDED DECEMBER 31, 2000 AND YEAR ENDED DECEMBER 31, 1999

The comparison of the Company's financial results for the years ended December 31, 2000 and 1999 set forth below has been significantly affected by the Company's change in business strategy in the fourth quarter of 1999. As a result of this change in strategy, which contemplates royalties from net sales of CRAGAR brand products from its licensing partners as its primary source of revenue, the Company has experienced a dramatic reduction in revenues and related costs and expenses between the periods.

Net Sales consist of gross sales less discounts, returns and allowances plus royalties on sale of licensed products. Net sales for the year ended December 31, 2000 were $754,854 compared to $12,828,329 during the year ended December 31, 1999, representing a 94.1% decrease in sales. Net sales for the year ended December 31, 2000, consisted of sales of remaining inventory (not a part of the Weld and Carlisle transactions) to PDK, Inc., a distributor of custom wheels located in Indiana. This decrease was attributable primarily to the Company no longer actively manufacturing and distributing wheels. The Company does not anticipate additional sales of inventory in subsequent years. The decrease in net sales was partially offset by royalty income of $435,287 earned in 2000 under the Weld and Carlisle licensing agreements.

Gross profit is determined by subtracting cost of goods sold from net sales. Historically, cost of goods sold consisted primarily of the costs of labor, aluminum, steel, raw materials, overhead, and material processing used in the production of the Company's products, as well as the freight costs of shipping product to the Company's customers. Gross profit for 2000 decreased by $890,470 from $1,265,648 in 1999 to $375,178 in 2000. This decrease was attributable primarily to the Company's change in business strategy.

Selling, general, and administrative ("SG&A") expenses consist primarily of commissions, marketing expenses, promotional programs, salaries and wages, product development expenses, office expenses, accounting and legal expenses, bad debt reserves, and general overhead. SG&A expenses decreased by $1,047,908 or 54.4% from $1,925,376 in 1999 to $887,643 in 2000. This decrease was attributable primarily to the Company's change in business strategy during the fourth quarter of 1999, which resulted in significant reductions in SG&A expenses, primarily related to sales, marketing, and personnel.

Non-operating net income increased by $1,053,252, or 247.6%, from $425,434 in 1999 to $1,488,861 in 2000. The increase was attributable primarily to the gain realized on the sale of the economic rights to 181,333 shares of Wrenchead common stock and the reduction in interest expense due to lower debt levels. See Item 1, "Business - Recent Developments."

Because of carry-forward losses from previous years, the Company had no income tax provision in the year ended December 31, 2000 or 1999.

Net earnings for 2000 were $1,075,029 compared to net earnings of $54,678 in 1999. Excluding the extraordinary gains of $98,633 in 2000 and $288,972 in 1999, resulting from the forgiveness of debt by certain vendors, the Company had net earnings (loss) for the 2000 and 1999 of $976,396 and $(234,294), respectively. Basic earnings per share for 2000 was $0.30 compared to basic loss per share of $0.04 for 1999. Diluted earnings per share for 2000 was $0.30.

LIQUIDITY AND CAPITAL RESOURCES

In April 1998, the Company secured a credit facility (the "NCFC Credit Facility") with NationsCredit Commercial Funding Corporation ("NCFC"). The terms of the NCFC Credit Facility specified a maximum combined term loan and revolving loan totaling $8.5 million at an interest rate of 1.25% above the prime rate. The NCFC Credit Facility was secured by substantially all of the Company's assets and certain pledged assets from three investors and expires on April 19, 2002. During the third quarter of 2000, the Company paid off and terminated the NCFC Credit Facility. The proceeds for the pay-

off were provided by a loan from two investors totaling $1,200,000 at an interest rate of 2.25% above the prime rate. The loan is secured by substantially all of the Company's assets and expires in August 2001.

At December 31, 2000, the Company had an accumulated deficit of $569,133. For the year ended December 31, 2000, the Company's operating activities provided $223,236 of cash, which was primarily attributable to the Company' net earnings for the period, the collection of accounts receivable and sale of inventory. During the year ended December 31, 2000, the Company's investing activities provided $1,069,725 of cash. The increase in cash from investing activities was primarily attributable to the net proceeds received on the sale of the economic rights to a portion of the shares of Wrenchead stock owned by the Company. During the year ended December 31, 2000, the Company's financing activities used $1,226,048 of cash. The decrease in cash from financing activities was primarily due to a net decrease in Company debt.

The Company does not anticipate any major capital budget expenditures in 2001. In addition, the Company does not believe its operating activities will generate sufficient cash flow to meet its operating cash flow requirements and other current obligations. Consequently, it is likely the Company will be required to raise additional funds from equity or debt financing or receive an extension on its loans. No assurance can be given that such additional financing will be available on terms acceptable to the Company, if at all.

See "Factors that May Affect Future Results and Financial Condition - Dependence on External Financing" and "History of Previous Losses; Stockholders' Deficit; Going Concern Opinion."

FACTORS THAT MAY AFFECT FUTURE RESULTS AND FINANCIAL CONDITION

Cragar's future operating results and financial condition are dependent upon, among other things, Cragar's ability to implement its new business

strategy. Potential risks and uncertainties that could affect the Company's profitability are set forth below.

HISTORY OF PREVIOUS LOSSES; STOCKHOLDERS' DEFICIT; GOING CONCERN OPINION

Cragar was incorporated in December 1992 and has incurred significant losses in each of its completed fiscal years through December 31, 1998. For the year ended December 31, 2000, Cragar reported net earnings of $1,075,029 and for the year ended December 31, 1999, Cragar reported net earnings of $54,678. As of December 31, 2000, Cragar had an accumulated deficit of $15,315,524 and a total stockholders' deficit of $569,133. There can be no assurance that Cragar will be profitable in the future.

As a result of Cragar's total stockholders' deficit and the uncertainty regarding Cragar's ability to meet its anticipated operating and working capital needs, the independent auditors' report on Cragar's 2000 financial statements has been qualified for a going concern.

DEPENDENCE ON THIRD PARTIES TO GENERATE ROYALTIES

As a result of Cragar's change in business strategy, Cragar's revenues and operating results will be substantially dependent on the efforts and success of its third party licensing partners. Because the amount of royalties payable to Cragar are determined by the net sales of those products by Cragar's licensing partners, Cragar's revenues will be subject to the abilities of its licensing partners to generate substantial net sales and deliver a high-quality product on a timely basis to its customers. In addition, because the primary fiduciary obligations of Cragar's licensing partners are to their shareholders rather than Cragar's shareholders, they may make decisions or take steps that would result in lower royalty payments than would otherwise be the case. If any of Cragar's three licensing partners does not meet its obligation under its respective licensing agreement, Cragar's primary remedy is to terminate that license agreement, which may be an effective remedy only if Cragar can identify and secure other capable licensees of the affected products.

INABILITY TO SUPPORT MANUFACTURING, MARKETING, SALE, AND DISTRIBUTION IF THIRD PARTY TERMINATES THE LICENSE AGREEMENT

If any of the three licensing partners terminates its license agreement or Cragar terminates the license agreement for any reason, Cragar may be forced to incur the cost of manufacturing, marketing, selling and distributing the licensed products without the financial resources and distribution capabilities of its licensees. In the alternative, Cragar would be forced to possibly secure another licensee capable of manufacturing, marketing, selling, and distributing the licensed products on behalf of Cragar and paying any royalties based on the net sales of those products. There can be no assurance that Cragar would be able to meet these obligations in the event that one or more of the license agreements is terminated.

DEPENDENCE ON EXTERNAL FINANCING

On April 20, 1998, the Company executed the NCFC Credit Facility, a portion of the proceeds of which were used to pay off the Company's previous credit facility with Norwest Business Credit, Inc., which expired on April 15, 1998. The terms of the NCFC credit facility provided for a maximum combined term loan and revolving loan totaling $8.5 million at an interest rate of 1.25% above the prime rate. During the fiscal quarter ending September 30, 2000, the Company paid off and terminated the NCFC Credit Facility. The proceeds for the pay-off were provided by a loan from two investors totaling $1,200,000 at an interest rate of 2.25% above the prime rate. The loan is secured by substantially all of the Company's assets and expires in August 2001. The Company anticipates that it will be required to raise additional funds through equity or debt financing. No assurance can be given, however, that additional financing will be available on terms acceptable to the Company, if at all.

INVESTMENT IN WRENCHEAD MAY NOT BE PROFITABLE

The Company has made a substantial investment in Wrenchead, Inc. There can be no assurance that the investment in Wrenchead will turn out to be profitable.

ROYALTY PAYMENTS WILL DECREASE AS A PERCENTAGE OF SALES AS ROYALTIES INCREASE

The royalty structure negotiated by Cragar with two of its current licensing partners provides for a decrease in the applicable percentage of net sales that determines royalty payments to Cragar as net sales increase above certain levels. The consequence of this structure is that Cragar's ability to realize the benefits of a substantial increase in sales with respect to any

group of its licensed products sold by those licensing partners will be limited by the negotiated royalty fee structure as net sales of the licensed products increase.

CHANGE IN BUSINESS STRATEGY MAY DEPRESS THE PRICE OF COMMON STOCK

The completion of the sale and licensing of Cragar's One-Piece Cast Aluminum Wheel, Wrought Wheel and SOR Wheel businesses and any other related licensing arrangement Cragar may complete in the future represents a significant change in Cragar's business model. In general, the outsourcing of the manufacturing, marketing, sales, and distribution operations with respect to the licensed products, together with the sale of the related assets, will result in a substantial decrease in Cragar's revenues and operating and marketing costs. Cragar anticipates that the decrease in revenues and operating and marketing costs will be replaced by a stream of royalty payments generated by the net sales of the licensed products by Cragar's licensing partners. As a result, Cragar only has one year of history of financial results upon which shareholders can rely to make a determination that the new business strategy will be successful. Given the uncertainty of the consequences of this change in business strategy, as well as the significant decrease in revenues expected to occur, there can be no assurance that the change will result in a profitable stream of royalty payments. As a result of this uncertainty, the price of Cragar's common stock may be adversely affected.

EXTENSION OF CRAGAR BRAND NAMES TO OTHER PRODUCTS MAY NOT BE SUCCESSFUL

Cragar's new business strategy contemplates using the services of TRI to extend the CRAGAR brand names to new products developed by its licensees as well as to non-wheel related products within the automotive aftermarket industry. Cragar regards this extension of its brand names to new products as a key element of a strategy that is designed to increase net sales of CRAGAR brand products to generate increased royalty revenues. There can be no assurance, however, that either Cragar, TRI or its licensees will be successful in developing and marketing any new products under the CRAGAR brand names, or if any new products are developed, that the net sales of these products will have a positive impact on Cragar's financial results.

NO DUTY TO DISTRIBUTE ROYALTY PAYMENTS TO ITS SHAREHOLDERS

Any royalty payments made to Cragar pursuant to the licensing agreements initially will be used by Cragar to increase its working capital and reduce its debt. Cragar has never paid any cash dividends on its common stock and does not anticipate doing so in the foreseeable future. As a result, shareholders should not anticipate that they will receive any distribution of the royalties generated by Cragar's licensing transactions.

DEPENDENCE ON KEY CUSTOMERS; LICENSEES ABILITY TO MARKET AND SELL TO EXISTING AND NEW CUSTOMERS

A limited number of customers have historically accounted for a substantial portion of Cragar's revenues in each year. Given Cragar's change in business strategy, Cragar expects that its current licensing partners will account for an even greater percentage of its revenues in the future. The financial condition and success of its customers and Cragar's ability to obtain orders from new customers have been critical to Cragar's success and will be critical to the success of Cragar's licensing partners. For the year ended December 31, 2000, Cragar's ten largest customers accounted for approximately 100.0% of gross sales, since other than sales of excess inventory, gross sales were attributable to the lincensing agreements and the larger sale of excess inventory to PDK, Inc. For the year ended December 31, 1999, Cragar's ten largest customers accounted for approximately 65.2% of gross sales (excluding sales in the amount of $1,676,948, recorded as part of the sales of assets to Weld and Carlisle) with J.H. Heafner Company, Inc. accounting for 22.7% of gross sales, Buckeye Sales, Inc. accounting for 8.2% and Autosales, Incorporated accounting for 7.9% of gross sales. The sales recorded as part of the sales of assets to Weld and Carlisle represented 11.9% of the aggregate gross sales (gross sales including sales recorded as a part of the sales of assets to Weld and Carlisle). As a result of its change in business strategy as described above, Cragar believes an increasing percentage of revenues will be dependent on royalties from sales of CRAGAR products by Weld, Carlisle and Performance. There can be no assurance that any of the licensees will be successful in their sales and marketing efforts.

HIGHLY COMPETITIVE INDUSTRY

The market for the Company's products is highly competitive. The Company historically competed primarily on the basis of product selection (which

includes style and vehicle fit), timely availability of product for delivery, quality, design innovation, price, payment terms, and service. The Company anticipates that its licensing partners will compete on those same terms. The Company believes that Weld, Carlisle, and Performance have sufficient financial, operational, and distribution capabilities to compete effectively within the custom aftermarket wheel industry. However, there can be no assurance that the Company's licensing partners will be successful in marketing custom aftermarket wheels under the CRAGAR brand names. Increased competition could result in price reductions (which may be in the form of rebates or allowances), reduced margins, and loss of market share, all of which could have a material adverse effect on the Company's licensing partners, possibly resulting in the reduction or elimination of royalty payments due to the Company.

GENERAL ECONOMIC FACTORS

The automobile aftermarket industry is directly impacted by certain external factors, such as the general demand for aftermarket automotive parts, prices for raw materials used in producing the Company's products, fluctuations in discretionary consumer spending, and general economic conditions, including employment levels, business conditions, interest rates, and tax rates. While the Company believes that current economic conditions favor stability in the markets in which its products are sold, various factors, including those listed above, could lead to decreased sales and increased operating expenses. There can be no assurance that various factors will not adversely affect the Company's licensing partners' businesses in the future, causing a decrease in royalty payments due the Company, or prevent the Company from successfully implementing its business strategies.

NO ASSURANCE OF ADDITIONAL SUCCESSFUL ALLIANCES

In furtherance of the Company's change in business strategy and sale of the Company's licensing rights in the Wrought Wheel, SOR Wheel and One-Piece Wheel businesses, the Company continues to consider alliances with other companies that could complement the Company's new business strategy, including other complementary automotive aftermarket product lines where the Company can capitalize on the CRAGAR brand name. There can be no assurance that suitable licensing candidates can be identified, or that, if identified, adequate and acceptable licensing terms will be available to the Company that would enable it to consummate such transactions. Furthermore, even if the Company completes one or more licensing agreements, there can be no assurance that the licensing partners will be successful in manufacturing, marketing, selling and distributing the licensed products.

Moreover, any additional investment by the Company in Wrenchead or other companies may result in a potentially dilutive issuance of equity securities, or the incurrence of additional debt, which could adversely affect the Company's financial position. Alliances, whether licensing or direct investments in companies, involve numerous risks, such as the diversion of the attention of the Company's management from other business concerns and the entrance of the Company into markets in which it has had no or only limited experience, both of which could have a material adverse effect on the Company.

VARIABILITY IN OPERATING RESULTS; SEASONALITY

The Company's results of operations have historically been subject to substantial variations as a result of a number of factors. In particular, the Company's operating results have varied due to the size and timing of customer orders, delays in new product enhancements and new product introductions, vendor quality control and delivery difficulties, market acceptance of new products, product returns, product rebates and allowances, seasonality in product purchases by distributors and end users, and pricing trends in the automotive aftermarket industry in general and in the specific markets in which the Company participates. Historically, the Company's net sales have been highest in the first and second quarters of each year. Significant variability in orders during any period has had an impact on the Company's cash flow or workflow. The Company believes that any period-to-period comparisons of its financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. The Company expects that its licensing partners will be subject to the same variations and industry seasonality as the Company has experienced in the past. These variations may cause fluctuations in the sales of CRAGAR branded products thereby causing fluctuations in the royalties due the Company.

CHANGING CUSTOMER TRENDS; NEED FOR PRODUCT DEVELOPMENT

The Company's success will depend, in part, on the ability of its licensing partners to correctly and consistently anticipate, gauge, and respond in a timely manner to changing consumer preferences. There can be no assurance that the Company's licensed products will continue to enjoy acceptance among consumers or that any of the future CRAGAR branded products developed and marketed by its licensing partners will achieve or maintain market acceptance. Any misjudgment by the Company's licensing partners of the market for a particular product or product extension, or their failure to correctly anticipate changing consumer preferences, could have a material adverse effect on their businesses, financial condition, and results of operations. Any material adverse effect experienced by the Company's licensing partners may have an adverse effect on the Company and its financial condition and results of operations.

REGULATORY COMPLIANCE

The Company historically has been subject to various federal and state governmental regulations related to occupational safety and health, labor, and wage practices as well as federal, state, and local governmental regulations relating to the storage, discharge, handling, emission, generation, manufacture, and disposal of toxic or other hazardous substances used to produce the Company's products. The Company believes that it has been and is currently in material compliance with such regulations. Prior to November 1999, in the ordinary course of its business, the Company used metals, oils, and similar materials, which were stored on site. The waste created by use of these materials was transported off-site on a regular basis by a state-registered waste hauler. Although the Company is not aware of any material claim or investigation with respect to these activities, there can be no assurance that such a claim may not arise in the future or that the cost of complying with governmental regulations in the future will not have a material adverse effect on the Company.

The Company is subject to regulation as a publicly traded company under the Securities Exchange Act of 1934. In addition, as a consequence of the sale and licensing of its Wrought Wheel, SOR Wheel and One-Piece businesses, which could be considered a sale of substantially all of its assets, in exchange for the receipt of a stream of royalty payments, the Company could face regulatory issues under the Investment Company Act of 1940 if the royalty payments are considered investment securities. If the Company is considered to be an investment company under the 1940 Act, it would be required to register under that Act as an investment company. As a registered investment company, the Company would be subject to further regulatory oversight of the Division of Investment Management of the Commission, and its activities would be subject to substantial and costly regulation under the 1940 Act. While the Company does not believe that its activities will subject it to the 1940 Act and accordingly does not intend to register as an investment company under the Act, there can be no assurance that such registration would not be required in the future.

RELIANCE ON INTELLECTUAL PROPERTY

The Company owns the rights to certain trademarks and patents, relies on trade secrets and proprietary information, technology, and know-how, and seeks to protect this information through agreements with employees and vendors. There can be no assurance that the Company's patents will preclude the Company's competitors from designing competitive products, that proprietary information or confidentiality agreements with licensees, employees, both current and former, and others will not be breached, that the Company's patents will not be infringed, that the Company would have adequate remedies for any breach or infringement, or that the Company's trade secrets will not otherwise become known to or independently developed by competitors.

CONTROL BY EXISTING STOCKHOLDERS

The directors, officers, and principal stockholders of the Company beneficially own approximately 42.5% of the Company's outstanding Common Stock. As a result, these persons have a significant influence on the affairs and management of the Company, as well as on all matters requiring stockholder approval, including electing and removing members of the Company's Board of Directors, causing the

Company to engage in transactions with affiliated entities, causing or restricting the sale or merger of the Company, and changing the Company's dividend policy. Such concentration of ownership and control could have the effect of delaying, deferring, or preventing a change in control of the Company even when such a change of control would be in the best interest of the Company's other stockholders.

EFFECT OF PREFERRED STOCK ON RIGHTS OF COMMON STOCK

The Company's Amended and Restated Certificate of Incorporation authorizes the Board of Directors of the Company to issue "blank check" preferred stock, the relative rights, powers, preferences, limitations, and restrictions of which may be fixed or altered from time to time by the Board of Directors. Accordingly, the Board of Directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting, or other rights that could adversely affect the voting power and other rights of the holders of Common Stock. In the first quarter of 1998, for example, the Company issued 22,500 shares of its Series A Preferred Stock for approximately $2,250,000 in additional capital. During the quarter ended September 30, 2000, 11,500 shares of Series A Preferred Stock and the preferred stock dividends issued on that stock were converted into 456,393 shares of the Company's common stock. During the month ended January 30, 2001, an additional 11,000 shares of Series A Preferred Stock and the preferred stock dividends issued on that stock were converted into 615,585 shares of the Company's common stock. As of the month ended January 30, 2001 there was no longer any Series A Preferred Stock outstanding.

