

Edgar Filing: TEAM SPORTS ENTERTAINMENT INC - Form 10QSB

TEAM SPORTS ENTERTAINMENT INC  
Form 10QSB  
November 24, 2004

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For Quarter Ended: SEPTEMBER 30, 2004

Commission File Number: 0-23100

IDEA SPORTS ENTERTAINMENT GROUP, INC.  
(Exact name of small business issuer as specified in its charter)

TEAM SPORTS ENTERTAINMENT, INC.  
(Former name of small business issuer as specified in its charter)

DELAWARE  
(State of Incorporation)

22-2649848  
(IRS Employer ID No)

800 WEST MAIN, LAKE CITY, SC 29560  
(Address of principal executive office)

3930 GLADE ROAD, #108-380, COLLEYVILLE, TEXAS 76034  
(Former address of principal executive office)

(843) 374-4332  
(Issuer's telephone number)

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  No .

The number of shares outstanding of registrant's common stock, par value \$.0001 per share, as of October 31, 2004 was 63,782,412.

Transitional Small Business Disclosure Format (Check one): Yes  No .

IDEA SPORTS ENTERTAINMENT GROUP, INC. AND SUBSIDIARIES  
INDEX

	Page
	----
PART I FINANCIAL INFORMATION (Unaudited)	
Item 1. Condensed Consolidated Balance Sheet as of September 30, 2004	3
Condensed Consolidated Statements of Operations for the	

## Edgar Filing: TEAM SPORTS ENTERTAINMENT INC - Form 10QSB

three months ended September 30, 2004 and 2003	4
Condensed Consolidated Statements of Operations for the nine months ended September 30, 2004 and 2003, and the period from inception (May 15, 2001), through September 30, 2004	5
Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2004 and 2003, and the period from inception (May 15, 2001), through September 30, 2004	6
Notes to Condensed Consolidated Financial Statements	7-13
Item 2. Management's Discussion and Analysis or Plan of Operation	14-16
Item 3. Controls and Procedures	17
PART II OTHER INFORMATION	18-20

2

IDEA SPORTS ENTERTAINMENT GROUP, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED BALANCE SHEET  
SEPTEMBER 30, 2004  
(UNAUDITED)

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	2,464
Employee advances		10,000
		-----
Total current assets		12,464
Other assets		786
		-----
Total assets	\$	13,250

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES

Notes payable	\$	3,072,750
Accounts payable		68,632
Accrued expenses		20,857
Amounts payable to related parties		337,905
Accrued interest payable		458,460
		-----
Total liabilities		3,958,604

Commitments and contingencies

STOCKHOLDERS' DEFICIT

Preferred stock: \$2.75 par value; authorized 2,000,000 shares; no shares issued and outstanding		--
Common stock: \$.0001 par value; authorized 500,000,000 shares; issued 63,901,212 shares and outstanding 63,782,412 shares		6,378
Additional paid-in capital		15,874,618
Accumulated deficit		(19,826,350)

Edgar Filing: TEAM SPORTS ENTERTAINMENT INC - Form 10QSB

Total stockholders' deficit	(3,945,354)
Total liabilities and stockholders' deficit	\$ 13,250

See accompanying notes to condensed consolidated financial statements.

3

IDEA SPORTS ENTERTAINMENT GROUP, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
THREE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,	
	2004	2003
CONTINUING OPERATIONS		
Administrative expense	\$ 48,713	\$ --
LOSS FROM CONTINUING OPERATIONS	(48,713)	--
DISCONTINUED OPERATIONS		
Loss from discontinued operations	(97,974)	(7,825,909)
Income tax benefit	--	--
NET LOSS FROM DISCONTINUED OPERATIONS	(97,974)	(7,825,909)
NET LOSS	\$ (146,687)	\$ (7,825,909)
NET LOSS PER SHARE, BASIC AND DILUTED, FROM:		
CONTINUING OPERATIONS	\$ (0.00)	\$ --
DISCONTINUED OPERATIONS	(0.00)	(0.12)
	\$ (0.00)	\$ (0.12)
WEIGHTED AVERAGE SHARES OUTSTANDING, BASIC AND DILUTED	63,782,412	63,639,344

See accompanying notes to condensed consolidated financial statements.