Additional series of preferred stock could be issued, under certain circumstances, as a method of discouraging, delaying, or preventing a change in control of the Company that stockholders might consider to be in the Company's best interests. There can be no assurance that the Company will not issue additional shares of preferred stock in the future.

DEPENDENCE ON KEY PERSONNEL

Cragar's future success depends, in large part, on the efforts of Michael L. Hartzmark, Chairman and Chief Executive Officer. The loss of the services of Dr. Hartzmark could have a material adverse effect on the business of Cragar. While Dr. Hartzmark does not have an employment agreement with Cragar, Dr. Hartzmark and his family beneficially held, as of March 31, 2001, more than 16.6% of Cragar's common stock. The successful implementation of Cragar's business strategies will depend, for the most part, on qualified management and other personnel being hired by Cragar's licensing partners. In addition, the successful implementation of Cragar's brand extension strategy will depend, for the most part, on the qualified management and other personnel working at Trademarketing Resources, Inc. Cragar has no input in the hiring decisions being made by Cragar's licensing partners. Cragar does not maintain key man insurance on any of its personnel or consultants.

NO CASH DIVIDENDS

Cragar has never paid cash dividends or stock dividends on its common stock and does not anticipate that it will pay cash dividends in the foreseeable future. It is anticipated that any earnings will be used to finance growth of Cragar's business and to reduce its debt.

ACCOUNTING MATTERS

The Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101 "Revenue Recognition" which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. SAB No. 101 is applicable beginning with our fourth quarter fiscal 2001 consolidated financial statements. Based on our current analysis of SAB No. 101, management does not believe it will have a material impact on the financial results of the Company.

The FASB issued Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation, the Interpretation of APB Opinion No. 25" ("FIN 44"). The Interpretation is intended to clarify certain problems that have arisen in practice since the issuance of APB No. 25, "Accounting for Stock Issued to Employees." The effective date of the Interpretation was July 1, 2000. The provisions of the Interpretation apply prospectively, but they will also cover certain events occurring after December 15, 1998 and after January 12, 2000. The Company believes the adoption of FIN 44 has not had a material adverse affect on the current and historical financial statements.

ITEM 7. FINANCIAL STATEMENTS

The audited financial statements of Cragar as of December 31, 2000 and for each of the years in the two-year period ended December 31, 2000 are located beginning at page F-1 of this Annual Report on Form 10-KSB.

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

None.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

ITEM 10. EXECUTIVE COMPENSATION

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information respecting the foregoing four Items of Part III is hereby incorporated by reference to Cragar's definitive Proxy Statement relating to its Annual Meeting of Shareholders to be held May 14, 2001.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

The exhibits required to be filed as a part of this Annual Report are listed below.

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
3.1	Second Amended and Restated Certificate of Incorporation of the Registrant filed with State of Delaware on October 1, 1996*
3.2	Amended and Restated Bylaws of the Registrant*
3.3	Form of Certificate of Designation***
4.	Form of Certificate representing Common Stock*
4.1	Form of Warrant Agreement**
4.3	Form of Warrant Certificate*
4.4	Loan and Security Agreement, dated as of April 20, 1998, executed by and between Registrant and NationsCredit Commercial Corporation ****
4.5	Form of Class A Stock Purchase Warrant Certificate*

</TABLE>

<TABLE>

<S>	<C>
4.7	Form of Class C Stock Purchase Warrant Certificate*
4.8	Form of Stock Option / Restricted Stock Grant for grants made pursuant to either or both the CRAGAR Industries, Inc. 1996 Non-Employee Directors' Stock Option Plan and the CRAGAR Industries, Inc. 1996 Stock Option and Restricted Stock Plan*
4.9	Form of Representative's Warrant Agreement, dated December 18, 1996, by and between the Registrant and Dickinson & Co.**
10.1	CRAGAR Industries, Inc. 1996 Non-Employee Directors' Stock Option Plan*
10.1(a)	First Amendment to the CRAGAR Industries, Inc. 1996 Non-Employee Directors' Stock Option Plan, dated October 1, 1996*
10.2	CRAGAR Industries, Inc. 1996 Stock Option and Restricted Stock Plan*
10.2(a)	First Amendment to the CRAGAR Industries, Inc. 1996 Stock Option and Restricted Stock Plan, dated October 1, 1996*
10.3	Commercial Lease, dated February 5, 1993, executed by and between Registrant and Principal Mutual Life Insurance Company*
10.4	Form of Promissory Note of the Registrant, dated March 16, 1999*****
10.5	Form of Security Agreement underlying Promissory Note of the Registrant, dated March 16, 1999*****
10.6	Agreement of Purchase and Sale of Assets between the Registrant and Weld Racing, Inc. dated September 30, 1999******

10.7 Exclusive Field of Use License Agreement between the Registrant and Weld Racing, Inc. dated September 30, 1999******

10.8 Agreement of Purchase and Sale of Assets between the Registrant and Carlisle Tire and Wheel Co. dated October 15, 1999******

10.9 Exclusive Field of Use License Agreement between the Registrant and Carlisle Tire and Wheel Co. dated October 15, 1999******

10.10 Form of Promissory Note of the Registrant, dated December 22, 1999*******

10.11 Form of Security Agreement underlying Promissory Note of the Registrant, dated December 22, 1999*******

10.12 Stock Option********

10.13 Sales Agreement********

10.14 Amendment to Sales Agreement********

10.15 Form of Promissory Note of the Registrant, dated August 1, 2000

10.16 Form of Security Agreement underlying Promissory Note of the Registrant, dated August 1, 2000

10.17 Form of Security Agreement (Pledge) underlying Promissory Note of the Registrant, dated August 1, 2000

10.18 Exclusive Field of Use License Agreement between the Registrant and Performance Wheel Outlet, Inc. dated September 1, 2000
</TABLE>

<TABLE>
<S> <C>
10.19 Form of Promissory Note of the Registrant, dated March 1, 2001

11 Schedule of Computation of Earnings Per Share

21 List of Subsidiaries of the Registrant*

23(a) Consent of Semple & Cooper, LLP
</TABLE>

(b) REPORTS ON FORM 8-K.

None.

* Incorporated by reference to Cragar's Registration on Form SB-2 (No. 333-13415)

** Incorporated by reference to Cragar's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (No. 1-12559)

*** Incorporated by reference to Cragar's Current Report of Form 8-K, filed January 23, 1999 (no. 1-12559)

**** Incorporated by reference to Cragar's Quarterly Report on Form 10QSB, filed on May 15, 1998 (no. 1-12559)

***** Incorporated by reference to Cragar's Quarterly Report on Form 10QSB, filed on May 12, 1999 (no. 1-12559)

****** Incorporated by reference to Cragar's Quarterly Report on Form 10QSB, filed on November 15, 1999 (no. 1-12559)

******* Incorporated by reference to Cragar's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (no. 1-12559)

******** Incorporated by reference to Cragar's Quarterly Report on Form 10QSB, filed on August 15, 2000 (no. 1-12559)

SIGNATURES

In accordance with the requirements of Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CRAGAR INDUSTRIES, INC.

By: /s/ MICHAEL L. HARTZMARK

Michael L. Hartzmark
Chief Executive Officer

Date: March 30, 2001

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.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S>	<C>	<C>
/s/ MICHAEL L. HARTZMARK - --- Michael L. Hartzmark	Treasurer, Chief Executive Officer, and Director (Principal Executive Officer)	March 30, 2001
/s/ RICHARD P. FRANKE - --- Richard P. Franke	Chief Financial Officer (Principal Executive Officer)	March 30, 2001
/s/ MICHAEL MILLER - --- Michael Miller	Secretary, President, and Director Officer, and Director	March 30, 2001
/s/ MARC DWORKIN - --- Marc Dworkin	Director	March 30, 2001
/s/ DONALD MCINTYRE - --- Donald McIntyre	Director	March 30, 2001
/s/ MARK SCHWARTZ - --- Mark Schwartz	Director	March 30, 2001

</TABLE>

INDEPENDENT AUDITORS' REPORT

To The Stockholders and Board of Directors of
Cragar Industries, Inc.

We have audited the accompanying balance sheet of Cragar Industries, Inc. as of December 31, 2000, and the related statements of operations, changes in stockholders' deficit, and cash flows for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cragar Industries, Inc. as of December 31, 2000, and the results of its operations, changes in stockholders'

deficit, and its cash flows for the years ended December 31, 2000 and 1999 in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 15 to the financial statements, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Semple & Cooper, LLP

Certified Public Accountants

Phoenix, Arizona
March 22, 2001

CRAGAR INDUSTRIES, INC.
BALANCE SHEET
December 31, 2000

ASSETS

Current Assets	
Cash and cash equivalents	$ 68,300
Accounts Receivable, net	294,641
Non-trade Receivables	117,684
Investments	1,307,519
Other Current Assets	2,500
Total Current Assets	1,790,644
Property and Equipment, net	41,926
Other Assets	57,624
Total Assets	$ 1,890,194

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities	
Accounts payable	$ 440,882
Notes payable - related parties	1,200,000
Accrued interest	9,730
Accrued expenses	703,215
Total current liabilities	2,353,827
Notes payable - related parties - long term	105,500
Total liabilities	2,459,327
Stockholders' Deficit	
Preferred stock, par value $.01; 200,000 shares authorized, 11,000 shares issued and outstanding	110
Additional paid-in capital - preferred	1,093,515
Common Stock, par value $.01; 5,000,000 shares authorized, 3,016,716 shares issued and outstanding	30,167
Additional paid-in capital - common	13,904,530
Accumulated deficit	(15,597,455)
Total stockholders' deficit	(569,133)
Total Liabilities and Stockholders' Deficit	$ 1,890,194

The Accompanying Notes are an Integral Part of the Financial Statements

CRAGAR INDUSTRIES, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

<TABLE>
<CAPTION>

	2000	1999
<S>	<C>	<C>
Net sales	$ 319,567	$ 12,828,329
Royalty Revenues	435,287	--
Total Revenues	754,854	12,828,329
Cost of Goods Sold	379,676	11,562,681
Gross Profit	375,178	1,265,648
Selling, general and administrative expenses	887,643	1,925,376
Income from Operations	(512,465)	(659,728)
Non-operating income (expenses), net		
Interest Expenses	(157,347)	(569,045)
Other, net	--	116,473
Gain on Sales of Assets	1,646,208	878,006
Total non-operating income (expenses), net	1,488,861	425,434
Net income before income taxes and extraordinary item	976,396	(234,294)
Income Taxes	--	--
Net income before extraordinary item	976,396	(234,294)
Extraordinary Item - Forgiveness of Debt	98,633	288,972
Net Income	$ 1,075,029	$ 54,678
Basic earnings (loss) per share	$ 0.30	$ (0.04)
Diluted earnings per common and common equivalent share	$ 0.30	$ (0.04)
Basic Weighted Average Number of Shares Outstanding	2,762,759	2,456,990
Diluted Weighted Average Number of Shares Outstanding	2,802,100	2,456,990

</TABLE>

The Accompanying Notes are an Integral Part
of the Financial Statements

CRAGAR INDUSTRIES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
For the Years Ended December 31, 2000 and 1999

<TABLE>
<CAPTION>

	COMMON STOCK		PREFERRED STOCK		ADDITIONAL PAID-IN CAPITAL	
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT	COMMON	PREFERRED

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1998	2,453,990	$ 24,540	22,500	$ 225	$ 12,097,115	$ 2,090,513
Issuance of common stock	3,000	30	--	--	(30)	--
Warrants issued to guarantors of line of credit financing	--	--	--	--	54,472	--
Warrants issued with notes payable	--	--	--	--	92,958	--
Amortization of warrant valuation	--	--	--	--	--	76,443
Net income	--	--	--	--	--	--
Balance at December 31, 1999	2,456,990	24,570	22,500	225	12,244,515	2,166,956
Conversion of Bridge Financing	97,500	975	--	--	291,649	--
Preferred stock converted to common stock	456,393	4,564	(11,500)	(115)	1,350,924	(1,149,885)
Common stock issued in vendor settlement	5,833	58	--	--	17,442	--
Amortization of warrant valuation	--	--	--	--	--	76,444
Net income	--	--	--	--	--	--
Balance at December 31, 2000	3,016,716	$ 30,167	11,000	$ 110	$ 13,904,530	$ 1,093,515

<CAPTION>

	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' DEFICIT
<S>	<C>	<C>
Balance at December 31, 1998	$(16,368,787)	$ (2,156,394)
Issuance of common stock	--	--
Warrants issued to guarantors of line of credit financing	--	54,472
Warrants issued with notes payable	--	92,958
Amortization of warrant valuation	(76,443)	--
Net income	54,678	54,678
Balance at December 31, 1999	(16,390,552)	(1,954,286)
Conversion of Bridge Financing	--	292,624
Preferred stock converted to common stock	(205,488)	--
Common stock issued in vendor settlement	--	17,500
Amortization of warrant valuation	(76,444)	
Net income	1,075,029	1,075,029
Balance at December 31, 2000	$(15,597,455)	$ (569,133)

</TABLE>

The Accompanying Notes are an Integral Part of the Financial Statements

CRAGAR INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2000 1nd 1999

<TABLE>
<CAPTION>

	2000	1999
<S>	<C>	<C>
Cash flows from operating activities:		

Net income (loss)	$ 1,075,029	$ 54,678
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Provision for losses on accounts receivable	--	--
Provision for obsolete and slow-moving inventory	--	393,385
Depreciation and amortization	100,167	283,705
(Gain) loss on disposition of property and equipment	16,271	(878,006)
Gain on disposition of investments	(1,803,882)	(287,500)
Vendor settlement paid with investments	56,209	
Accounts payable paid with property, equipment, and stock	17,500	206,231
Marketing and commission costs paid with property and equipment	--	33,110
Extraordinary gain from forgiveness of debt	(98,633)	(288,972)
Issuance of common stock warrants related to the acquisition of debt	--	147,430
Interest added to notes payable	38,124	
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	1,149,245	1,435,391
Non-trade receivables	(117,684)	
Inventory	540,373	3,418,695
Prepaid expenses and other current assets	76,165	121,352
Other assets	--	(36,304)
Accounts payable	(332,592)	(1,313,666)
Accrued expenses	(123,782)	(205,647)
Accrued interest	(44,217)	(20,731)
Deferred revenue	(275,000)	275,000
Net cash provided by operating activities	$ 273,293	$ 3,338,151

</TABLE>

The Accompanying Notes are an Integral Part of the Financial Statement

CRAGAR INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended December 31, 2000 and 1999

<TABLE>
<CAPTION>

	2000	1999
<S>	<C>	<C>
Cash flows from investing activities:		
Purchase of investments	$(1,775,600)	$ (450,000)
Proceeds from sale of investments, net	2,675,443	300,000
Purchases of property and equipment	--	(59,067)
Proceeds from disposition of property and equipment	125,325	861,315
Net cash provided by investing activities	1,025,168	652,248
Cash flows from financing activities:		
Net borrowings (repayments) on line of credit	(2,331,548)	(3,488,945)
Proceeds from notes payable	--	260,000
Repayment of notes payable	--	(960,067)
Net proceeds (payments) on notes payable to related parties	1,100,000	200,000
Net cash used by financing activities	(1,231,548)	(3,989,012)
Increase in cash and cash equivalents	66,913	1,387
Cash and cash equivalents at beginning of year	1,387	--
Cash and cash equivalents at end of year	$ 68,300	$ 1,387

Supplemental disclosure of cash flow information:		
Net cash paid for interest	$ 163,440	$ 589,776
Non-Cash Financing and Investing Activities:		
Gain on forgiveness of debt	98,633	288,972
Commissions and marketing costs paid with equipment	--	33,110
Issuance of common stock warrants	4,830	147,430
Accounts payable satisfied with equipment and investments	38,124	206,231
Debt converted to common stock	260,000	--
Interest added to debt balance	38,124	--
Preferred stock dividend satisfied in common stock	205,488	--
Common stock issued for accounts payable	17,500	--
Conversion of preferred stock to common stock	1,150,000	--

</TABLE>

The Accompanying Notes are an Integral Part of the Financial Statements

CRAGAR INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, NATURE OF OPERATIONS AND USE OF ESTIMATES:

NATURE OF OPERATIONS:

CRAGAR Industries, Inc. (The Company) designed, produced and sold composite, aluminum, steel and wire custom wheels and wheel accessories. It marketed and sold to aftermarket distributors and dealers throughout the United States, Canada, Australia and other international markets. During the year ended December 31, 1999 the Company changed its primary business strategy from the manufacturing, marketing and distribution of CRAGAR products to the licensing of them.

In connection with the reassessment of its business strategy, Cragar entered into licensing agreements and agreements to sell assets to Weld Racing, Inc., Carlisle Tire & Wheel Co., and Performance Wheel Outlet, Inc. Pursuant to these agreements Cragar granted an exclusive worldwide license to manufacture, sell, and distribute certain lines of wheels and related accessories in exchange for a royalty based on sales of the licensed products.

USE OF ESTIMATES:

The preparation of financial statements in conformity with 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.

CASH AND CASH EQUIVALENTS:

All short-term investments purchased with an original maturity of three months or less are considered to be cash equivalents. Cash and cash equivalents include cash on hand and amounts on deposit with a financial institution.

ACCOUNTS RECEIVABLE:

The Company provides for potentially uncollectible accounts receivable by use of the allowance method. The allowance is provided based upon a review of the individual accounts outstanding, and the Company's prior history of uncollectible accounts receivable. As of December 31, 2000, a provision for uncollectible accounts receivable in the amount of $25,000 has been established.

INVESTMENTS:

Investments consist of nonmarketable common stock and options to purchase nonmarketable common stock. The investments are stated at cost, which does not exceed estimated net realizable value.

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, NATURE OF OPERATIONS
AND USE OF ESTIMATES (CONTINUED):

PROPERTY AND EQUIPMENT:

Property and equipment are recorded at cost. Depreciation is provided for on the straight-line method over the estimated useful lives of the assets. The average lives range from three (3) to seven (7) years. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Betterments or renewals are capitalized when incurred. For the years ended December 31, 2000 and 1999, depreciation expense was $23,723 and $283,705, respectively.

DEFERRED REVENUE:

Deferred revenue consists of amounts received under agreements entered into by the Company for the licensing of their products. Revenues will be recorded in the future as royalties are earned under these agreements.

REVENUE RECOGNITION:

Revenue from product sales is recognized upon shipment to the customer. Provisions are made currently for estimated product returns.

Revenue under licensing agreements is recorded as royalties are earned under the agreements.

IMPAIRMENT OF LONG-LIVED ASSETS:

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeded the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

PRODUCT WARRANTIES:

Costs estimated to be incurred with respect to product warranties are provided for at the time of sale based upon estimates derived from experience factors.

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, NATURE OF OPERATIONS
AND USE OF ESTIMATES (CONTINUED):

INCOME TAXES:

Deferred income taxes are provided on an asset and liability method, whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis.

Deferred tax assets are reduced by a valuation allowance when in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

EMPLOYEE STOCK OPTIONS:

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options and to adopt the "disclosure only" alternative treatment under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). SFAS No. 123 requires the

use of fair value option valuation models that were developed for use in valuing employee stock options. Under SFAS No. 123, deferred compensation is recorded for the excess of the fair value of the stock on the date of the option grant, over the exercise price of the option. The deferred compensation is amortized over the vesting period of the option.

NET INCOME (LOSS) PER COMMON SHARE:

Basic earnings per share include no dilution and are computed by dividing income available to common stockholders by the weighted average number of shares outstanding for the period.

Diluted earnings per share amounts are computed based on the weighted average number of shares actually outstanding plus the shares that would be outstanding assuming the exercise of dilutive stock options, all of which are considered to be common stock equivalents. The number of shares that would be issued from the exercise of stock options has been reduced by the number of shares that could have been purchased from the proceeds at the average market price of the Company's stock. In addition, certain outstanding options are not included in the computation of diluted earnings per share because their effect would be antidilutive.

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, NATURE OF OPERATIONS AND USE OF ESTIMATES (CONTINUED):

NET INCOME (LOSS) PER COMMON SHARE (CONTINUED):

Basic net loss per common share is computed based on weighted average shares outstanding and excludes any potential dilution from stock options, warrants and other common stock equivalents. Basic net loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted net loss per common share reflects potential dilution from the exercise or conversion of securities into common stock or from other contracts to issue common stock. Assumed exercise of the outstanding stock options and warrants at December 31, 1999 of 1,881,178, have been excluded from the calculation of diluted net loss per common share as their effect is antidilutive.

FAIR VALUE OF FINANCIAL INSTRUMENTS:

Statement of Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Instruments" (SFAS 107) requires disclosure of the fair value of certain financial instruments. The following methods and assumptions were used by the Company in estimating fair value disclosures for the financial instruments:

Limitations - Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instrument; they are subjective in nature and involve uncertainties, matters of judgement and, therefore, cannot be determined with precision. These estimates do not reflect any premium or discount that could result from the offering for sale at one time the Company's entire holdings of a particular instrument. Changes in assumptions could significantly affect these estimates.

Since the fair value is estimated as of December 31, 2000, the amounts that will actually be realized or paid in settlement of the instruments could be significantly different.

Current assets and current liabilities - The amounts reported in the balance sheet approximate fair value due to the short maturities of these items.

Long-term liabilities - The terms of the Company's long-term liabilities approximate the terms in the market place at which they could be replaced, therefore the fair value approximates the carrying value of these financial instruments.

NOTE 2
PROPERTY AND EQUIPMENT:

Property and equipment as of December 31, 2000 consists of:

Autos and trucks	$ 42,531
Leashold improvements	555,466
Capital lease equipment	73,195
	671,192
Less accumulated depreciation	(629,266)
	$ 41,926

NOTE 3
ACCRUED EXPENSES

Accrued expenses as of December 31, 2000 consists of:

Accrual for warranty expense	$400,000
Payroll and related benefits	5,392
Professional fees	95,000
Real estate, personal property and other taxes	61,420
Other	141,403
	$703,215

NOTE 4
NOTES PAYABLE:

As of December 31, 2000, note payable consists of one (1) note with interest at prime plus 2.25% per annum. The notes require monthly interest payments with the balance due in full in March 2002. The note is collateralized by various assets of the Company including but not limited to accounts receivable, investments, and property and equipment.

NOTE 5
CREDIT FACILITY:

The Company had a credit facility with a finance company providing for a maximum combined term loan and revolving line of credit totaling $8.5 million, subject to certain restrictions with respect to the collateral borrowing base. The credit facility contained no financial covenants and was collateralized by certain assets of the Company under a security agreement, which included accounts receivable, inventories, intangible assets and property and equipment. Certain stockholders have also pledged personal investments totaling $1.5 million as collateral on the credit facility and a portion of the investments were considered in determining the borrowing base. The line of credit bears interest at the prime rate plus 1.25% (9.75% at December 31, 1999) and was due in full in April 2002. As of December 31, 1999, $2,331,548 was outstanding under the line of credit and approximately $166,000 was available to borrow.

As of December 31, 2000 there was no balance outstanding under the term loans of the credit facility. During the year ended December 31, 2000 the credit facility

was paid in full and the term loan and revolving line of credit were terminated.

NOTE 6
NOTES PAYABLE TO RELATED PARTIES:

As of December 31, 2000, notes payable to related parties consists of two (2) separate notes with interest at prime plus 2.25% per annum. The notes require monthly interest payments with the balance of the notes due August 2001. The notes are collateralized by various assets of the Company including but not limited to accounts receivable, investments, and property and equipment.

NOTE 7
EQUITY:

COMMON STOCK:

During the year ended December 31, 2000 the Company issued 5,833 shares of common stock in settlement to a vendor. The stock was valued at $17,500.

PREFERRED STOCK:

In January 1998, the Company issued 22,500 shares of 7% Series A Convertible Preferred Stock for $1,650,000 cash and conversion of $600,000 of investor notes payable to stockholders. Dividends in arrears for preferred stock totaled $241,933 and $293,125 at December 31, 2000 and 1999, respectively.

During the year ended December 31, 2000, 11,500 shares of 7% Series A Convertible Preferred Stock and $205,488 of preferred dividends in arrears were converted to 456,393 shares of common stock.

NOTE 7
EQUITY (CONTINUED):

PREFERRED STOCK:

As of December 31, 2000 the Company has outstanding 11,000 shares of Series A Convertible Preferred Stock. The conversion price for each share of Series A Convertible Preferred Stock is the lesser of (a) $6.75 (the "Series A Fixed Price") or (b) 97% of the average per share market value during the ten (10) trading days immediately preceding the conversion date (the "Series A Floating Price"). For each 30 day period subsequent to the original issue date the "Series A Floating Price" shall be reduced by an additional 1.5% of the per share market price but in no event shall be reduced below 80% of the average per share market value.

WARRANTS:

At December 31, 2000 and 1999, the Company had outstanding Class A warrants to purchase 7,877.5 shares of the Company's common stock at $1.43 per share. These warrants became exercisable on January 1, 1993 and expire on December 31, 2002. In addition, the Company has outstanding Class C warrants to purchase 21,000 shares of the Company's common stock at $3.25 per share. These warrants became exercisable on July 1, 1996 and expire on June 30, 2001. In the opinion of management, the exercise price of the Class A and C warrants approximated their fair value at the date of grant; therefore, no debt discount was recorded at the date of grant.

As a result of the completion of the Company's initial public offering in December 1996, warrants to acquire 977,500 shares of the Company's common stock at $6.60 per share and representative's warrants to acquire 85,000 shares of the Company's common stock at $7.50 per share were outstanding at December 31, 2000 and 1999. These warrants expire in December 2001.

Warrants to acquire 333,333 shares of the Company's common stock at $8.75 per share in conjunction with the 1998 issuance of preferred stock were outstanding at December 31, 2000 and 1999. These warrants became exercisable in January 1998 and expire in January 2001. These warrants were valued at $229,333 and recorded

as a contra entry to additional paid-in capital - preferred. This amount is being amortized to accumulated deficit on a straight-line basis over the three (3) year life of the warrants.

Warrants to acquire 50,000 shares of the Company's common stock at $5.25 per share relating to the Company's 1998 acquisition of a credit facility (Note 5) were outstanding at December 31, 2000 and 1999. The warrants became exercisable in April 1998 and expire in April 2003. These warrants were valued at $21,900 based upon the market value of similar publicly traded warrants as of the date of grant. This warrant value was fully amortized to interest expense in 1998.

During April 1999 the Company granted warrants to purchase 73,500 shares of the Company's common stock at $5.00 per share relating to personal pledges made by stockholders related to the Company's credit facility. The warrants are exercisable upon issuance and expire in April 2002. These warrants were valued at $54,472 based on the market value of similar publicly traded warrants as of the date of grant. The total value of these warrants was charged to expense during the year ended December 31, 1999.

NOTE 7
EQUITY (CONTINUED):

WARRANTS (CONTINUED):

During December 1999 the Company granted warrants to purchase 3,500 shares of the Company's common stock at $1.80 per share relating to the acquisition of notes payable. The warrants were exercisable upon issuance and expire in December 2002. These warrants were valued at $2,825 based on the market value of similar publicly traded warrants as of the date of grant. The total value of these warrants was charged to expense during the year ended December 31, 1999.

During April 2000, the Company granted warrants to purchase 77,000 shares of the Company's common stock at $5.00 per share relating to personal pledges made by stockholders related to the Company's credit facility. The warrants are exercisable upon issuance and expire in April 2003. These warrants were valued at $2,310 based on the market value of similar publicly traded warrants as of the date of grant. The total value of these warrants was charged to expense during the year ended December 31, 2000.

During September 2000, the Company granted warrants to purchase 84,000 shares of the Company's common stock at $3.15 per share relating to the line of credit provided by the stockholders. These warrants were valued at $2,520 based on the market value of similar publicly traded warrants as of the date of grant. The total value of these warrants was charged to expense during the year ended December 31, 2000.

During the year ended December 31, 2000, warrants to purchase 97,500 shares of the Company's common stock were exercised. Otherwise, during the year ended December 31, 1999 no other warrants to purchase shares of the Company's common stock were exercised.

NOTE 8
STOCK OPTION PLAN:

During 1996 the Company's Board of Directors and stockholders formally approved the Company's stock option and restricted stock plan and non-employee director plan (the Plans), which permit the granting of options to purchase shares of the Company's common stock to eligible employees and directors. The Plans reserve 245,000 shares of the Company's common stock for grant. The Plans provide that the options may be either incentive or non-incentive stock options. The exercise price for the incentive stock options shall not be less than 100% of the fair market value of the stock at the date of grant and 85% of the fair market value with respect to the non-incentive stock options. Options granted under the Plans must be exercised in whole or in part within 10 years of the date of grant. The Company may also issue stock appreciation rights or restricted stock under the provisions of the Plans with similar terms to the incentive and non-incentive stock options. As of December 31, 2000, 15,200 stock options under the Plans were available for grant.

CRAGAR INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8
STOCK OPTION PLAN (CONTINUED):

The per share weighted average fair value of stock options granted during 2000 and 1999 was $.93 and $1.47, respectively, on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: expected dividend yield 0%, expected volatility of 57.6% and 53.7%, respectively, and an expected life of 3 years, respectively. The risk free interest rate was 8.0% and 7.0% for 2000 and 1999, respectively.

The Company applies APB Opinion No. 25 in accounting for its Plans, and accordingly, no compensation cost has been recognized for its stock options to employees in the financial statements. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net income and net loss per common share for the years ended December 31, 2000 and 1999, respectively, would have been adjusted to the pro forma amounts indicated below.

<TABLE>
<CAPTION>

	2000	1999
<S>	<C>	<C>
Net income (loss)		
As reported	$ 1,075,029	$ 54,678
Pro forma	$ 984,450	$ (51,950)
Basic earnings (loss) per share		
As reported	$ 0.30	$ 0.04
Pro forma	$ 0.27	$ (0.04)
Diluted earnings (loss) per share		
As reported	$ 0.30	$ 0.04
Pro forma	$ 0.26	$ (0.04)

</TABLE>

The full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the pro forma net loss amounts presented above because compensation cost is reflected over the options' vesting period.

A summary of the aforementioned stock plan for the years ended December 31, 2000 and 1999 is as follows:

CRAGAR INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8
STOCK OPTION PLAN (CONTINUED):

<TABLE>
<CAPTION>

	2000		1999	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>
Balance at beginning of year	229,800	$ 4.35	154,400	$ 5.28
Granted	40,000	3.55	116,000	3.41
Forfeited	--	--	(40,600)	5.20
Excercised	--	--	--	--
Balance at the end of the year	269,800	$ 4.23	229,800	$ 4.35
Excercisable at end of year	214,067	4.47	143,467	$ 4.96

Weighted average fair value of options granted during the year	$ 0.93		$ 1.47	

A summary of stock options granted at December 31, 2000 is as follows:

Options Outstanding				Options Excercisable		
Exercise Prices	Number Outstanding at December 31, 2000	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Excercisable at December 31, 2000	Weighted Average Exercise Price
$5.12 - 5.14	63,500	6.50	5.12	63,500	$ 5.12
5.25	6,000	7.60	5.25	6,000	5.25
5.60	44,300	5.83	5.60	44,300	5.60
3.75	17,000	8.00	3.75	5,667	3.75
3.75	45,500	8.50	3.75	33,167	3.75
3.13	6,000	8.33	3.13	6,000	3.13
3.00	47,500	8.08	3.00	15,834	3.00
3.50	12,000	9.21	3.50	12,000	3.50
4.50	12,000	9.54	4.50	12,000	4.50
2.88	16,000	9.96	2.88	16,000	2.88
	269,800		$ 4.23	214,467	$ 4.47

NOTE 9
COMMITMENTS AND CONTINGENCIES:

The Company is involved in various claims and actions arising in the ordinary course of business. In the opinion of management, based on consultation with legal counsel, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations or liquidity. Accordingly, no provision has been made in the accompanying financial statements for losses, if any, that might result from the ultimate resolution of these matters.

NOTE 10
INCOME TAXES:

The Company had no current income taxes for the years ended December 31, 2000 and 1999. As of December 31, 2000 deferred tax assets (liabilities) consist of the following:

Allowance for doubtful accounts	$ 8,500
Depreciation	(13,600)
Accrual for warranty expense	136,000
Net operating loss carryforwards	4,231,000
Total deferred tax asset	4,361,900
Less valuation allowance	(4,361,900)
Net deferred tax asset	$ --

The Company has net operating loss carryforwards at December 31, 2000 of approximately $13,520,000 for federal income tax purposes, which begin to expire in 2010.

The net change in the valuation allowance for the years ended December 31, 2000 and 1999 were decreases of $1,008,300 and $1,153,800, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management believes that the inability to utilize net operating loss carryforwards to offset future taxable income within the carryforward periods is more likely than not. Accordingly, a 100 percent valuation allowance has been recorded against the net deferred tax assets.

NOTE 11
EXTRAORDINARY GAIN:

During the year ended December 31, 2000 the Company recorded an extraordinary gain in the amount of $98,633 resulting from the forgiveness of debts by certain creditors of the Company. No tax is calculated on the gain due to the operating loss carryforwards that the Company has available to offset the resulting income.

NOTE 12
LOSS PER COMMON SHARE:

A summary of the Company's basic and diluted income (loss) per share is as follows:

Years Ended December 31,

<TABLE>
<CAPTION>

	2000	1999
<S>	<C>	<C>
Net income (loss) before extraordinary items	$ 976,396	$ (234,294)
Less preferred dividends in arrears	(241,933)	(157,500)
Income (loss) available to common stockholders before extraordinary item	734,463	(391,794)
Extraordinary item - gain on forgiveness of debt	98,633	288,972
Income (loss) available to common stockholders used in basic EPS	$ 833,096	$ (102,822)
Basic EPS weighted average shares outstanding	2,759,759	2,456,990
Basic income (loss) per common share before extraordinary item	$ 0.27	$ (0.16)
Extraordinary item	0.03	0.12
Basic income (loss) per common share	$ 0.30	$ (0.04)
Diluted EPS weighted average shares outstanding	2,802,100	2,456,990
Diluted income (loss) per common and common equivalent share before extraordinary item	$ 0.32	$ (0.04)
Extraordinary item	0.27	(0.16)

Diluted income (loss) per common and common equivalent share	0.30	0.12
	$ 0.30	$ (0.04)

</TABLE>

NOTE 13
OPERATING LEASES:

The Company leased office and warehouse facilities and various equipment items under operating leases expiring through June 2003. The Company is responsible for all occupancy costs including insurance and utility costs.

Subsequent to December 31, 2000 the Company cancelled the aforementioned operating lease. The terms of the cancellations included the payment of approximately $141,400, which has been accrued as of December 31, 2000

No renewal options are provided for in the lease agreements. Total rental expense for the years ended December 31, 2000 and 1999 was approximately $280,650.

During December 1999 the Company entered into an agreement to sublease a substantial portion of the facilities that the Company leases. The Company continues to bear primary financial responsibility for the original lease of the facility. The sublease expires in June 2003. Minimum future rental receipts under the sublease are as follows:

<TABLE>
<CAPTION>

For the year ended December 31,	
2001	$ 336,000
2002	336,000
2003	168,000
Total Future Lease Receipts	$ 840,000

</TABLE>

Total gross rental income for the year ended December 31, 2000 and 1999 was approximately $440,000 and $28,000, respectively. Subsequent to December 31, 2000 the Company cancelled the aforementioned sublease agreement.

NOTE 14
CONCENTRATIONS OF CREDIT RISK - MAJOR CUSTOMERS:

During the year ended December 31, 2000 the Company received all of its licensing fee royalties from two licensees, one warehouse/distributor and miscellaneous sales of product to individuals. During the year ended December 31, 1999 the Company sold a substantial portion of its products to its top three customers representing 21.9%, 10.0% and 2.5% of total sales. The percentages of accounts receivable from the major customers were 2.5%, 18.5%, and 15.5%, respectively.

NOTE 15
GOING CONCERN:

The Company's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has an accumulated

deficit of $15,597,455 as of December 31, 2000, has generated substantial losses from operations for several years, and has a stockholders' deficit of $569,133 as of December 31, 2000. The Company's business plan calls for a change in general business strategy, transitioning from the manufacturing, marketing and distribution of custom wheels and wheel accessories to the licensing of their products. The Company plans to maintain revenues from licensing agreements while substantially decreasing costs. There is no certainty that the Company's plans will be successfully carried out. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 16
SUBSEQUENT EVENT:

Subsequent to December 31, 2000, 11,000 shares of Series A Convertible preferred stock and $241,933 of preferred dividends were converted into 615,685 shares of common stock.

EXHIBIT 10.15

SECURED PROMISSORY NOTE

Phoenix, Arizona
$1,200,000.00 August 1, 2000

1. FUNDAMENTAL PROVISIONS. The Loan evidenced by this Secured Promissory Note (the "NOTE") shall be for the purpose of paying for or reimbursing Borrower for certain working capital costs and expenses incurred in the ordinary course of business. The Loan shall constitute a line of credit. Subject to the terms and conditions contained herein, and from time to time prior to the Maturity Date, the Co-Lenders agree, SEVERALLY AND NOT JOINTLY, to make advances of the Loan to Borrower, in their respective Pro Rata Interests (as defined in Paragraph 25 herein), up to in all cases, in aggregate, the maximum cumulative amount not to exceed the Loan Amount. The following terms will be used as defined terms in this Note (as it may be amended, modified, extended and renewed from time to time):

LENDER:	Collectively, jointly, severally and jointly and severally, DOLORES HARTZMARK, a married woman ("HARTZMARK"), and SIDNEY DWORKIN and DORIS DWORKIN, husband and wife (collectively, "DWORKIN"). Dworkin and Hartzmark are each individually referred to herein as a "CO-LENDER".
BORROWER:	CRAGAR INDUSTRIES, INC., a Delaware corporation.
PRINCIPAL AMOUNT:	One Million Two Hundred Thousand and No/100 Dollars ($1,200,000.00).
INTEREST RATE:	Two and one-quarter percent (2.25%) per annum above the Index Rate. The Interest Rate shall change from time to time as and when the Index Rate changes.
DEFAULT INTEREST RATE:	Three percent (3%) per annum above the Interest Rate. The Default Interest Rate shall change from time to time as and when the Interest Rate changes as a result of changes in the Index Rate.
INDEX RATE:	The rate of interest most recently publicly announced in the Western Edition of THE WALL STREET JOURNAL as its "prime rate." Any change in the "prime rate" shall become effective as of the same date of any such change.
MATURITY DATE:	August 1, 2001, as the same may be extended pursuant to

PARAGRAPH 3(D) herein.

BUSINESS DAY: Any day of the year other than Saturdays, Sundays and legal holidays on which governmental institutions located in Phoenix, Arizona are closed.

LOAN DOCUMENTS: This Note, the Security Agreement, the Warrant, Pledge and any other documents securing the repayment of the Note.

LOAN FEE: Twenty-Four Thousand and No/100 Dollars ($24,000.00), which amount shall be paid by Borrower pursuant to the provisions set forth in PARAGRAPH 18 herein.

SECURITY AGREEMENT: That certain Security Agreement dated of even date herewith, by Borrower, as Debtor, to and for the benefit of Lender, as Secured Party.

PLEDGE: That certain Security Agreement (Pledge) (Pledgor is Obligor) dated of even date herewith, by Borrower, as Debtor, to and for the benefit of Lender, as Lender.