4

IDEA SPORTS ENTERTAINMENT GROUP, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003, AND THE PERIOD

## Edgar Filing: TEAM SPORTS ENTERTAINMENT INC - Form 10QSB

FROM INCEPTION (MAY 15, 2001) THROUGH SEPTEMBER 30, 2004  
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,		FROM INCEPTION (MAY 15, 2001) THROUGH SEPTEMBER 30, 2004
	2004	2003	
CONTINUING OPERATIONS			
Administrative expense	\$ 48,713	\$ --	\$ 48,713
	(48,713)	--	(48,713)
LOSS FROM CONTINUING OPERATIONS			
DISCONTINUED OPERATIONS			
Loss from discontinued operations	(428,264)	(8,833,177)	(15,482,280)
Income tax benefit	--	--	-
NET LOSS FROM DISCONTINUED OPERATIONS	(428,264)	(8,833,177)	(15,482,280)
NET LOSS	\$ (476,977)	\$ (8,833,177)	\$ (15,530,990)
NET LOSS PER SHARE, BASIC AND DILUTED, FROM:			
CONTINUING OPERATIONS	\$ (0.00)	\$ --	\$ (0.00)
DISCONTINUED OPERATIONS	(0.01)	(0.14)	(0.20)
TOTAL	\$ (0.01)	\$ (0.14)	\$ (0.20)
WEIGHTED AVERAGE SHARES OUTSTANDING, BASIC AND DILUTED	63,782,412	63,531,253	63,125,750

See accompanying notes to condensed consolidated financial statements.

5

IDEA SPORTS ENTERTAINMENT GROUP, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003, AND THE PERIOD  
FROM INCEPTION (MAY 15, 2001), THROUGH SEPTEMBER 30, 2004  
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,		FR (M S
	2004	2003	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (476,977)	\$ (8,833,177)	\$
Loss from discontinued operations	(428,264)	(8,833,177)	-

Edgar Filing: TEAM SPORTS ENTERTAINMENT INC - Form 10QSB

Loss from continuing operations	(48,713)	--	
Adjustment to reconcile net loss to net cash used in operating activities:			
Other assets	(786)	--	
Accounts payable	20,863	--	
Accrued expenses	1,147	--	
	-----	-----	
Net cash used in continuing operations	(27,489)	--	
	-----	-----	
Net cash used in discontinued operations	(87,415)	(1,438,027)	
	-----	-----	
Net cash used in operations	(114,904)	(1,438,027)	
	-----	-----	
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in discontinued operations	--	--	
	-----	-----	
Net cash used in investing activities	--	--	
	-----	-----	
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan proceeds	37,500	--	
Employee advances	(8,800)	--	
	-----	-----	
Net cash from continuing operations	28,700	--	
	-----	-----	
Net cash from discontinued operations	--	915,250	
	-----	-----	
Net cash provided by financing activities	28,700	915,250	
	-----	-----	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(86,204)	(522,777)	
CASH AND CASH EQUIVALENTS, beginning of period	88,668	650,305	
	-----	-----	
CASH AND CASH EQUIVALENTS, end of period	\$ 2,464	\$ 127,528	\$
	=====	=====	=====

See accompanying notes to condensed consolidated financial statements.