WARRANT: Those certain Warrants to Purchase Common Stock of Cragar Industries, Inc., by Borrower, as Company, to and for the benefit of Hartzmark and Dworkin (as applicable), as Holder.

LOAN: The loan from Lender to Borrower in the Principal Amount and evidenced by this Note.

2. PROMISE TO PAY. For value received, Borrower promises to pay to the order of Lender at such place as Lender may from time to time designate in writing, the Principal Amount or so much thereof that is advanced, together with accrued interest from the date of disbursement on the unpaid principal balance at the Interest Rate.

3. INTEREST; PAYMENTS.

(a) Absent an Event of Default hereunder or under any of the Loan Documents, each advance made hereunder shall bear interest at the Interest Rate in effect from time to time. Throughout the term of this Note, interest shall be computed by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding.

(b) All payments of principal and interest due hereunder shall be made (i) without deduction of any present and future taxes, levies, imposts, deductions, charges or withholdings, which amounts shall be paid by Borrower, and (ii) without any other set off. Borrower will pay the amounts necessary

such that the gross amount of the principal and interest received by the holder hereof is not less than that required by this Note.

(c) Commencing on September 1, 2000 and continuing on the same day of each calendar month thereafter (each, an "INTEREST PAYMENT DATE"), Borrower shall make consecutive monthly installments of accrued, unpaid interest, with one (1) final "balloon" payment of all unpaid principal, interest, and any other amounts due hereunder due and payable on the Maturity Date. If any payment of principal and interest to be made by Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing the interest in such payment.

(d) In Lender's sole and absolute discretion, the Maturity Date in effect from time to time may be extended in successive twelve (12) calendar month increments (each, an "EXTENDED MATURITY DATE") upon the following terms and conditions:

(i) at least thirty (30) days prior to the Maturity Date or the Extended Maturity Date in effect (as applicable), Borrower shall give Lender written notice that Borrower desires an extension of said Maturity Date or Extended Maturity Date (as applicable); and

(ii) there shall be no Event of Default hereunder or under any other Loan Document, nor the existence of any event which, with the giving of notice or the passage of time, or both, would give rise to an Event of Default hereunder or thereunder, either on the date of Borrower's notice to Lender as provided in clause (i) above or on the Maturity Date or Extended Maturity Date (as applicable).

4. PREPAYMENT.

(a) Borrower may prepay the Loan, in whole or in part, at any time without penalty or premium.

(b) In no event shall Borrower be entitled to reborrow any amounts prepaid.

5. LAWFUL MONEY. Principal and interest are payable in lawful money of the United States of America.

6. APPLICATION OF PAYMENTS/LATE CHARGE/DEFAULT INTEREST.

(a) Unless otherwise agreed to, in writing, or otherwise required by applicable law, payments will be applied first to accrued, unpaid interest, then to principal, and any remaining amount to any unpaid collection costs, late charges and other charges, PROVIDED, HOWEVER, upon delinquency or other default, Lender reserves the right to apply payments among principal,

interest, late charges, collection costs and other charges at its discretion. All prepayments shall be applied to the indebtedness owing hereunder in such order and manner as Lender may from time to time determine in its sole discretion.

(b) If any payment of interest and/or principal is not received by the holder hereof when such payment is due, then in addition to the remedies conferred upon the holder hereof pursuant to PARAGRAPH 9 hereof and the other Loan Documents, a late charge of two percent (2%) of the amount of the regularly scheduled payment or $25.00, whichever is greater, up to the maximum amount of $1,500.00 per late charge will be added to the delinquent amount to compensate the holder hereof for the expense of handling the delinquency for any payment past due in excess of fifteen (15) days, regardless of any notice and cure periods.

(c) Upon the occurrence of an Event of Default, including the failure to pay upon final maturity, Lender, at its option, may also, if permitted under applicable law, do one or both of the following: (i) increase the applicable Interest Rate on this Note to the Default Interest Rate, and (ii) add any unpaid accrued interest to principal and such sum

will bear interest therefrom until paid at the rate provided in this Note (including any increased rate). The interest rate will not exceed the maximum rate permitted by applicable law.

7. SECURITY. This Note is secured by, INTER ALIA, the Security Agreement and the Pledge, which instruments create a security interest in the property described therein.

8. EVENT OF DEFAULT. The occurrence of any of the following shall be deemed to be an event of default ("EVENT OF DEFAULT") hereunder:

(a) Default in the payment of principal or interest when due pursuant to the terms hereof and the expiration of five (5) days after written notice of such default from Lender to Borrower;

(b) Failure by Borrower to perform any obligation not involving the payment of money, or to comply with any other term or condition applicable to Borrower under any Loan Document and the expiration of twenty (20) days after written notice of such failure by Lender to Borrower;

(c) Any representation or warranty by Borrower in any Loan Document is materially false, incorrect, or misleading as of the date made;.

(d) The occurrence of any event (including, without limitation, a change in the financial condition, business, or operations of Borrower for any reason whatsoever) that materially and adversely affects the ability of Borrower to

perform any of its obligations under the Loan Documents, and the expiration of thirty (30) days after written notice of such event by Lender to Borrower;

(e) Borrower (i) is unable or admits in writing Borrower's inability to pay its monetary obligations as they become due, (ii) fails to pay when due any monetary obligation, whether such obligation be direct or contingent, to any person in excess of Ten Thousand Dollars ($10,000), (iii) makes a general assignment for the benefit of creditors, or (iv) applies for, consents to, or acquiesces in, the appointment of a trustee, receiver, or other custodian for Borrower or the property of Borrower or any part thereof, or in the absence of such application, consent, or acquiescence a trustee, receiver, or other custodian is appointed for Borrower or the property of Borrower or any part thereof, and such appointment is not discharged within sixty (60) days;

(f) Commencement of any case under the Bankruptcy Code, Title 11 of the United State Code, or commencement of any other bankruptcy arrangement, reorganization, receivership, custodianship, or similar proceeding under any federal, state, or foreign law by or against Borrower and with respect to any such case or proceeding that is involuntary, such case or proceeding is not dismissed within sixty (60) days of the filing thereof;

(g) Any litigation or proceeding is commenced before any governmental authority against or affecting Borrower or the property of Borrower or any part thereof and such litigation or proceeding is not defended diligently and in good faith by Borrower;

(h) A final judgment or decree for monetary damages or a monetary fine or penalty (not subject to appeal or as to which the time for appeal has expired) is entered against Borrower by any governmental authority, which together with the aggregate amount of all other such judgments and decrees against Borrower that remain unpaid or that have not been discharged or stayed, exceeds Twenty Thousand Dollars ($20,000), is not paid and discharged or stayed within thirty (30) days after the entry thereof;

(i) Commencement of any action or proceeding which seeks as one of its remedies the dissolution of Borrower;

(j) All or any part of the property of Borrower is attached, levied upon, or otherwise seized by legal process, and such attachment, levy, or seizure is not quashed, stayed, or released within twenty (20) days of the date thereof; and

(k) The occurrence of any Event of Default, as such term is defined in any other Loan Document, including, without limitation, any default in any agreement, obligation or instrument between Borrower and any affiliate of Lender.

9. REMEDIES. Upon the occurrence of an Event of Default, then at the option of the holder hereof, the entire balance of principal together with all accrued interest thereon, and all other amounts payable by Borrower under the Loan Documents shall, without demand or notice, immediately become due and payable. Upon the occurrence of an Event of Default (and so long as such Event of Default shall continue), the entire balance of principal hereof, together with all accrued interest thereon, all other amounts due under the Loan Documents, and any judgment for such principal, interest, and other amounts shall bear interest at the Default Interest Rate, subject to the limitations contained in PARAGRAPH 14 hereof. No delay or omission on the part of the holder hereof in exercising any right under this Note or under any of the other Loan Documents hereof shall operate as a waiver of such right.

10. WAIVER. Borrower, endorsers, guarantors, and sureties of this Note hereby waive diligence, demand for payment, presentment for payment, protest, notice of nonpayment, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor, and notice of nonpayment, and all other notices or demands of any kind (except notices specifically provided for in the Loan Documents) and expressly agree that, without in any way affecting the liability of Borrower, endorsers, guarantors, or sureties, the holder hereof may extend any maturity date or the time for payment of any installment due hereunder, otherwise modify the Loan Documents, accept additional security, release any person liable, and release any security or guaranty. Borrower, endorsers, guarantors, and sureties waive, to the full extent permitted by law, the right to plead any and all statutes of limitations as a defense.

11. CHANGE, DISCHARGE, TERMINATION, OR WAIVER. No provision of this Note may be changed, discharged, terminated, or waived except in a writing signed by the party against whom enforcement of the change, discharge, termination, or waiver is sought. No failure on the part of the holder hereof to exercise and no delay by the holder hereof in exercising any right or remedy under this Note or under the law shall operate as a waiver thereof.

12. ATTORNEYS' FEES. If this Note is not paid when due or if any Event of Default occurs, Borrower promises to pay all costs of enforcement and collection and preparation therefor, including but not limited to, reasonable attorneys' fees, whether or not any action or proceeding is brought to enforce the provisions hereof (including, without limitation, all such costs incurred in connection with any bankruptcy, receivership, or other court proceedings (whether at the trial or appellate level)).

13. SEVERABILITY. If any provision of this Note is unenforceable, the enforceability of the other provisions shall not be affected and they shall remain in full force and effect.

14. INTEREST RATE LIMITATION. Borrower hereby agrees to pay an effective rate of interest that is the sum of the interest rate provided for herein, together with

any additional rate of interest resulting from any other charges of interest or in the nature of interest paid or to be paid in connection with the Loan, including, without limitation, the Loan Fee and any other fees to be paid by Borrower pursuant to the provisions of the Loan Documents. Lender and Borrower agree that none of the terms and provisions contained herein or in any of the Loan Documents shall be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by the laws of the State of Arizona. In such event, if any holder of this Note shall collect monies which are deemed to constitute interest which would otherwise increase the effective interest rate on this Note to a rate in excess of the maximum rate permitted to be charged by the laws of the State of Arizona, all such sums deemed to constitute interest in excess of such maximum rate shall, at the option of the holder, be credited to the payment of other amounts payable under the Loan Documents or returned to Borrower.

15. NUMBER AND GENDER. In this Note the singular shall include the plural and the masculine shall include the feminine and neuter gender, and vice versa.

16. HEADINGS. Headings at the beginning of each numbered section of this Note are intended solely for convenience and are not part of this Note.

17. CHOICE OF LAW. THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ARIZONA WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES.

18. LOAN FEE. Upon execution and delivery of this Note, as a condition precedent to any obligation of Lender to disburse any portion of the Loan, and as partial compensation for Lender agreeing to extend the Loan to Borrower, Borrower agrees to pay Lender good funds in an amount equal to Two Thousand and No/100 Dollars ($2,000.00), which amount shall constitute the first installment of the non-refundable Loan Fee due Lender. The remaining unpaid portion of the Loan Fee shall be paid by Borrower to Lender in eleven (11) equal monthly installments

of Two Thousand and No/100 Dollars ($2,000.00) each, commencing on October 1, 2000, and continuing on each Interest Payment Date thereafter until such time as the entire Loan Fee has been paid by Borrower to Lender. In the event that the Loan evidenced by this Note is prepaid in its entirety prior to the Maturity Date, Borrower shall have no further or additional obligation to pay any remaining unpaid Loan Fee due Lender.

19. INTEGRATION. The Loan Documents contain the complete understanding and agreement of the holder hereof and Borrower and supersede all prior representations, warranties, agreements, arrangements, understandings, and negotiations.

20. BINDING EFFECT. The Loan Documents will be binding upon, and inure to the

benefit of, the holder hereof, Borrower, and their respective successors and assigns. Borrower may not delegate its obligations under the Loan Documents.

21. TIME OF THE ESSENCE. Time is of the essence with regard to each provision of the Loan Documents as to which time is a factor.

22. SURVIVAL. The representations, warranties, and covenants of the Borrower in the Loan Documents shall survive the execution and delivery of the Loan Documents and the making of the Loan.

23. REPRESENTATIONS AND WARRANTIES; COVENANTS. As an inducement to Lender to extend the Loan to Borrower and to disburse the proceeds of the Loan, Borrower represents, warrants and covenants to Lender that the following statements set forth in this PARAGRAPH 23 are true, correct and complete as of the date hereof, and will continue to be true, correct and complete throughout the entire term of the Loan:

(a) ORGANIZATION AND POWERS. Borrower is a corporation, duly organized and validly existing under the laws of the State of Delaware, and is qualified to transact business in the State of Arizona. Borrower has all requisite power and authority, rights and franchises to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, and to enter into and perform this Note and the other Loan Documents. Borrower shall immediately notify Lender in writing of any change in the legal, trade or fictitious business names used by Borrower and shall, upon Lender's request, execute or cause to be executed any additional financing statements and other certificates necessary to reflect the change in the trade names or fictitious business names.

(b) GOOD STANDING. Borrower has made all filings and is in good standing in the State of Arizona and in each other jurisdiction in which the character of the property it owns or the nature of the business it transacts makes such filings necessary or where the failure to make such filings could have a materially adverse effect on the business, operations, assets or condition of Borrower. Borrower shall maintain and preserve its existence and all rights material to its business, and without the prior written consent of Lender, shall not allow any amendments to be made to its articles of incorporation or bylaws.

(c) AUTHORIZATION OF LOAN DOCUMENTS. The execution, delivery and performance of the Loan Documents by Borrower are within Borrower's powers and have been duly authorized by all necessary action by Borrower. The execution, delivery and performance of the Loan Documents by Borrower will not violate (i) Borrower's articles of incorporation and bylaws; or (ii) any legal requirement affecting Borrower or any of its properties; or (iii) any agreement to which Borrower is bound or to which Borrower is a party and will not result in or require the creation (except as provided in or contemplated

by this Agreement) of any lien upon any of such properties. No approvals, authorizations or consents of any trustee or holder of any indebtedness or obligation of Borrower are required for the due execution, delivery and performance by Borrower of the Loan Documents. This Note and the other Loan Documents have been duly executed by Borrower, and are legally valid and binding obligations of Borrower, enforceable against Borrower in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

(d) NO MATERIAL DEFAULTS. There exists no material violation of or material default by Borrower and, to the best knowledge of Borrower, no event has occurred which, upon the giving of notice or the passage of time, or both, would constitute a material default with respect to (i) any license, permit, statute, ordinance, law, judgment, order, writ, injunction, decree, rule or regulation of any applicable governmental authority, or any determination or award of any arbitrator to which Borrower may be bound, or (ii) any mortgage, instrument, agreement or document by which Borrower or any of its properties is bound: (a) which involves any Loan Document, and/or (b) which might materially and adversely affect the ability of Borrower to perform its obligations under any of the Loan Documents or any other material instrument, agreement or document to which it is a party.

(e) LITIGATION; ADVERSE FACTS. Except as disclosed in writing to Lender, there is no action, suit, investigation, proceeding or arbitration (whether or not purportedly on behalf of Borrower) at law or in equity or before or by any foreign or domestic court or other governmental entity (a "LEGAL ACTION"), pending or, to the knowledge of Borrower, threatened against or affecting Borrower or any of its assets which could reasonably be expected to result in any material adverse change in the business, operations, assets or condition (financial or otherwise) of Borrower or would materially and adversely affect Borrower's ability to perform its obligations under the Loan Documents. There is no basis known to Borrower for any such action, suit or proceeding. Borrower is not (i) in violation of any applicable law which violation materially and adversely affects, or may materially and adversely affect the business, operations, assets or condition (financial or otherwise) of Borrower, (ii) subject to, or in default with respect to any other legal requirement that would have a materially adverse effect on the business, operations, assets or condition (financial or otherwise) of Borrower, or (iii) in default with respect to any agreement to which Borrower is a party or to which it is bound. There is no Legal Action pending or, to the knowledge of Borrower, threatened against or affecting Borrower questioning the validity or the enforceability of this Agreement or any of the other Loan Documents. During the term of the Loan, Borrower shall give or cause to be given to Lender, prompt written notice to Lender of the occurrence of a Legal Action

and/or any other action, event or condition which may have a material and adverse effect upon its business, operations, management, assets, properties, ownership or condition.

(f) TITLE TO PROPERTIES; LIENS. Borrower has good, sufficient and legal title to all properties and assets reflected in its most recent balance sheet delivered to Lender, except for assets disposed of in the ordinary course of business since the date of such balance sheet

(g) DISCLOSURE. There is no fact known to Borrower that materially and adversely affects the business, operations, assets or condition (financial or otherwise) of Borrower, which has not been disclosed in this Note or in other documents, certificates and written statements furnished to Lender in connection herewith.

(h) FINANCIAL CONDITION. The financial statements and all financial data previously delivered to Lender in connection with the Loan and/or relating to Borrower are true, correct and complete in all material respects. Such financial statements present fairly the financial position of the party who is the subject thereof as of the date thereof. No material adverse change has occurred in such financial position, and except for this Loan, no borrowings have been made by Borrower since the date thereof which are secured by, or might give rise to, a lien or claim against the proceeds of this Loan.

24. LOAN DISBURSEMENTS. Following Borrower's satisfaction of all conditions to this Note, Lender shall make advances of the Loan from time to time in accordance with this PARAGRAPH 24, PROVIDED, HOWEVER, the maximum cumulative amount advanced from time to time during the Loan term shall not exceed the Principal Amount.

(a) REQUEST FOR ADVANCE.

(i) Advances shall be made upon written requisitions in such form as may be prescribed by Lender from time to time, signed by an authorized representative of Borrower, and subject to approval by Lender as complying with all requirements and conditions of this Note. Lender shall fund each approved requisition within five (5) Business Days following receipt of all Borrower's written requisition and any additional documents required under the terms of this Note.

(ii) Each requisition by Borrower shall thereby constitute, without the necessity of specifically containing a written statement, a representation and warranty by Borrower that the representations and warranties of Borrower contained in this Agreement are true and correct in all respects as if made on the date of the request for advance.

(b) LOAN DISBURSEMENTS. The Principal Amount shall be made available by Lender to Borrower for the sole purpose of paying or reimbursing Borrower for Borrower's working capital needs. All advances by Lender to Borrower for such working capital needs shall be subject to the following limitations:

(i) The representations and warranties of Borrower contained in the Loan Documents shall be correct on and as of the date of the disbursement as though

made on and as of the date, and no Event of Default (or event which, with notice and/or the passage of time, could become an Event of Default) shall have occurred and be continuing as of the date of the disbursement;

(ii) Each such disbursement shall be available only to defray working capital costs and expenses actually incurred or reasonably anticipated to be incurred by Borrower;

(iii) There has been no material adverse change in the value of the security described in the financial statements of Borrower; and

(iv) Lender shall have no obligation to disburse funds in a cumulative amount in excess of the Principal Amount.

25. OBLIGATIONS OF CO-LENDERS. Each of the Co-Lenders shall own an undivided fifty percent (50%) interest (a "PRO-RATA INTEREST") in the Loan and the Loan Documents. Upon Borrower's compliance with the provisions set forth in PARAGRAPH 24 herein, each Co-Lender shall fund its Pro-Rata Interest in any disbursement request submitted by Borrower to Lender within the time period set forth in said PARAGRAPH 24. Provided that each Co-Lender disburses its Pro-Rata Interest in the Loan, and to the extent that such payments are actually received from Borrower, each Co-Lender shall be entitled to: (a) interest on their respective Pro-Rata Interest on the outstanding unpaid principal balance of the Loan at the rate or rates from time to time applicable under this Note (including, without limitation, interest at the Default Interest Rate); and (b) their Pro-Rata Interest in the Loan Fee, any payments of the outstanding unpaid Principal Amount of the Loan, any late charges, and any other or additional payments paid by or on behalf of Borrower to Lender.

26. SEVERAL AND NOT JOINT NATURE OF OBLIGATIONS. Borrower acknowledges and agrees that all obligations of the Co-Lenders pursuant to this Note and the Loan Documents shall be several and not joint. In the event any Co-Lender breaches its obligations pursuant to this Note or the other Loan Documents, Borrower may enforce its rights only against the Co-Lender causing such breach, and Borrower shall have no rights against the non-breaching Co-Lender. To the extent that Borrower is entitled to damages from any such breaching Co-Lender, the portion of such damages (if any) representing unearned fees in connection with this Note shall only relate to the portion of such fees actually paid to the breaching Co-Lender.

CRAGAR INDUSTRIES, INC., a Delaware corporation

By:

Name:

Title:

"Borrower"

EXHIBIT 10.16

SECURITY AGREEMENT
(FURNITURE, FIXTURES, EQUIPMENT, INVENTORY AND ACCOUNTS RECEIVABLE)

This Security Agreement (Furniture, Fixtures, Equipment, Inventory and Accounts Receivable) ("AGREEMENT") is dated as of the 1st day of August, 2000, and is executed by CRAGAR INDUSTRIES, INC., a Delaware corporation ("DEBTOR"), in favor of DOLORES HARTZMARK, a married woman, and SIDNEY DWORKIN and DORIS DWORKIN, a husband and wife (collectively, severally and jointly and severally, "SECURED PARTY"). Capitalized terms used herein but not otherwise defined herein are used with the meanings set forth in that certain Secured Promissory Note (as it may be amended, modified extended and renewed from time to time) ("NOTE") dated August 1, 2000, between Debtor, as Borrower, and Secured Party, as Lender.

1. For valuable consideration, and to secure the payment and performance of the obligations hereinafter described, Debtor hereby assigns to Secured Party, and grants to Secured Party, pursuant to Article 9 of the Uniform Commercial Code as adopted in Arizona, a security interest in and to the goods and property described in EXHIBIT A attached hereto and incorporated herein by this reference (all of which shall be collectively referred to herein as "COLLATERAL").

2. This Agreement and the security interest created hereby are given for the purpose of securing: (a) payment of the indebtedness of Debtor to Secured Party evidenced by the Note in the original principal amount of One Million Two Hundred Thousand and No/100 Dollars ($1,200,000.00); (b) performance of each agreement of Debtor herein contained; (c) payment and performance of all existing and future obligations and indebtedness of Borrower to Secured Party under the Note and all Loan Documents; (d) payment and performance of any additional existing or future obligations of Debtor to Secured Party when evidenced by a writing or writings reciting that they are so secured; or (e) any and all amendments, modifications, increases, renewals and/or extensions of any of the foregoing, including but not limited to amendments, modifications, increases, renewals or extensions which are evidenced by new or additional instruments, documents or agreements or which increase the amount of the indebtedness of or change the rate of interest on any obligations secured hereby.

3. Debtor represents, warrants and agrees that: (a) Debtor has and will continue to have full title to the Collateral free from any liens, leases, encumbrances, defenses or other claims, the security interest in the Collateral constitutes and will continue to constitute a first, prior and indefeasible security interest, and no financing statement or title filing covering the Collateral, or any part thereof, is on file in any public office, except in favor of Secured Party; (b) Debtor will execute all documents (including financing statements and motor vehicle title applications) and take such other

action as Secured Party deems necessary to create and perfect a security interest in the Collateral; (c) Debtor will, at its sole cost and expense, defend any claims that may be made against the Collateral; (d) the Collateral shall be kept at, upon or about Debtor's address set forth herein, and Debtor will not, without Secured Party's prior written consent, part with possession of, transfer, sell, lease, encumber, conceal or otherwise dispose of the Collateral or any interest therein (except for the sale of inventory in the ordinary course of business until the occurrence of an event of default); (e) the Collateral will be maintained in good

condition and repair, and will not be used in violation of any applicable laws, rules or regulations; (f) Debtor will pay and discharge all taxes and liens on the Collateral prior to delinquency; (g) Debtor will maintain insurance on the Collateral covering such risks and in such form and amount as may be required by Secured Party from time to time, with insurers satisfactory to Secured Party and with loss payable to Secured Party as its interest may appear, and upon request Debtor will deliver the original of such policy or policies to Secured Party; (h) Debtor will permit Secured Party to inspect the Collateral and Debtor's books and records pertaining thereto at any time; and (i) the Collateral will at all times remain personal property.

4. With respect to any of the Collateral consisting of accounts, rights to payment, accounts receivable, and the like (collectively, the "RECEIVABLES"), Debtor further represents, warrants and agrees that to the best of Debtor's knowledge and belief: (i) the Receivables are genuine, valid and enforceable in accordance with their terms, and are not subject to any defenses, offsets or other claims; (ii) Debtor has full title to the Receivables, and has not heretofore transferred, conveyed, encumbered, assigned or released any interest therein; and (iii) Debtor will take all steps necessary to preserve and maintain the Receivables and Debtor's interest therein.

5. Secured Party may, from time to time, request from obligors indebted on the Collateral, if any, information concerning the same.

6. In the event that Debtor shall fail to perform any obligation hereunder, Secured party may, but shall not be obligated to, perform the same, and the cost thereof shall be payable by Debtor to Secured Party immediately and without demand, shall bear interest at the "DEFAULT INTEREST RATE" set forth in the Note, and shall be secured hereby.

7. Secured Party may, in the event of default by Debtor in so doing, pay taxes, assessments, liens, fees, charges or encumbrances, or order and pay for repairs or spend any amounts necessary to maintain the Collateral in Debtor's exclusive possession and in good condition and repair, and all amounts expended by Secured Party shall, with interest thereon at the Default Interest Rate, constitute an indebtedness of Debtor to Secured Party secured by the Collateral and by the terms of this Agreement and shall be immediately due and payable, but no such act or expenditure by Secured Party shall relieve Debtor

from the consequences of such default.

8. There shall be a "DEFAULT" or "EVENT OF DEFAULT" hereunder upon the occurrence of any of the following events: (a) any "EVENT OF DEFAULT", as such term is defined in the Note; or (b) the breach of any representation and warranty contained herein; or (c) the breach of any of the terms, conditions or covenants contained herein.

9. Upon the occurrence of any default or event of default hereunder, all obligations secured hereby shall, at Secured Party's option, immediately become due and payable without notice or demand, and Secured Party shall have in any jurisdiction where enforcement hereof is sought, in addition to all other rights and remedies which Secured Party may have under law, all rights and remedies of a secured party under the Uniform Commercial Code and in addition the following rights and remedies, all of which may be exercised with or without further notice to Debtor: (a) to settle, compromise or release on terms acceptable to Secured Party, in whole or in

part, any amounts owing on the Collateral; (b) to enforce payment and prosecute any action or proceeding with respect to any and all of the Collateral; (c) to extend the time of payment, make allowances and adjustments and issue credits in Secured Party's name or in the name of Debtor; (d) to foreclose the liens and security interests created under this Agreement or under any other agreement relating to the Collateral by any available judicial procedure or without judicial process; (e) to enter any premises where any Collateral may be located for the purpose of taking possession of or removing any Collateral; (f) to remove from any premises where any Collateral may be located, the Collateral and any and all documents, instruments, files and records relating to the Collateral, and Secured Party may, at Debtor's cost and expense, use the supplies and space of Debtor at any or all of its places of business as may be necessary or appropriate to properly administer and control the Collateral or the handling of collections and realizations thereon; and (g) to sell, assign, lease, or otherwise dispose of the Collateral or any part thereof, either at public or private sale, in lots or in bulk, for cash, on credit or otherwise, with or without representations or warranties, and upon such terms as shall be acceptable to Secured Party, all at Secured Party's sole option and as Secured Party in its sole discretion may deem advisable. Debtor irrevocably appoints Secured Party its true and lawful attorney in fact, which appointment is coupled with an interest, for purposes of accomplishing any of the foregoing. The net cash proceeds resulting from the collection, liquidation, sale, lease or other disposition of the Collateral shall be applied, first, to the expenses (including reasonable attorneys' fees) of retaking, holding, storing, processing and preparing for sale, selling, collecting, liquidating and the like, and then to the satisfaction of all obligations and indebtedness secured hereby. Such proceeds shall be applied to particular obligations and indebtedness, or against principal or interest, in Secured Party's absolute discretion. Debtor will, at Secured Party's request, assemble all Collateral and make it available to Secured Party at such place or places as Secured Party may designate which are

reasonably convenient to both parties, whether at the premises of Debtor or elsewhere, and will make available to Secured Party all premises and facilities of Debtor for the purpose of Secured Party's taking possession of the Collateral or removing or putting the Collateral in saleable form. Debtor agrees to pay all costs and expenses incurred by Secured Party in the enforcement of this Agreement, including without limitation reasonable attorneys' fees, whether or not suit is filed hereon.

10. Upon the occurrence of any default or event of default hereunder, Secured Party shall also have the following additional rights and remedies with respect to the Receivables, all of which may be exercised with or without further notice to Debtor: to notify any and all parties to any of the Receivables that the same have been assigned to Secured Party and that all performance thereunder shall thereafter be rendered to Secured Party; to renew, extend, modify, amend, accelerate, accept partial performance on, release, settle, compromise, compound, collect or otherwise liquidate or deal with, on terms acceptable to Secured party, in whole or in part, the Receivables and all of Debtor's rights or interest therein; to enter into any other agreement relating to or affecting the Receivables; to enforce performance and prosecute any action or proceeding with respect to any and all of the Receivables, and take or bring, in Secured Party's name or in the name of Debtor, all steps, actions, suits or proceedings deemed by Secured Party necessary or desirable with respect to the Receivables; and to exercise all other rights, powers and remedies of Debtor with respect to the Receivables; provided, however, that Secured Party shall be under no obligation whatsoever to take any of the foregoing actions, and Secured Party shall have no liability or responsibility for any act or omission taken with respect thereto. Debtor

hereby nominates and appoints Secured Party as attorney-in-fact to perform all acts and execute all documents deemed necessary by Secured Party in furtherance of the terms hereof.

11. If this Security Agreement is given to secure obligations of any person or entity other than that of Debtor (such person or entity being hereinafter referred to as "PRINCIPAL"), Debtor waives notice of default, presentment, demand for payment, protest, notice of protest, notice of nonpayment or dishonor, and all other notices and demands of any kind whatsoever; and Debtor consents and agrees that Secured Party may, from time to time, without notice or demand and without affecting the enforceability or security hereof: (a) take, alter, enforce or release any additional security for the obligations secured hereby; (b) renew, extend, modify, amend, accelerate, accept partial payments on, release, settle, compromise, compound, collect or otherwise liquidate the obligations secured hereby or any security therefor, and bid and purchase at any sale; (c) release or substitute Principal or any guarantors of the obligations secured hereby; or (d) amend, modify, waive, supplement or terminate the Note or any of the Loan Documents. Upon the occurrence of a default or an event of default hereunder, Secured Party may enforce this Agreement independently of any other remedy or security Secured

Party may at any time hold in connection with the obligations secured hereby, and it shall not be necessary for Secured Party to proceed upon or against, and/or exhaust, any other remedy or security before proceeding to enforce this Agreement. Until all obligations secured hereby are paid in full, Debtor waives all right of subrogation and all rights and remedies that Debtor may have or be able to assert by reason of the laws of the State of Arizona pertaining to the rights and remedies of sureties including, without limitation, A.R.S. Sections 12-1641 through 12-1646, and Arizona Rules of Civil Procedure 17(f).

12. Debtor further represents and warrants:

(a) The Collateral will be kept at Debtor's principal places of business:

7373 N. Scottsdale Road, Suite B-274
Scottsdale, Aizona 85253

(b) Debtor shall promptly notify Secured Party in writing of any change in location of the Collateral, Debtor's place or places of business. Such notice to be effective must be received by Secured Party a the office thereof where payments are to be made under the terms of the Note.

(c) Debtor hereby acknowledges express intent to hereby waive and abandon all personal property exemptions granted by law upon the goods which are the subject of this Agreement. NOTICE: By signing this Agreement, Debtor waives all rights provided by law to claim such goods exempt from process.

13. This Agreement may not be altered or amended except with the written consent of each of the parties. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, assigns and successors. The term "SECURED PARTY" shall mean the holder and owner, including any pledgee or assignee, of the Note or other obligations secured hereby whether or not named as the Secured Party herein. All of Secured Party's rights and remedies hereunder are cumulative and not exclusive, and are in

addition to all rights and remedies provided by law or under any other agreement between Debtor and Secured Party, or otherwise. Where the context permits, the plural term shall include the singular, and vice versa. Where more than one person, partnership, corporation or other entity executes this Agreement as Debtor, their liability hereunder shall be joint and several. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Arizona except that, with respect to any portion of the Collateral located outside of the State of Arizona, the laws of the state in which such portion of the Collateral is located shall be applicable thereto, but only to the extent required for Secured Party to exercise its rights and remedies in

order to realize upon its interests in the Collateral. Notice of acceptance hereof by Secured Party is hereby waived by Debtor.

CRAGAR INDUSTRIES, a Delaware corporation

By: _____

Name: _____

Title: _____

"DEBTOR"

EXHIBIT A

COLLATERAL DESCRIPTION

This Security Agreement covers the following property (the "COLLATERAL"):

(a) All of Debtor's accounts receivable, rights to payment, accounts, notes, drafts, acceptances, instruments, documents of title, policies and certificates of insurance, insurance claims, general intangibles (including without limitation, any and all right to use the name of Debtor and any similar and/or related trade names), royalty rights, and chattel paper now existing or hereafter arising, herein called "Accounts". The terms "accounts receivable", "rights to payment", "accounts", "notes", "drafts", "acceptances", "instruments", "documents of title", "policies and certificates of insurance", "insurance claims", "general intangibles", "royalty rights", and "chattel paper" shall include not only such thereof as arise out of the sale or other disposition at any time and from time to time of inventory, goods, or equipment, but also such thereof as arise out of or for furnishing services, or the furnishing of, or the furnishing of the use of or lease of, any goods.

(b) All interest of Debtor now existing or hereafter arising in goods, inventory or merchandise as to which an account receivable for goods, inventory or merchandise sold or delivered has arisen.

(c) All present and future furniture, fixtures, inventory, goods and equipment, as those terms are defined in the Uniform Commercial Code, of every type now owned or hereafter acquired by Debtor complete with accessories, attachments, accessions, repairs, replacements, parts, supplies, implements, construction materials and equipment now or hereafter owned, attached or appertaining thereto or commingled or used in connection therewith, or substituted therefor.

(d) All of Debtor's rights under all insurance policies covering the

Collateral and any and all proceeds, loss payments, and premium refunds payable regarding the same.

(e) All causes of action claims, compensation, and recoveries for any damage to, or destruction of the Collateral, or any part thereof, whether direct or consequential, or for any damage or injury to the Collateral, or for any loss or diminution in value of the Collateral.

(f) All proceeds from the sale or disposition of any of the aforesaid Collateral. "Proceeds" as herein used includes not only case proceeds but also all accounts, accounts receivables, notes, drafts, acceptances, chattel paper and other forms of obligations and receivables which at any time constitute all or part or are included in the proceeds of the Collateral.

(g) All books and records now owned or hereafter acquired by Debtor pertaining to any of the above-described Collateral, including but not limited to any computer-readable memory and any computer hardware or software necessary to process such memory.

(h) All Debtor's rights in proceeds of the loan evidenced by the Note.

EXHIBIT 10.17

SECURITY AGREEMENT
(PLEDGE)
(PLEDGOR IS AN OBLIGOR)

Collectively, jointly, severally, and jointly and severally, DOLORES HARTZMARK, a married woman, and SIDNEY DWORKIN and DORIS DWORKIN, husband and wife, Secured Party, hereinafter called "LENDER", and CRAGAR INDUSTRIES, INC., a Delaware corporation, hereinafter called "DEBTOR", hereby agree:

In consideration of LENDER granting to DEBTOR one or more loans or credit accommodations, DEBTOR herewith pledges to LENDER all investment securities; instruments; documents of title and chattel paper described in EXHIBIT "A" attached hereto and, by this reference, incorporated herein and made a part hereof, which have been deposited with LENDER in connection with the execution of this Security Agreement, and all other property of whatever nature and kind previously, presently or in the future deposited with LENDER, and the proceeds thereof, hereinafter referred to as "COLLATERAL"; hereby grants to LENDER a security interest in said Collateral and proceeds to secure performance of for the purposes of securing:

(a) Payment of indebtedness in the total maximum principal amount of One Million Two Hundred Thousand and No/100 Dollars ($1,200,000.00) with interest thereon (i) evidenced by that certain Secured Promissory Note of even date herewith (the "NOTE"), which has been delivered to and is payable to the order of LENDER, and any and all modifications, extensions and renewals thereof;

(b) Payment of all sums advanced by LENDER to protect the Collateral, with interest thereon at the rate of interest specified in the Note;

(c) Payment of all present and future indebtedness of DEBTOR, or its successors or assigns, to LENDER, if the agreement or instrument relating to such indebtedness recites that it is to be secured hereby, including but not limited to indebtedness on open account and indebtedness evidenced by a promissory note or notes or other instruments or agreements reciting that they are secured hereby; and

(d) Performance of all of DEBTOR'S obligations and agreements contained herein and in the Note, in any of the Loan Documents (as defined in the Note) and in any other loan agreement, promissory note or other agreement now or hereafter executed by DEBTOR which recites that performance of the obligations thereunder is secured hereby.

In addition, DEBTOR hereby agrees with LENDER as follows:

I. OBLIGATIONS OF DEBTOR.

1. DEBTOR shall pay LENDER the sum or sums referenced above in accordance with the terms thereof and this Security Agreement. DEBTOR shall pay immediately upon demand of LENDER the entire unpaid indebtedness of DEBTOR to LENDER, the payment of which is secured by the security interest granted herein, upon DEBTOR'S default under the terms

and conditions of said evidences of indebtedness and/or this Security Agreement, and DEBTOR shall pay to LENDER all expenses and expenditures, including reasonable attorneys' fees and legal expenses, incurred or paid by LENDER in exercising or protecting its interests, rights and remedies hereunder. References to "indebtedness", and "obligations", mean all advances to, and debts, obligations and liabilities of, DEBTOR to LENDER referenced above, and all extensions, revisions, and renewals thereof.

2. DEBTOR understands and hereby agrees that in the event DEBTOR deposits the collateral with an affiliate of LENDER (a "CUSTODIAN") for safekeeping, the possession of the Collateral by CUSTODIAN shall, notwithstanding any other benefits to DEBTOR or agreements by and between CUSTODIAN and DEBTOR, be possession by LENDER hereunder for the purpose of lodging in favor of, and perfecting for, LENDER a possessory pledge lien of paramount priority, as contemplated by this Security Agreement and the pledge and security interest transaction this Security Agreement evidences, and CUSTODIAN shall be the agent of LENDER for all purposes and at all times necessary to the full enforceability of the security interests granted hereby. If, in reliance upon this Security Agreement, LENDER grants loans or extensions or takes other action, after the termination of this Security Agreement by DEBTOR, but prior to the receipt by LENDER of said written notice thereof, LENDER'S rights shall be the same as they would have been had said termination not occurred, and DEBTOR will indemnify LENDER and save it harmless from and against all loss, cost, liability and expense which LENDER may incur or suffer by reason of any action so taken by it.

3. DEBTOR shall, at its own expense, do, make, procure, execute and deliver all acts, writings, things and assurances as LENDER may at any time request to protect, assure or enforce LENDER'S interests, rights and remedies created by, provided in or emanating from this Security Agreement.