6

IDEA SPORTS ENTERTAINMENT GROUP, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

The following notes to the condensed consolidated financial statements and management's discussion and analysis or plan of operation contain "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements may include projections or expectations of future financial or economic performance of the Company, and statements of the Company's plans and objectives for future operations. Words such as "expects", "anticipates", "approximates", "believes", "estimates", "hopes", "intends", and "plans", and variations of such words and similar expressions are intended to identify such forward-looking statements. No assurance can be given that actual results or events will not differ materially from those projected, estimated, assumed or anticipated in any such forward-looking statements. Important factors that could result in such differences, in addition to other factors noted with such forward-looking statements, include those discussed in Exhibit 99.1 filed with the Securities

## Edgar Filing: TEAM SPORTS ENTERTAINMENT INC - Form 10QSB

and Exchange Commission as an exhibit to the Company's Annual Report on Form 10-KSB for fiscal year 2002.

### NOTE 1--BASIS OF PRESENTATION

-----

The condensed consolidated financial statements include the accounts of Idea Sports Entertainment Group, Inc. (formerly Team Sports Entertainment, Inc.) and its wholly owned subsidiaries, Idea Management Group, Inc. ("IMG") and Maxx Motorsports, Inc. ("Maxx"), and its wholly owned subsidiary, Team Racing Auto Circuit, LLC ("TRAC") (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation. Maxx, through TRAC, planned to own, operate and sanction an automotive racing league designed to provide content for television and tracks while expanding the existing base of racing fans. Accordingly, the operations of the Company are presented as those of a development stage enterprise, from its inception (May 15, 2001), as prescribed by Statement of Financial Accounting Standards No. 7, "Accounting and Reporting by Development Stage Enterprises." The Company follows the AICPA SOP 98-5, "Reporting on the Costs of Start-Up Activities" in accounting for its start-up activities. On August 26, 2003, the Board of Directors of the Company unanimously approved a plan to immediately discontinue its racing operation. As the racing operation was its only business then, all operations of the Company was included in discontinued operations until the acquisition of IMG on September 9, 2004 (see note 3). On November 8, 2004, the Company changed its name to Idea Sports Entertainment Group, Inc.

The condensed consolidated financial statements included in this report have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting and include all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation. These condensed consolidated financial statements have not been audited.

7

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations for interim reporting. The Company believes that the disclosures contained herein are adequate to make the information presented not misleading. However, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended December 31, 2003, which is included in the Company's Form 10-KSB for the year ended December 31, 2003. The financial data for the interim periods presented may not necessarily reflect the results to be anticipated for the complete year.

Certain reclassifications of the amounts presented for the comparative period have been made to conform to the current presentation.

### NOTE 2--GOING CONCERN

-----

The Company has been in the development stage since its inception (May

## Edgar Filing: TEAM SPORTS ENTERTAINMENT INC - Form 10QSB

15, 2001) and has not established sources of revenue sufficient to fund the development of business and pay operating expenses, resulting in a net loss of \$15,530,998 from inception through September 30, 2004. The Company has ceased its plans to begin a racing league and all related operations have been discontinued. In addition, current liabilities of the Company exceed their assets by \$3,945,354 and their convertible promissory notes payable obligations are in default. These conditions raise substantial doubt about the Company's ability to continue as a going concern. These condensed consolidated financial statements do not include any adjustments that may result from the outcome of these uncertainties.

Since August 26, 2003, the Company has attempted to locate and negotiate with a business entity for a merger of that business into the Company. On September 9, 2004, the Company acquired IMGI. There can be no assurance that the Company will be able to obtain sufficient funding to support IMGI's business plan.

### NOTE 3--ACQUISITION OF IDEA MANAGEMENT GROUP, INC.

-----

On September 9, 2004, the Company acquired IMGI, a development stage company with no prior operations, in exchange for a warrant to purchase 15,000,000 shares of the Company's common stock at an exercise price of \$.10 per share. In addition, in the event IMGI generates \$2,000,000 in gross revenue by September 8, 2007, the sellers of IMGI shall receive an additional warrant to purchase 15,000,000 shares of the Company's common stock at an exercise price of \$.10 per share.

8

IMGI is a company devoted to the creation, development and acquisition of innovative motion pictures and television programming in the sports and family genre. These unique and commercial entertainment properties are designed to appeal to the sports enthusiast and are to be distributed domestically and internationally through both strategic partnerships with film and distribution companies, as well as, growing Internet distribution channels.