II. EVENTS OF DEFAULT. Any one of the following shall constitute an event of default:

(a) DEBTOR fails, breaches or defaults in the payment of any of the obligations in this Security Agreement and fails to cure such failure, breach, or default within five (5) days after written notice from LENDER; or

(b) DEBTOR fails, breaches or defaults in the performance of any of the obligations, covenants or conditions in this Security Agreement and fails to cure such failure, breach or default within twenty (20) days after written notice from LENDER; or

(c) Any warranty, representation or statement (including without limitation those made in this Security Agreement) made or furnished to LENDER by or on behalf of DEBTOR, in connection with this Security Agreement, or any other agreement which recites that performance of the obligations of DEBTOR thereunder is secured hereby, proves to have been false in any material respect when made or furnished and DEBTOR fails to cure any such false warranty, representation or statement within twenty (20) days after written notice from LENDER; or

(d) Any material loss, theft, damage or destruction of any of the Collateral shall occur without prompt replacement thereof by DEBTOR; provided, that if insurance proceeds covering such loss, theft, damage or destruction are applied by LENDER to the reduction of indebtedness, then such failure to replace shall not constitute an event of default hereunder; or

(e) A writ of execution or attachment or any similar process shall be issued or levied against all or any part of or interest in the Collateral, or any judgment involving monetary damages shall be entered against DEBTOR which shall become a lien on the Collateral or any portion thereof or interest therein, and such execution, attachment or similar process or judgment is not released, bonded, satisfied, vacated or stayed within sixty (60) days after its entry or levy; or

(f) An Event of Default (as defined in the Note) shall occur under the Note, any other Loan Document or under any deed of trust, security agreement, lease assignment, guaranty, promissory note or any other document, assignment or agreement now or hereafter executed by DEBTOR or a guarantor in connection with the obligations secured hereby.

III. RIGHTS AND REMEDIES OF LENDER.

A. RIGHTS AND REMEDIES IRRESPECTIVE OF DEFAULT:

1. To the extent not otherwise prohibited or restricted, right is expressly granted to LENDER, at its option, to transfer (or cause Custodian to transfer) at any time to LENDER, or to its nominee, for the purpose of continuing the security interest granted hereunder, any Collateral held hereunder and to receive the income thereon, including money, stock and

dividends, and stock splits and insurance proceeds, and hold the same as security hereunder.

2. LENDER may delay exercising or omit to exercise any right or remedy under this Security Agreement without waiving that, or any other past, present or future right or remedy, except such as shall be in writing signed by LENDER.

3. LENDER may, at its option, substitute or release such portions of the Collateral held hereunder as it, in its sole discretion, shall deem proper. In that event, all of the rights and privileges of LENDER and all obligations of the DEBTOR shall be forthwith applicable to said substituted or exchanged items of Collateral, the same in all respects as to the items of Collateral originally pledged or held as Collateral hereunder.

B. RIGHTS AND REMEDIES UPON DEFAULT. Upon the happening of any of the events of default described in Article II above (which are not cured in the applicable cure period) and at any time thereafter, LENDER may, at its option and without notice to DEBTOR, declare all of the indebtedness of DEBTOR to LENDER to be immediately due and payable, and, without limitation thereto, LENDER shall have the following specific cumulative rights:

1. To terminate any commitments to make loans or otherwise extend credit to DEBTOR;

2. In its own name and right (or through Custodian) to sell, assign and deliver all of said Collateral, or any part thereof, or any substitutes therefor, or any additions thereto, at any Broker's Board, or at public or private sale, at LENDER'S option, or that of any officer or anyone acting in LENDER'S behalf, and LENDER, its officers and assigns may bid and become purchasers at any such sale, whether private or public, or at any Broker's Board, as authorized by the Uniform Commercial Code as adopted in Arizona. After deducting all legal and other expenses and costs of collection of any of said obligations and all legal or other expenses and costs of collection, storage, custody, sale and delivery of Collateral held hereunder, the residue of any proceeds of collection or sale shall be applied to the payment of principal or interest on the obligations secured hereby pursuant to the terms and conditions of the Note and any excess proceeds from said Collateral shall be returned to DEBTOR;

3. In its own name and right (or through CUSTODIAN) to transfer any investment securities constituting the Collateral into the name of LENDER for the purpose of voting said shares as pledgee and to thereafter vote said shares as LENDER may determine in its sole discretion, provided that in no event shall such transfer for the purpose of voting be deemed a retention of such Collateral in satisfaction of the obligations secured hereunder;

4. To retain, at its sole option, the Collateral in satisfaction of the

obligations secured hereunder by sending written notice of such election to DEBTOR; but unless such written notice is sent by LENDER as aforesaid, possession and retention of said Collateral shall not be in satisfaction of any obligation secured hereby or hereunder;

5. To apply the proceeds realized from disposition of the Collateral according to law and to payment of reasonable attorneys' fees and legal expenses incurred by LENDER, whether or not suit be filed;

6. If the proceeds realized from disposition of the Collateral shall fail to satisfy all of the obligations of DEBTOR to LENDER, DEBTOR shall forthwith pay any deficiency balance to LENDER; and

7. In addition to, substitution for, modification of or conjunction with the foregoing rights and remedies, LENDER shall have at any time thereafter the rights and remedies provided in the Uniform Commercial Code as adopted in the State of Arizona.

IV. DEBTOR'S RIGHTS AND REMEDIES. Subject to the provisions of this Security Agreement, DEBTOR shall have all the rights and remedies provided in the Uniform Commercial Code as adopted in the State of Arizona.

V. ADDITIONAL AGREEMENTS AND AFFIRMATIONS.

DEBTOR agrees and affirms:

1. LENDER shall have no duty as to the collection or protection of Collateral held hereunder or any income thereon, nor as to the preservation of any rights pertaining thereto, beyond the reasonable care thereof. Such care as LENDER gives to the safekeeping of its own property of like kind shall constitute reasonable care of Collateral when in LENDER'S possession; but LENDER is not required to make presentment, demand or protest, or give notice,

and need not take action to preserve any rights against prior parties, obligors, account debtors, or others, in connection with any obligation or evidence of indebtedness held as Collateral or in connection with DEBTOR'S obligations. LENDER may exercise its rights with respect to Collateral held hereunder without resorting or regard to other security or sources of reimbursement for said obligations. No delay or omission on LENDER'S part in exercising any right hereunder shall operate as a waiver of such right or any other right under this Security Agreement. A waiver on any one occasion shall not be construed as a bar to, or waiver of, any right and/or remedy on any future occasion.

2. LENDER, in its own or DEBTOR'S name and at any time without notice and at DEBTOR'S expense, may, but is not obligated to: (a) notify CUSTODIAN or any obligor or account debtor on Collateral to make payment to LENDER; (b) collect by legal proceedings or otherwise and endorse, receive and receipt for

all stock and cash dividends, stock splits and insurance proceeds, interest, payments, proceeds and other sums and property now or hereafter payable on or on account of Collateral; PROVIDED, HOWEVER, so long as no Event of Default has occurred and is continuing under the Loan Documents, all dividends will be released by LENDER to DEBTOR; (c) enter into any extension, reorganization, deposit, merger, consolidation or other agreement pertaining to, or deposit, surrender, accept, hold or apply other property in exchange for, Collateral; (d) insure, process and preserve Collateral; (e) subject to the limitations set forth in Article III(A)(1) above, transfer the Collateral, or cause CUSTODIAN to transfer Collateral, to its own or its nominee's name; and (f) make any compromise or settlement, and take any action it deems advisable, and exercise all the rights, powers and remedies of an owner with respect to Collateral. Except for the right to receive notice of an Event of Default under the Loan Documents, DEBTOR waives demand, notice, protest, notice of acceptance of this Security Agreement, and all other demands and notices of any description; and assents to any addition, substitution, exchange or release of Collateral and/or to the addition or release of any party or person primarily or secondarily liable. DEBTOR: (i) waives any right to require LENDER to proceed against Collateral or other person or security or to pursue any remedy and waives any defense because of any disability or other defense or cessation of liability of DEBTOR, or other person, and waives any action required by statute, upon notice, against Collateral or other person or security; (ii) until payment and performance of DEBTOR'S obligations, waives any right of subrogation or to proceed against any other person or to participate in Collateral or other security; and (iii) will give LENDER prior written notice of any change of residence or place of business and address thereof.

3. Any written notice required to be given by LENDER to DEBTOR, if mailed by ordinary mail postage prepaid to DEBTOR'S mailing address given below or to DEBTOR'S most recent address as shown by a Notice of Change of Address on file with LENDER, shall be deemed reasonable notification.

4. DEBTOR agrees and warrants that: (a) all Collateral is owned solely and is as represented by DEBTOR and is free of all liens, encumbrances and other security interests and DEBTOR will defend LENDER'S security interest therein against all other claims and demands; (b) all Collateral is genuine, as appearing on its face, enforceable according to its terms, free of disputes, setoff, counterclaim and defenses, and represents indebtedness, obligations, interests, or property justly owing to and owned by DEBTOR in amounts or as therein provided; (c) no Financing Statement or other security agreement covering Collateral is or will be on file in any

public office, except in favor of LENDER; (d) unless LENDER is otherwise notified in writing, there are no express or implied warranties to others in connection with Collateral, and if no such others, to the fullest extent permitted by law, have waived as against LENDER all claims and defenses against DEBTOR; and (e) DEBTOR has authority and obtained all approvals and consents

necessary to enter into this Agreement.

5. As to Collateral (i) DEBTOR will: (a) keep it free of all levies, liens, encumbrances and other security interests; (b) comply with all laws, statutes and regulations pertaining to it; (c) pay when due all taxes, licenses, charges and other impositions on or for it; (d) execute, file and record such statements, notices and agreements and take such action and obtain such certificates and documents, in accordance with all applicable laws, statutes, and regulations, as necessary to perfect, evidence and continue LENDER'S security interest in it; (e) promptly deliver to LENDER, at LENDER'S demand, to be subject to this Security Agreement, all proceeds, stock and cash dividends, stock splits, securities, insurance proceeds, rights, goods and other property of all kind herein referred to or described or covered or to which DEBTOR is or hereafter becomes entitled to receive for or on account of Collateral; (f) keep it or require any goods which are security for or represented by it, to be insured in amounts and on terms and with carriers acceptable to LENDER and against such risks and casualties as LENDER considers reasonable, customary or appropriate, and with loss payable to LENDER, and providing for written notice to LENDER at least ten (10) days prior to cancellation of or material change in said insurance (the proceeds of which may be applied to DEBTOR'S obligations as LENDER elects); (g) deliver to LENDER or direct Custodian to deliver to LENDER a valuation report on the Collateral when requested by LENDER; (ii) DEBTOR will not, without LENDER'S written consent: (a) make any compromise, adjustment, amendment, modification, settlement, substitution or termination, or accept the return of any goods, of or in connection with it; (b) permit anything to be done that may impair, or fail to do anything necessary or advisable to preserve, its value and the security and insurance coverage and proceeds intended for LENDER; (iii) if all or any part of the Collateral consists of stock, DEBTOR shall not vote such stock so as to impair in any way the value of the Collateral as security. DEBTOR shall not vote such stock in favor of a merger, consolidation, reorganization, dissolution, liquidation, or sale of assets other than in the regular course of business without LENDER'S prior written consent.

6. DEBTOR ACKNOWLEDGES EXPRESS INTENT TO HEREBY WAIVE AND ABANDON ALL PERSONAL PROPERTY EXEMPTIONS GRANTED BY LAW UPON THE COLLATERAL WHICH IS THE SUBJECT OF THIS AGREEMENT. NOTICE: BY SIGNING THIS AGREEMENT, DEBTOR WAIVES ALL RIGHTS PROVIDED BY LAW TO CLAIM COLLATERAL EXEMPT FROM PROCESS.

VI. MUTUAL AGREEMENTS.

1. This Security Agreement shall inure to the benefit of LENDER and its successors and assigns and shall be binding upon DEBTOR and the administrators, successors, assigns and/or other legal representatives of DEBTOR. This is a continuing agreement and applies to all past, present and future indebtedness, obligations, and transactions of DEBTOR with LENDER, and whether or not such transactions continue, increase, decrease or create new indebtedness after or before payment of prior indebtedness, and notwithstanding the Lenderruptcy of, or other event or proceedings affecting, DEBTOR. The obligations of DEBTOR under this Security

Agreement shall continue until all obligations and liabilities of DEBTOR hereby secured have been performed or paid in full.

2. All terms used herein which are defined in the Uniform Commercial Code of Arizona have the same meaning as in the Code. Any provisions found to be invalid shall not invalidate the remainder hereof.

3. This Security Agreement includes all amendments and supplements thereto, and all assignments, promissory notes, instruments, agreements and other writings signed by either or both parties hereto, or third parties, which relate to the undertakings hereinabove set forth. This Security Agreement shall be governed by the laws of the State of Arizona. THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE ALTERED OR AMENDED EXCEPT BY A WRITING SIGNED BY DEBTOR AND LENDER.

EXECUTED BY THE PARTIES HERETO as of this 1st day of August, 2000.

DOLORES HARTZMARK, a married woman

Address:

SIDNEY DWORKIN

DORIS DWORKIN

Address:

"LENDER"

CRAGAR INDUSTRIES, INC., a Delaware corporation

By: _____

Name: _____

Title: _____

Address: _____

_____

_____

"DEBTOR"

EXHIBIT A

DESCRIPTION OF COLLATERAL
INVESTMENT SECURITIES

Those certain Two Hundred Seventy-Three Thousand Six Hundred Sixty-Seven (273,667) shares of investment securities of wrenchead.com, represented by Certificate No. 15, Certificate No. C-170, Certificate No. C-175, and Certificate No. C-55, and issued in the name of Cragar Industries, Inc., a Delaware corporation

EXHIBIT 10.18

EXCLUSIVE FIELD OF USE LICENSE AGREEMENT

This Agreement, and any Exhibits, Schedules, and Appendices (collectively, the "AGREEMENT"), effective as of September 1, 2000, is entered into between Cragar Industries, Inc., a Delaware corporation having its principal place of business at 4636 North 43rd Avenue, Phoenix, Arizona 85031 (hereinafter "LICENSOR"), and Performance Wheel Outlet, Inc, (defined to include any of subsidiaries, affiliates, partnerships, shareholders, or other related parties), a California corporation having its principal place of business at 195 East Redlands Boulevard, San Bernardino, CA 92408 (hereinafter "LICENSEE").

WHEREAS, Licensor is the owner of the various trademark and/or servicemark rights listed on the attached SCHEDULE A (hereinafter the "TRADEMARK RIGHTS");

WHEREAS, Licensor is the owner of the various patent rights listed on the attached SCHEDULE B (hereinafter the "PATENT RIGHTS");

WHEREAS, Licensee desires to obtain an exclusive license, in the field of use designated herein, under the Trademark Rights, the Patent Rights, and other intangible rights owned by Licensor.

NOW, THEREFORE, in consideration of the premises, the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. DEFINITIONS

1.1. "PATENTED PRODUCT" means any device or system covered by a claim of any currently issued patent contained in the Patent Rights, or any patent that issues from a currently pending patent application contained in the Patent Rights.

1.2. "LICENSED PRODUCTS" means the products listed on the attached SCHEDULE C, ALL TRADE DRESS RIGHTS EMBODIED THEREIN and any Patented Product.

1.3. "LICENSED FIELD" means one-piece cast aluminum vehicle wheels, and related accessories.

1.4. "IMPROVEMENT" means any modification in the structure or design of the Licensed Products, whether patentable or unpatentable, which depends upon a Licensed Product for its use or effectiveness or which increases the effectiveness or manufacturability of a Licensed Product, including, without limitation, any modification of a part, component, or process or apparatus for the manufacture thereof.

1.5. "INTANGIBLE RIGHTS" means (i) any and all documents in whatever form, including but not limited to writings, computer disks, computer tapes, and electronic records, containing design and technical information, engineering or production data, drawings, plans, specifications, techniques, methods, processes, trade secrets, reports, models, market research data, customer lists, and any and all other material or matter used by or in possession of Licensor and applicable to the design, manufacture, assembly, service, and sale of the Licensed Products, (ii) Licensor's general and specific knowledge, experience, and information, not in written or printed form, applicable to the design, manufacture, assembly, service, and sale of the Licensed Products, and (iii) any other trade secret information, and proprietary information that may be applicable to the design, manufacture, assembly, service, and sale of the Licensed Products.

1.6. "LICENSED RIGHTS" means one or more of any of the Trademark Rights, the Patent Rights, and the Intangible Rights.

2. LICENSE GRANT

2.1. TRADEMARKS. Licensor grants to Licensee a worldwide exclusive license in the Licensed Field to use the Trademark Rights in connection with the marketing and sale of the Licensed Products, subject to the terms of this Agreement.

2.1.1. The parties agree that Licensee's use of the Trademark Rights, including the goodwill arising from such use, shall inure to the benefit of Licensor, and Licensee shall have no right whatsoever to the Trademark Rights except as specifically set forth herein. Licensee agrees to not use the Trademark Rights, or any simulation or variant thereof, or any mark, name, logo, design, likeness, or other representation confusingly similar to any of the marks included in the Trademark Rights, except as specifically set forth herein.

2.1.2. Licensee shall not at any time do or cause to be done any act or thing contesting or in any way impairing or tending to impair any part of Licensor's right, title, and interest respecting the Trademark Rights. Licensee shall not in any manner represent that it has any ownership in the Trademark Rights, and Licensee acknowledges that its use of the Trademark Rights shall not create in Licensee's favor any right, title, or interest in or to the Trademark Rights.

2.2. LICENSED PRODUCTS. Licensor grants to Licensee a worldwide exclusive license in the Licensed Field to make, use, sell, import and offer for sale the Licensed Products, subject to the terms of this Agreement. In connection with this grant, Licensor grants to Licensee a worldwide exclusive license in the Licensed Field to use the Patent Rights and the Intangible Rights to manufacture the Licensed Products.

2.2.1. Licensor makes no warranty related to the validity or enforceability of any of the issued patents included in the Patent Rights.

2.2.2 Licensee may only disclose the Intangible Rights to third parties if such disclosure is necessary for Licensee to perform its obligations under this Agreement, PROVIDED, that no disclosure of the Intangible Rights shall be made by Licensee unless Licensee has obtained from the third party a signed nondisclosure agreement that affords Licensor at least the same protection as set forth in PARAGRAPH 8 herein.

2.3. NO TRANSFER. The rights granted under this PARAGRAPH 2 may not be sublicensed or transferred, without the express prior written consent of Licensor.

3. ROYALTIES AND PAYMENT TERMS

3.1. Licensee shall pay to Licensor the royalty on Net Sales of Licensed Products as specified in the attached SCHEDULE D. Licensee's obligation to pay royalties under this Agreement will be triggered by the invoice date or the shipping date of the Licensed Products, whichever occurs first. Royalty payments are due thirty (30) days after the end of each calendar quarter.

3.2. Licensee shall keep accurate and complete records containing all information required for the computation and verification of the payments due under Paragraph 3.1. Licensee shall keep records for a period of at least three years. On a quarterly basis and upon five days advance written notice, Licensor shall have the right to inspect such records during Licensee's ordinary business hours to verify the accuracy of any royalty payments made under this Agreement. If an audit by Licensor uncovers a deficiency in any royalty payment due under Paragraph 3.1, Licensee must pay the cost of such audit. If an audit by Licensor uncovers a deficiency in any royalty payment Licensee must immediately remit the amount due, including a two percent (2.0%) per month finance charge.

3.3. Any past due royalty payments will carry an interest rate of two percent (2.0%) per month commencing on the due date and compounding every thirty (30) days thereafter.

3.4. Within thirty (30) days after the end of each calendar quarter, Licensee will have paid to Licensor at least the following cumulative royalty payment amounts:

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First Quarter:	20% of the total minimum annual royalty for that year.
Second Quarter:	40% of the total minimum annual royalty for that year.
Third Quarter:	60% of the total minimum annual royalty for that year.
Fourth Quarter:	100% of the total minimum annual royalty for that year.

</TABLE>

If any of the above cumulative royalty payment amounts is not met by Licensee, or if Licensee is late for any quarterly royalty payment, Licensee will be deemed to have defaulted. Upon written notice of such default, Licensee shall have ninety (90) days to cure such default, otherwise Licensor may immediately terminate this Agreement.

4. QUALITY CONTROL

4.1. Licensee shall use the Trademark Rights in connection with the Licensed Products only upon employing quality standards that meet or exceed each of the following: (a) the current standards under which such products have in the past been manufactured by Licensor; and (b) the standards recognized by the industry as acceptable for such products.