### NOTE 4--DISCONTINUED OPERATIONS

-----

The Company has been in the development stage since its inception (May 15, 2001) and has not established sources of revenue sufficient to fund the development of business and pay operating expenses, resulting in a net loss of \$15,482,285 from inception through September 30, 2004.

On August 26, 2003, the Board of Directors of the Company unanimously approved a plan to immediately discontinue its racing operation. As the racing operation was its only business at that time, all operations of the Company have been included in discontinued operations until the acquisition of IMGI on September 9, 2004.

As a part of the evaluation of the assets of the Company, the following assets were considered to be fully impaired based upon management's expectation that they had no future value. These amounts have been recorded as impairment losses and were included in loss from discontinued operations during the quarter ended September 30, 2003.

Race car designs and manufacturing equipment	\$	1,673,400
Production contract payments		2,545,781

## Edgar Filing: TEAM SPORTS ENTERTAINMENT INC - Form 10QSB

Goodwill		2,810,627
		-----
Total	\$	7,029,808
		=====

### NOTE 5--STOCK OPTION PLANS

-----

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25 (APB No. 25), "Accounting for Stock Issued to Employees," and related interpretations, in accounting for its stock option plan. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price.

SFAS No. 123, "Accounting for Stock Based Compensation" (SFAS No. 123), requires the Company to disclose pro forma information regarding option grants made to its employees. SFAS No. 123 specifies certain valuation techniques that produce estimated compensation charges that are included in the pro forma results below. These amounts have not been reflected in the Company's consolidated statement of operations, because APB No. 25 specifies that no compensation charge arises when the price of the employees' stock options equal the market value of the underlying stock at the grant date, as in the case of options granted to the Company employees, board of directors, advisory committee members, and consultants.

9

SFAS No. 123 pro forma numbers are as follows for the three and nine months ended September 30, 2004 and 2003, and for the period from inception (May 15, 2001) through September 30, 2004:

#### Three Months Ended September 30, 2004 and 2003

-----

	2004	2003
	-----	-----
Net loss, as reported	\$ (146,687)	\$ (7,825,909)
Add: Stock-based employee compensation expense determined under fair value based method for all awards	--	(1,249,841)
Deduct: Stock-based employee compensation included in reported net loss	--	--
	-----	-----
Pro forma net loss	\$ (146,687)	\$ (9,075,750)
	=====	=====
 Basic and diluted net loss per share:		
Pro forma	\$ (.00)	\$ (.14)
As reported	\$ (.00)	\$ (.12)

#### Nine Months Ended September 30, 2004 and 2003

-----

Fr



Edgar Filing: TEAM SPORTS ENTERTAINMENT INC - Form 10QSB

	September 30,		
	2004	2003	
	-----	-----	-----
Net loss, as reported	\$ (476,977)	\$ (8,833,177)	\$ (15,
Add: Stock-based employee compensation expense determined under fair value based method for all awards	--	(1,464,659)	(4,
Deduct: Stock-based employee compensation included in reported net loss	--	--	
	-----	-----	-----
Pro forma net loss	\$ (476,977)	\$ (10,297,836)	\$ (19,
	=====	=====	=====
Basic and diluted net loss per share:			
Pro forma	\$ (.01)	\$ (.16)	\$
As reported	\$ (.01)	\$ (.14)	\$

10

Under SFAS No. 123, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. In 2001, the year in which the first group of options were issued, the following weighted average assumptions were used: risk-free interest rate based on date of issuance and term between 3.83% and 4.93%, no expected dividends, a volatility factor of 138.13% and an expected life of the options of 3 to 10 years.