4.2. Licensee agrees that Licensor has the right to control the quality of all Licensed Products manufactured, sold, and marketed by Licensee under the Trademark Rights. If Licensor determines, in Licensor's sole reasonable discretion, that the quality of the Licensed Products fail to meet the quality control standards set forth herein, then such failure shall constitute a material breach of this Agreement, permitting Licensor to terminate this Agreement upon ninety (90) days' written notice to Licensee, unless such breach is cured.

4.3. Licensee shall permit Licensor or Licensor's appointed agent to inspect and to monitor Licensee's use of the Trademark Rights including, without limitation, (a) allowing Licensor or Licensor's appointed agent, at reasonable times, to review Licensee's advertisements and other materials using the Trademark Rights, and (b) with reasonable advance notice, to enter the premises of Licensee, or any premises under the control of Licensee, where any Licensed Product is manufactured or sold, to inspect the Licensed Products and the manner in which the Licensed Products are marketed. Licensee shall also provide, upon request of Licensor, representative samples of the Licensed Products and any advertising therefor.

4.4. Licensee agrees not to use the Trademark Rights in connection with any Licensed Products where the character, appearance, quality, or suitability thereof is disapproved by Licensor. The Licensed Products sold and manufactured under the Trademark Rights shall be in compliance with all applicable national, state, and local laws and regulations governing the Licensed Products.

4.5. LEVERAGING OF THE TRADEMARK RIGHTS

4.5.1. Subject to approval of Licensor and subject to the quality control standards set forth herein, Licensee may utilize the Trademark Rights in conjunction with any marks owned or created by Licensee, but only to the extent that such use of the Trademark Rights is reasonably intended to promote the Licensed Products, and only to

the extent that such use does not dilute any of the Trademark Rights.

4.5.2. Subject to approval of Licensor and subject to the quality control standards set forth herein, Licensee shall use the word mark CRAGAR to create new trademark or service mark designs on behalf of Licensor (hereinafter "NEW MARKS"). Such New Marks are only to be used in connection with the sales, promotion, or marketing of the Licensed Products and such New Marks must be

distinctive over all other New Marks that are created by additional Licensees of Licensor under similar terms. The parties agree that Licensee's use of such New Marks, including the goodwill arising from such use, shall inure to the benefit of Licensor, and Licensee shall have no right whatsoever to the New Marks except as specifically set forth herein. Licensee agrees to not use the New Marks, or any simulation or variant thereof, or any mark, name, logo, design, likeness, or other representation confusingly similar to any of the New Marks, except as specifically set forth herein.

4.5.3 Licensee agrees to use the New Marks whenever the Cragar name or logo is used.

4.5.4. Licensee's right to use the Trademark Rights, any marks derived from or including any of the Trademark Rights, and any New Marks, as contemplated by this PARAGRAPH 4.5, shall immediately cease upon termination of this Agreement for any reason.

5. MARKINGS

5.1. [Intentionally Left Blank]

5.2. Licensee shall place the trademark registration symbol "(R)" immediately following each use of a federally registered trademark included in the Trademark Rights. Licensee shall place the trademark symbol "TM" immediately following each use of a non-federally-registered trademark included in the Trademark Rights.

5.3. Licensee shall mark each Licensed Product it manufactures with the actual manufacturing date of such Licensed Product, along with any other government-mandated, statutory, or other regulatory markings that may be required. Licensee shall be fully responsible for, and agrees to indemnify Licensor for, any and all product liability and product warranty claims (and any associated costs and damages) caused by Licensee's failure to properly mark the Licensed Products under this Paragraph 5.3.

6. IMPROVEMENTS

6.1. If Licensee develops an Improvement, Licensee shall immediately disclose such Improvements to Licensor prior to incorporation or implementation

of such Improvement into any Licensed Product. Licensee shall obtain written approval from Licensor, which shall not be unreasonably denied by Licensor, before any such Improvement is incorporated or implemented into any Licensed Product.

6.2. Upon termination of this Agreement, Licensee shall grant to Licensor a non-exclusive and royalty-free license to make, use, sell, offer for sale, and import products that embody or utilize any Improvement developed by Licensor.

6.3. Licensor shall retain all rights in and to any Improvement developed or acquired by Licensor. Licensor agrees to grant to Licensee licenses of the scope specified in Paragraph 2 herein for any Improvements developed by Licensor, and the terms of this Agreement shall also apply to such Improvements. No additional royalty shall be due for such additional licenses for such Improvements. Licensee agrees to cooperate with Licensor, without further consideration, during the preparation and prosecution of any patent applications filed in connection with Improvements developed by Licensor.

7. BEST EFFORTS

7.1. Licensee shall use its best efforts to promote the sale of the Licensed Products, including making commercially reasonable advertising and marketing expenditures, prospecting and contacting customers and potential customers of the Licensed Products, and striving to achieve a cost-efficient manufacturing process while maintaining a high quality of Licensed Products.

7.2 Licensor may request Licensee to prepare a written quarterly summary of promotional, marketing, and sales activity related to the Licensed Products.

7.3 If, for any one (1) year period, Licensee does not market and promote a particular Licensed Product Class, Licensor shall have the right to exclude from this Agreement any and all products contained in such Licensed Product Class. Licensor shall have the right to offer the Licensed Rights for products contained in any excluded Licensed Product Class to any third party.

7.4 If, for any reason, Licensee ceases to actively market and promote the Licensed Products for any continuous ninety (90) day period, Licensee shall promptly notify Licensor and Licensor shall have the right to immediately terminate this Agreement.

8. CONFIDENTIALITY

8.1. During the term of this Agreement, one party (the "DISCLOSING PARTY") may disclose to another party (the "RECEIVING PARTY") confidential information, proprietary information, trade secret information, marketing data, and the like (hereinafter "CONFIDENTIAL INFORMATION"). The Receiving Party shall not use or disclose any Confidential Information, except for the purpose of

complying with its obligations under this Agreement.

8.2. The Receiving Party agrees to keep all Confidential Information strictly confidential, subject to the limited disclosure to a selected number of employees as may be reasonably necessary to enable the Receiving Party to comply with its obligations under this Agreement.

8.3. Upon termination of this Agreement, the Receiving Party shall return (or destroy if requested by the Disclosing Party) all Confidential Information in its possession. Notwithstanding the foregoing, the confidentiality provisions set forth herein shall survive any termination of this Agreement.

9. INFRINGEMENT

9.1. If either party discovers an infringing use of any of the Licensed Rights by any third party, the discovering party shall promptly notify the other party. If Licensor elects to institute an action to end such third party infringement, Licensee shall provide all reasonable assistance to Licensor in connection with such action. If Licensor elects to not institute such an action, Licensee may initiate such action, and Licensor agrees to provide reasonable assistance to Licensee in connection with such action.

9.2 Any lawsuit or action initiated pursuant to Paragraph 9.1 shall be prosecuted at the sole expense of the party bringing suit and all sums recovered shall be divided equally between the parties after deduction of all reasonable expenses and attorney fees.

10. TERM AND TERMINATION

10.1. This Agreement shall have a term of five (5) years from its effective date, with perpetual renewal rights. Any renewal of this Agreement shall have a term of five (5) years.

10.2. At least three hundred sixty (360) days prior to the termination date of the original Agreement or any subsequently renewed Agreement, Licensee shall provide written notice to Licensor of Licensee's intent to terminate or renew the current Agreement.

10.3. If Licensee fails to comply with any of the material terms of this Agreement, then Licensee will be deemed to have defaulted. Upon written notice of such default, unless otherwise specified herein, Licensee shall have ninety (90) days to cure such default, otherwise Licensor may immediately terminate this Agreement.

10.4. In the event of failure, receivership, or seizure of Licensee, this Agreement shall terminate immediately.

10.5. If this Agreement is terminated for any reason, Licensee shall

not be relieved of any duties or obligations owing as of the date of termination, including without limitation, accounting for any outstanding royalties, responsibility for product warranties and product liability for any Licensed Products, and the duty to maintain confidentiality in accordance with Paragraph 8 herein. Any royalty payments due upon termination of this Agreement must be paid by Licensee within sixty (60) days of the termination date.

10.6. Upon termination of this Agreement for any reason, Licensee shall immediately cease and desist from any use whatsoever of the Licensed Rights. Licensee, its primary lender or another party responsible liquidating the Licensee's inventory may, however, liquidate all remaining inventory in its possession at time of termination, provided that (i) Licensor shall be given the right of first refusal to purchase any or all of the inventory upon the same terms as Licensee offers to third parties, (ii) royalties shall be payable to Licensor on all liquidated inventory. Further, upon termination of this Agreement for any reason, Licensee shall immediately transfer to Licensor or destroy, at Licensor's election, any and all documents and things bearing any mark included within the Trademark Rights.

11. ARBITRATION

Any controversy or claim arising out of or relating to this Agreement, or its breach, shall be settled by binding arbitration in accordance with the rules of the American Arbitration Association with all proceedings conducted in Phoenix, Arizona. Judgement upon the award rendered by the arbitrator(s) may be entered in any court having competent jurisdiction.

12. MISCELLANEOUS TERMS

12.1. Licensor may assign its rights under this Agreement to any third party, without prior written consent of Licensee.

12.2 Licensee agrees to indemnify and hold Licensor and its officers, directors, representatives, agents, and employees harmless from and against any and all liability, damage, loss, or expense, which the Licensor may sustain or incur in any action brought or claim made by any person, organization, or governmental entity or agency (including Licensee), irrespective of the legal theory on which such action or claim may be based, to the extent such liability relates to this Agreement.

12.3. EXCEPT AS EXPRESSLY SET FORTH HEREIN, LICENSOR, AND ANY RELATED ENTITIES INCLUDING LICENSOR'S DIRECTORS, OFFICERS, EMPLOYEES, AND AFFILIATES MAKE NO REPRESENTATIONS AND EXTEND NO WARRANTIES OF ANY KIND, EITHER EXPRESSED OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, VALIDITY OF ISSUED OR PENDING PATENT CLAIMS, IN THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE. NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED AS A REPRESENTATION MADE OR WARRANTY GIVEN BY LICENSOR THAT THE PRACTICE BY LICENSEE OF THE LICENSES GRANTED HEREUNDER SHALL NOT INFRINGE THE PATENT OR TRADEMARK RIGHTS OF ANY THIRD PARTY. IN NO EVENT

SHALL LICENSOR, ITS DIRECTORS, OFFICERS, EMPLYEES, OR AFFILIATES BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND, INCLUDING ECONOMIC

DAMAGE OR INJURY TO PROPERTY OR LOST PROFITS, REGARDLESS OF WHETHER LICENSOR SHALL BE ADVISED, SHALL HAVE OTHER REASON TO KNOW, OR IN FACT SHALL KNOW OF THE POSSIBILITY.

12.4. Subject to PARAGRAPH 2.3 herein, this Agreement shall be binding upon the successors, assigns, and legal representatives of the parties.

12.5. Any payment, notice, or other communication required or permitted to be made or given to either party pursuant to this Agreement shall be sufficiently made or given upon actual receipt if hand-delivered or by telecopy, or three days after the date of mailing if sent by certified or registered mail, postage prepaid, addressed to such party at its address set forth above or to any other address as it shall designate by written notice to the other party.

12.6. The parties agree that if any part, term, or provision of this Agreement is found to be illegal, invalid, or unenforceable, the validity of the remaining provisions shall not be affected thereby.

12.7. This Agreement shall be governed by, construed, and interpreted in accordance with the laws of the State of Arizona, without regard to its conflict of laws rules.

12.8. The failure of any party to exercise any right, power, or remedy hereunder shall not constitute a waiver thereof, nor shall any single or partial exercise of any right, power, or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power, or remedy.

12.9. This Agreement constitutes the entire understanding between the parties as to the subject matter hereof. No amendments to this Agreement shall be effective unless in writing and signed by the parties.

12.10 Licensor represents and warrants to Licensee that Licensor has good and marketable title to and owns or exclusively holds all rights to use, free and clear of all liens, claims, restrictions and infringements, other than those disclosed to Licensee, the License Rights. To the best of the Licensor's knowledge there is no current infringement or other adverse claim pending against any of the Licensed Rights. Licensor has received no notice or has any knowledge that Licensor is currently infringing upon the right or claim right of any person under or with respect to any of the Licensed Rights.

LICENSOR:

CRAGAR INDUSTRIES, INC.
a Delaware corporation

By:
Name:
Title:

LICENSEE: PERFORMANCE WHEEL OUTLET, INC.
a California corporation

By:

Name:
Title:

SCHEDULE A - LICENSOR'S TRADEMARK RIGHTS

THIS SCHEDULE A ACCOMPANIES THE EXCLUSIVE FIELD OF USE LICENSE AGREEMENT, EFFECTIVE September 1, 2000, BETWEEN CRAGAR INDUSTRIES, INC. ("LICENSOR") AND PERFORMANCE WHEEL OUTLET, INC. ("LICENSEE"). THE PARTIES AGREE THAT THIS SCHEDULE A MAY NOT BE AMENDED UNLESS SUCH AMENDMENT IS IN WRITING AND IS SIGNED BY BOTH PARTIES.

A LIST ALL APPLICABLE STATE, FEDERAL, AND FOREIGN REGISTERED TRADEMARKS AND SERVICE MARKS, INCLUDING THE REGISTRATION NUMBERS AND APPROPRIATE EXHIBITS SHOWING DESIGN MARKS ARE ATTACHED.

SCHEDULE B - LICENSOR'S PATENT RIGHTS

THIS SCHEDULE B ACCOMPANIES THE EXCLUSIVE FIELD OF USE LICENSE AGREEMENT, EFFECTIVE September 1, 2000, BETWEEN CRAGAR INDUSTRIES, INC. ("LICENSOR") AND PERFORMANCE WHEEL OUTLET, INC. ("LICENSEE"). THE PARTIES AGREE THAT THIS SCHEDULE B MAY NOT BE AMENDED UNLESS SUCH AMENDMENT IS IN WRITING AND IS SIGNED BY BOTH PARTIES.

NONE.

SCHEDULE C - LICENSED PRODUCTS

THIS SCHEDULE C ACCOMPANIES THE EXCLUSIVE FIELD OF USE LICENSE AGREEMENT, EFFECTIVE September 1, 2000, BETWEEN CRAGAR INDUSTRIES, INC. ("LICENSOR") AND PERFORMANCE WHEEL OUTLET, INC. ("LICENSEE"). THE PARTIES AGREE THAT THIS SCHEDULE C MAY NOT BE AMENDED UNLESS SUCH AMENDMENT IS IN WRITING AND IS SIGNED BY BOTH PARTIES.

The Licensed Products for the License Agreement shall be as follows:

1. Any one-piece cast aluminum vehicle wheel, and related accessories marketed, distributed or sold under any of the Trademark Rights.

2. Licensor's line of wheels, and related accessories with wheel series identification numbers contained in the Cragar Industries, Inc. Warehouse Distributor Workbook dated January 1, 1999 ("Licensor's Line"):

    1. 900/980/984 Series
    2. 175-1 Series
    3. 246/247 Series
    4. 290/291 Series
    5. 260/261 Series
    6. 355 Series
    7. 375 Series
    8. 210 Series
    9. 420 Series
    10. 425 Series
    11. 600 Series
    12. 500 Series

EXHIBIT 10.19

SECURED PROMISSORY NOTE

Phoenix, Arizona
$105,000.00 March 1, 2001

1. FUNDAMENTAL PROVISIONS. The Loan evidenced by this Secured Promissory Note (the "NOTE") shall be for the purpose of paying for or reimbursing Borrower for certain working capital costs and expenses incurred in the ordinary course of business. The Loan shall constitute a line of credit. Subject to the terms and conditions contained herein, and from time to time prior to the Maturity Date, the Lender agree, to make advances of the Loan to Borrower in aggregate, the maximum cumulative amount not to exceed the Loan Amount. The following terms will be used as defined terms in this Note (as it may be amended, modified, extended and renewed from time to time):

LENDER:	Mark Schwartz.
BORROWER:	CRAGAR INDUSTRIES, INC., a Delaware corporation.
PRINCIPAL AMOUNT:	One Hundred, Five Thousand and No/100 Dollars ($105,000.00).
INTEREST RATE:	Two and one-quarter percent (2.25%) per annum above the Index Rate. The Interest Rate shall change from time to time as and when the Index Rate changes.
DEFAULT INTEREST RATE:	Three percent (3%) per annum above the Interest Rate. The Default Interest Rate shall change from time to time as and when the Interest Rate changes as a result of changes in the Index Rate.
INDEX RATE:	The rate of interest most recently publicly announced in the Western Edition of THE WALL STREET JOURNAL as its "prime rate." Any change in the "prime rate" shall become effective as of the same date of any such change.
MATURITY DATE:	March 1, 2002, as the same may be extended pursuant to PARAGRAPH 3(d) herein.
BUSINESS DAY:	Any day of the year other than Saturdays, Sundays and legal holidays on which governmental institutions located in Phoenix, Arizona are closed.
LOAN DOCUMENTS:	This Note, the Security Agreement, the Warrant, the Pledge

and any other documents securing the repayment of the Note.

LOAN FEE: Two Thousand, One Hundred and No/100 Dollars ($2,100.00), which amount shall be paid by Borrower pursuant to the provisions set forth in PARAGRAPH 18 herein.

SECURITY AGREEMENT: That certain Security Agreement dated of even date herewith, by Borrower, as Debtor, to and for the benefit of Lender, as Secured Party.

PLEDGE: That certain Security Agreement (Pledge) (Pledgor is Obligor) dated of even date herewith, by Borrower, as Debtor, to and for the benefit of Lender, as Lender.

WARRANT: Those certain Warrants to Purchase Common Stock of Cragar Industries, Inc., by Borrower, as Company, to and for the benefit of Schwartz, as Holder.

LOAN: The loan from Lender to Borrower in the Principal Amount and evidenced by this Note.

2. PROMISE TO PAY. For value received, Borrower promises to pay to the order of Lender at such place as Lender may from time to time designate in writing, the Principal Amount or so much thereof that is advanced, together with accrued interest from the date of disbursement on the unpaid principal balance at the Interest Rate.

3. INTEREST; PAYMENTS.

(a) Absent an Event of Default hereunder or under any of the Loan Documents, each advance made hereunder shall bear interest at the Interest Rate in effect from time to time. Throughout the term of this Note, interest shall be computed by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding.

(b) All payments of principal and interest due hereunder shall be made (i) without deduction of any present and future taxes, levies, imposts, deductions, charges or withholdings, which amounts shall be paid by Borrower, and (ii) without any other set off. Borrower will pay the amounts necessary such that the gross amount of the principal and interest received by the holder hereof is not less than that required by this Note.

(c) Commencing on April 1, 2001 and continuing on the same day of each calendar month thereafter (each, an "INTEREST PAYMENT DATE"), Borrower shall

make consecutive monthly installments of accrued, unpaid interest, with one (1) final "balloon" payment of all unpaid principal, interest, and any other amounts due hereunder due and payable on the Maturity Date. If any payment of principal and interest to be made by Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing the interest in such payment.

(d) In Lender's sole and absolute discretion, the Maturity Date in effect from time to time may be extended in successive twelve (12) calendar month increments (each, an "EXTENDED MATURITY DATE") upon the following terms and conditions:

(i) at least thirty (30) days prior to the Maturity Date or the Extended Maturity Date in effect (as applicable), Borrower shall give Lender written notice that Borrower desires an extension of said Maturity Date or Extended Maturity Date (as applicable); and

(ii) there shall be no Event of Default hereunder or under any other Loan Document, nor the existence of any event which, with the giving of notice or the passage of time, or both, would give rise to an Event of Default hereunder or thereunder, either on the date of Borrower's notice to Lender as provided in clause (i) above or on the Maturity Date or Extended Maturity Date (as applicable).

4. PREPAYMENT.

(a) Borrower may prepay the Loan, in whole or in part, at any time without penalty or premium.

(b) In no event shall Borrower be entitled to reborrow any amounts prepaid.

5. LAWFUL MONEY. Principal and interest are payable in lawful money of the United States of America.

6. APPLICATION OF PAYMENTS/LATE CHARGE/DEFAULT INTEREST.

(a) Unless otherwise agreed to, in writing, or otherwise required by applicable law, payments will be applied first to accrued, unpaid interest, then to principal, and any remaining amount to any unpaid collection costs, late charges and other charges, PROVIDED, HOWEVER, upon delinquency or other default, Lender reserves the right to apply payments among principal, interest, late charges, collection costs and other charges at its discretion. All prepayments shall be applied to the indebtedness owing hereunder in such order and manner as Lender may from time to time determine in its sole discretion.

(b) If any payment of interest and/or principal is not received by the holder hereof when such payment is due, then in addition to the remedies conferred upon the holder hereof pursuant to PARAGRAPH 9 hereof and the other Loan Documents, a late charge of two percent (2%) of the amount of the regularly scheduled payment or $25.00, whichever is greater, up to the maximum amount of $1,500.00 per late charge will be added to the delinquent amount to compensate the holder hereof for the expense of handling the delinquency for any payment past due in excess of fifteen (15) days, regardless of any notice and cure periods.

(c) Upon the occurrence of an Event of Default, including the failure to pay upon final maturity, Lender, at its option, may also, if permitted under applicable law, do one or both of the following: (i) increase the applicable Interest Rate on this Note to the Default Interest Rate, and (ii) add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in this Note (including any increased rate). The interest rate will not exceed the maximum rate permitted by applicable law.

7. SECURITY. This Note is secured by, INTER ALIA, the Security Agreement and the Pledge, which instruments create a security interest in the property described therein.

8. EVENT OF DEFAULT. The occurrence of any of the following shall be deemed to be an event of default ("EVENT OF DEFAULT") hereunder:

(a) Default in the payment of principal or interest when due pursuant to the terms hereof and the expiration of five (5) days after written notice of such default from Lender to Borrower;

(b) Failure by Borrower to perform any obligation not involving the payment of money, or to comply with any other term or condition applicable to Borrower under any Loan Document and the expiration of twenty (20) days after written notice of such failure by Lender to Borrower;

(c) Any representation or warranty by Borrower in any Loan Document is materially false, incorrect, or misleading as of the date made;.

(d) The occurrence of any event (including, without limitation, a change in the financial condition, business, or operations of Borrower for any reason whatsoever) that materially and adversely affects the ability of Borrower to perform any of its obligations under the Loan Documents, and the expiration of thirty (30) days after written notice of such event by Lender to Borrower;

(e) Borrower (i) is unable or admits in writing Borrower's inability to pay its monetary obligations as they become due, (ii) fails to pay when due any monetary obligation, whether such obligation be direct or contingent, to any

person in excess of Ten Thousand Dollars ($10,000), (iii) makes a general assignment for the benefit of creditors, or (iv) applies for, consents to, or acquiesces in, the appointment of a trustee, receiver, or other custodian for Borrower or the property of Borrower or any part thereof, or in the absence of such application, consent, or acquiescence a trustee, receiver, or other custodian is appointed for Borrower or the property of Borrower or any part thereof, and such appointment is not discharged within sixty (60) days;

(f) Commencement of any case under the Bankruptcy Code, Title 11 of the United State Code, or commencement of any other bankruptcy arrangement, reorganization, receivership, custodianship, or similar proceeding under any federal, state, or foreign law by or against Borrower and with respect to any such case or proceeding that is involuntary, such case or proceeding is not dismissed within sixty (60) days of the filing thereof;

(g) Any litigation or proceeding is commenced before any governmental authority against or affecting Borrower or the property of Borrower or any part thereof and such litigation or proceeding is not defended diligently and in good faith by Borrower;

(h) A final judgment or decree for monetary damages or a monetary fine or penalty (not subject to appeal or as to which the time for appeal has expired) is entered against Borrower by any governmental authority, which together with the aggregate amount of

all other such judgments and decrees against Borrower that remain unpaid or that have not been discharged or stayed, exceeds Twenty Thousand Dollars ($20,000), is not paid and discharged or stayed within thirty (30) days after the entry thereof;

(i) Commencement of any action or proceeding which seeks as one of its remedies the dissolution of Borrower;

(j) All or any part of the property of Borrower is attached, levied upon, or otherwise seized by legal process, and such attachment, levy, or seizure is not quashed, stayed, or released within twenty (20) days of the date thereof; and

(k) The occurrence of any Event of Default, as such term is defined in any other Loan Document, including, without limitation, any default in any agreement, obligation or instrument between Borrower and any affiliate of Lender.

9. REMEDIES. Upon the occurrence of an Event of Default, then at the option of the holder hereof, the entire balance of principal together with all accrued interest thereon, and all other amounts payable by Borrower under the Loan Documents shall, without demand or notice, immediately become due and payable.

Upon the occurrence of an Event of Default (and so long as such Event of Default shall continue), the entire balance of principal hereof, together with all accrued interest thereon, all other amounts due under the Loan Documents, and any judgment for such principal, interest, and other amounts shall bear interest at the Default Interest Rate, subject to the limitations contained in PARAGRAPH 14 hereof. No delay or omission on the part of the holder hereof in exercising any right under this Note or under any of the other Loan Documents hereof shall operate as a waiver of such right.

10. WAIVER. Borrower, endorsers, guarantors, and sureties of this Note hereby waive diligence, demand for payment, presentment for payment, protest, notice of nonpayment, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor, and notice of nonpayment, and all other notices or demands of any kind (except notices specifically provided for in the Loan Documents) and expressly agree that, without in any way affecting the liability of Borrower, endorsers, guarantors, or sureties, the holder hereof may extend any maturity date or the time for payment of any installment due hereunder, otherwise modify the Loan Documents, accept additional security, release any person liable, and release any security or guaranty. Borrower, endorsers, guarantors, and sureties waive, to the full extent permitted by law, the right to plead any and all statutes of limitations as a defense.

11. CHANGE, DISCHARGE, TERMINATION, OR WAIVER. No provision of this Note may be changed, discharged, terminated, or waived except in a writing signed by the party against whom enforcement of the change, discharge, termination, or waiver is sought. No failure on the part of the holder hereof to exercise and no delay by the holder hereof in exercising any right or remedy under this Note or under the law shall operate as a waiver thereof.

12. ATTORNEYS' FEES. If this Note is not paid when due or if any Event of Default occurs, Borrower promises to pay all costs of enforcement and collection and preparation therefor, including but not limited to, reasonable attorneys' fees, whether or not any action or proceeding is brought to enforce the provisions hereof (including, without limitation, all such costs incurred

in connection with any bankruptcy, receivership, or other court proceedings (whether at the trial or appellate level)).

13. SEVERABILITY. If any provision of this Note is unenforceable, the enforceability of the other provisions shall not be affected and they shall remain in full force and effect.

14. INTEREST RATE LIMITATION. Borrower hereby agrees to pay an effective rate of interest that is the sum of the interest rate provided for herein, together with any additional rate of interest resulting from any other charges of interest or in the nature of interest paid or to be paid in connection with the Loan, including, without limitation, the Loan Fee and any other fees to be paid by

Borrower pursuant to the provisions of the Loan Documents. Lender and Borrower agree that none of the terms and provisions contained herein or in any of the Loan Documents shall be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by the laws of the State of Arizona. In such event, if any holder of this Note shall collect monies which are deemed to constitute interest which would otherwise increase the effective interest rate on this Note to a rate in excess of the maximum rate permitted to be charged by the laws of the State of Arizona, all such sums deemed to constitute interest in excess of such maximum rate shall, at the option of the holder, be credited to the payment of other amounts payable under the Loan Documents or returned to Borrower.

15. NUMBER AND GENDER. In this Note the singular shall include the plural and the masculine shall include the feminine and neuter gender, and vice versa.

16. HEADINGS. Headings at the beginning of each numbered section of this Note are intended solely for convenience and are not part of this Note.

17. CHOICE OF LAW. THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ARIZONA WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES.

18. LOAN FEE. Upon execution and delivery of this Note, as a condition precedent to any obligation of Lender to disburse any portion of the Loan, and as partial compensation for Lender agreeing to extend the Loan to Borrower, Borrower agrees to pay Lender good funds in an amount equal to One Hundred, Seventy-Five and No/100 Dollars ($175.00), which amount shall constitute the first installment of the non-refundable Loan Fee due Lender. The remaining unpaid portion of the Loan Fee shall be paid by Borrower to Lender in eleven (11) equal monthly installments of One Hundred, Seventy-Five and No/100 Dollars ($175.00), commencing on April 1, 2000, and continuing on each Interest Payment Date thereafter until such time as the entire Loan Fee has been paid by Borrower to Lender. In the event that the Loan evidenced by this Note is prepaid in its entirety prior to the Maturity Date, Borrower shall have no further or additional obligation to pay any remaining unpaid Loan Fee due Lender.

19. INTEGRATION. The Loan Documents contain the complete understanding and agreement of the holder hereof and Borrower and supersede all prior representations, warranties, agreements, arrangements, understandings, and negotiations.

20. BINDING EFFECT. The Loan Documents will be binding upon, and inure to the benefit of, the holder hereof, Borrower, and their respective successors and assigns. Borrower may not delegate its obligations under the Loan Documents.

21. TIME OF THE ESSENCE. Time is of the essence with regard to each provision of

the Loan Documents as to which time is a factor.

22. SURVIVAL. The representations, warranties, and covenants of the Borrower in the Loan Documents shall survive the execution and delivery of the Loan Documents and the making of the Loan.

23. REPRESENTATIONS AND WARRANTIES; COVENANTS. As an inducement to Lender to extend the Loan to Borrower and to disburse the proceeds of the Loan, Borrower represents, warrants and covenants to Lender that the following statements set forth in this PARAGRAPH 23 are true, correct and complete as of the date hereof, and will continue to be true, correct and complete throughout the entire term of the Loan:

(a) ORGANIZATION AND POWERS. Borrower is a corporation, duly organized and validly existing under the laws of the State of Delaware, and is qualified to transact business in the State of Arizona. Borrower has all requisite power and authority, rights and franchises to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, and to enter into and perform this Note and the other Loan Documents. Borrower shall immediately notify Lender in writing of any change in the legal, trade or fictitious business names used by Borrower and shall, upon Lender's request, execute or cause to be executed any additional financing statements and other certificates necessary to reflect the change in the trade names or fictitious business names.

(b) GOOD STANDING. Borrower has made all filings and is in good standing in the State of Arizona and in each other jurisdiction in which the character of the property it owns or the nature of the business it transacts makes such filings necessary or where the failure to make such filings could have a materially adverse effect on the business, operations, assets or condition of Borrower. Borrower shall maintain and preserve its existence and all rights material to its business, and without the prior written consent of Lender, shall not allow any amendments to be made to its articles of incorporation or bylaws.

(c) AUTHORIZATION OF LOAN DOCUMENTS. The execution, delivery and performance of the Loan Documents by Borrower are within Borrower's powers and have been duly authorized by all necessary action by Borrower. The execution, delivery and performance of the Loan Documents by Borrower will not violate (i) Borrower's articles of incorporation and bylaws; or (ii) any legal requirement affecting Borrower or any of its properties; or (iii) any agreement to which Borrower is bound or to which Borrower is a party and will not result in or require the creation (except as provided in or contemplated by this Agreement) of any lien upon any of such properties. No approvals, authorizations or consents of any trustee or holder of any indebtedness or obligation of Borrower are required for the due execution, delivery and performance by Borrower of the Loan

Documents. This Note and the other Loan Documents have been duly executed by Borrower, and are legally valid and binding obligations of Borrower, enforceable against Borrower in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

(d) NO MATERIAL DEFAULTS. There exists no material violation of or material default by Borrower and, to the best knowledge of Borrower, no event has occurred which, upon the giving of notice or the passage of time, or both, would constitute a material default with respect to (i) any license, permit, statute, ordinance, law, judgment, order, writ, injunction, decree, rule or regulation of any applicable governmental authority, or any determination or award of any arbitrator to which Borrower may be bound, or (ii) any mortgage, instrument, agreement or document by which Borrower or any of its properties is bound: (a) which involves any Loan Document, and/or (b) which might materially and adversely affect the ability of Borrower to perform its obligations under any of the Loan Documents or any other material instrument, agreement or document to which it is a party.

(e) LITIGATION; ADVERSE FACTS. Except as disclosed in writing to Lender, there is no action, suit, investigation, proceeding or arbitration (whether or not purportedly on behalf of Borrower) at law or in equity or before or by any foreign or domestic court or other governmental entity (a "LEGAL ACTION"), pending or, to the knowledge of Borrower, threatened against or affecting Borrower or any of its assets which could reasonably be expected to result in any material adverse change in the business, operations, assets or condition (financial or otherwise) of Borrower or would materially and adversely affect Borrower's ability to perform its obligations under the Loan Documents. There is no basis known to Borrower for any such action, suit or proceeding. Borrower is not (i) in violation of any applicable law which violation materially and adversely affects, or may materially and adversely affect the business, operations, assets or condition (financial or otherwise) of Borrower, (ii) subject to, or in default with respect to any other legal requirement that would have a materially adverse effect on the business, operations, assets or condition (financial or otherwise) of Borrower, or (iii) in default with respect to any agreement to which Borrower is a party or to which it is bound. There is no Legal Action pending or, to the knowledge of Borrower, threatened against or affecting Borrower questioning the validity or the enforceability of this Agreement or any of the other Loan Documents. During the term of the Loan, Borrower shall give or cause to be given to Lender, prompt written notice to Lender of the occurrence of a Legal Action and/or any other action, event or condition which may have a material and adverse effect upon its business, operations, management, assets, properties, ownership or condition.

(f) TITLE TO PROPERTIES; LIENS. Borrower has good, sufficient and legal title to all properties and assets reflected in its most recent balance sheet delivered to Lender, except for assets disposed of in the ordinary course of business since the date of such balance sheet

(g) DISCLOSURE. There is no fact known to Borrower that materially and adversely affects the business, operations, assets or condition (financial or otherwise) of Borrower,

which has not been disclosed in this Note or in other documents, certificates and written statements furnished to Lender in connection herewith.

(h) FINANCIAL CONDITION. The financial statements and all financial data previously delivered to Lender in connection with the Loan and/or relating to Borrower are true, correct and complete in all material respects. Such financial statements present fairly the financial position of the party who is the subject thereof as of the date thereof. No material adverse change has occurred in such financial position, and except for this Loan, no borrowings have been made by Borrower since the date thereof which are secured by, or might give rise to, a lien or claim against the proceeds of this Loan.

24. LOAN DISBURSEMENTS. Following Borrower's satisfaction of all conditions to this Note, Lender shall make advances of the Loan from time to time in accordance with this PARAGRAPH 24, PROVIDED, HOWEVER, the maximum cumulative amount advanced from time to time during the Loan term shall not exceed the Principal Amount.

(a) REQUEST FOR ADVANCE.

(i) Advances shall be made upon written requisitions in such form as may be prescribed by Lender from time to time, signed by an authorized representative of Borrower, and subject to approval by Lender as complying with all requirements and conditions of this Note. Lender shall fund each approved requisition within five (5) Business Days following receipt of all Borrower's written requisition and any additional documents required under the terms of this Note.

(ii) Each requisition by Borrower shall thereby constitute, without the necessity of specifically containing a written statement, a representation and warranty by Borrower that the representations and warranties of Borrower contained in this Agreement are true and correct in all respects as if made on the date of the request for advance.

(b) LOAN DISBURSEMENTS. The Principal Amount shall be made available by Lender to Borrower for the sole purpose of paying or reimbursing Borrower for Borrower's working capital needs. All advances by Lender to Borrower for such working capital needs shall be subject to the following limitations:

(i) The representations and warranties of Borrower contained in the Loan Documents shall be correct on and as of the date of the disbursement as though made on and as of the date, and no Event of Default (or event

which, with notice and/or the passage of time, could become an Event of Default) shall have occurred and be continuing as of the date of the disbursement;

(ii) Each such disbursement shall be available only to defray working capital costs and expenses actually incurred or reasonably anticipated to be incurred by Borrower;

(iii) There has been no material adverse change in the value of the security described in the financial statements of Borrower; and

(iv) Lender shall have no obligation to disburse funds in a cumulative amount in excess of the Principal Amount.

25. [Intentionally Left Blank.]

CRAGAR INDUSTRIES, INC., a Delaware corporation

By: ----------

Name: ----------

Title: ----------

"Borrower"

EXHIBIT 11

CRAGAR INDUSTRIES, INC.
Schedule of Computation of Earnings Per Share

<TABLE>
<CAPTION>

EARNINGS PER SHARE

	For the Year Ended December 31,	
	2000	1999
<S>	<C>	<C>
Income from continuing operations		
Income before extraordinary items	$ 976,396	$ (234,294)
Less: Preferred Stock Dividends	(241,933)	(157,500)
Income (loss) to common stockholders before extraordinary item	734,463	(391,794)
Extraordinary item - gain on forgiveness of debt	98,633	288,972
Income available to common stockholders	$ 833,096	$ (102,822)
Basic EPS - Weighted Average Shares Outstanding	2,762,759	2,456,990
Basic Earnings (Loss) Per Share before extraordinary item	$ 0.27	$ (0.16)
Extraordinary item	0.03	0.12
Basic Earnings (Loss) Per Share	$ 0.30	$ (0.04)
Basic EPS - Weighted Average Shares Outstanding	2,762,759	2,456,990
Effect of Diluted Securities:		
Stock Options and Warrants	39,341	--
Convertible Preferred Stock	509,259	--
Diluted EPS - Weighted Average Shares Outstading	2,802,100	2,456,990

Diluted Earnings Per Share before extraordinary item	$ 0.27	$ (0.16)
Extraordinary item	0.03	0.12
Diluted earnings per common and common equivalent share	$ 0.30	$ (0.04)

</TABLE>

CRAGAR INDUSTRIES, INC.
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2000

<TABLE>

<S>	<C>
Net sales	$(12,508,762)
Royalty Revenues	435,287
Total Revenues	(12,073,475)
Cost of Goods Sold	(11,183,005)
Gross Profit	(890,470)
Selling, general and administrative expenses	(1,037,733)
Income from Operations	147,263
Non-operating income (expenses), net	
Interest Expenses	411,698
Other, net	(116,473)
Gain on Sales of Assets	768,202
Total non-operating income (expenses), net	1,063,427
Net earnings before income taxes and extraordinary item	1,210,690
Income Taxes	--
Net earnings before extraordinary item	1,210,690
Extraordinary Item	
Forgiveness of Debt	(190,339)
Net Earnings	$ 1,020,351

</TABLE>

CRAGAR INDUSTRIES, INC.
INCOME STATEMENT

<TABLE>
<CAPTION>

	For the Years Ended December 31,	
	2000	1999
<S>	<C>	<C>
Net sales	42.33%	100.00%
Royalty Revenues	57.67%	0.00%
Total Revenues	100.00%	100.00%
Cost of Goods Sold	50.30%	90.33%
Gross Profit	49.70%	9.87%
Selling, general and administrative expenses	117.59%	15.01%
Income from Operations	-67.89%	-5.14%
Non-operating income (expenses), net		
Interest Expenses	-20.84%	-4.44%
Other, net	0.00%	0.91%
Gain on Sales of Assets	218.08%	6.84%
Total non-operating income (expenses), net	197.24%	3.32%
Net earnings before income taxes and extraordinary item	129.35%	-1.83%
Income Taxes	0.00%	0.00%
Net earnings before extraordinary item	129.35%	-1.83%
Extraordinary item		
Foregiveness of Debt	13.07%	2.25%
Net Earnings	142.42%	0.43%

</TABLE>

Exhibit 23(a)

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

As independent certified public accountants, we hereby consent to the inclusion of our report dated March 22, 2001 on the financial statements of Cragar Industries, Inc. for the year ended December 31, 1999, in the Company's Form 10-KSB for the year then ended.

Phoenix, Arizona
March 30, 2001