On April 2, 2003, the Board of Directors granted options to certain employees and directors to acquire 8,800,000 shares of the Company's common stock at prices ranging from \$.42 to \$1.00 per share. The options were scheduled to vest as follows: 4,500,000 on April 2, 2003, 2,210,000 on the day the 2004 racing season commences and 2,090,000 on the day the 2005 racing season commences. The following assumptions were used: risk-free interest rate of 4.67%, no expected dividends, a volatility factor of 127.59% and an expected life of the option of 1 to 2 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, it is management's opinion that the existing models do not necessarily provide a reliable single measure of the fair value of the Company options.

NOTE 6--NOTES PAYABLE

- 
- a) In April 2003, holders of \$1,645,000 of the \$2,270,000 convertible notes payable agreed to extend the maturity date of their respective notes from August 31, 2003 to March 1, 2004. In addition, certain holders of the notes increased the principal amount of their notes by an aggregate amount of

## Edgar Filing: TEAM SPORTS ENTERTAINMENT INC - Form 10QSB

\$765,250. A 10% loan origination fee was paid on the increased principal balances through the issuance of 306,100 shares of the Company's common stock to the holders of the notes at \$.25 per share. The origination fee of \$76,525 was amortized over the terms of the convertible notes payable. Notes in the aggregate principle amount of \$625,000 bear interest at 8% per annum, require quarterly interest payments, and matured August 31, 2003. The remaining notes, in the aggregate principle amount of \$2,410,250, bear interest at 8% per annum, require quarterly interest payments, and matured March 1, 2004. Each note is convertible into common stock of the Company at the rate of \$.20 per share. The common stock issuable upon conversion of the convertible notes payable is restricted and may only be sold in compliance with Rule 144 of the Securities Act of 1933, as amended.

At September 30, 2004, the Company owed accrued interest on the notes of \$458,460 and has not made any quarterly interest payments since May 2003. All notes are currently in default and are accruing interest at the default rate of 12%, since the default occurred.

11

- b) In September 2004, the Company issued its 8% convertible note payable in the amount of \$37,500, which is payable in cash until May 1, 2005. After May 1, 2005, the note can be converted into the Company's common stock at \$.04 per share.

### NOTE 7--COMMITMENTS AND CONTINGENCIES

-----

On August 26, 2003, when the Board of Directors of the Company discontinued racing operations, the Company was a party to the following agreements:

- o Racing Car Design and Construction Agreement
- o Team Sales Brokerage Agreement
- o Broadcasting Agreement
- o Sales Provider Agreement for Sponsorship Opportunities
- o Office Lease
- o Local Operator Agreement with Former Chief Executive Officer

Management of the Company does not believe the Company has any remaining liability under these agreements. Additional detail regarding these agreements can be found in the Company's Form 10-KSB for the year ended December 31, 2003.

During the three month period ended June 30, 2004, the landlord of the office lease, which the Company vacated at the end of last year, drew \$100,000 on the letter of credit which had secured payment on the lease. As a result, the \$100,000 in restricted cash, which secured the letter of credit, was paid.

### NOTE 8--RELATED PARTIES

-----

The Company has received loans and advances, principally for services, from certain individuals considered to be related parties. The amount

## Edgar Filing: TEAM SPORTS ENTERTAINMENT INC - Form 10QSB

due to these parties is as follows:

William Miller, former CEO	\$ 127,888
Robert Wussler, former Chairman of the Board of Directors	29,167
G. David Gordon, attorney, creditor and stockholder	90,850
Unpaid director fees	90,000
	-----
Total	\$ 337,905
	=====

Employee advances includes \$9,600 due from the chief executive officer of the Company at September 30, 2004. As of November 23, 2004, the balance has been reduced to \$3,700.

12

### NOTE 9--LEGAL

-----

On May 3, 2004, in the Chancery Court of the State of Delaware, five shareholders, including former officers/directors of the Company, filed suit against the Company's former Directors, Terry Washburn and Terry Hansen. The suit alleges breach of fiduciary duty, mismanagement, wrongful termination and conversion. The Company believes this is a retaliation suit by Pritchett and Miller, two of the plaintiffs, because of the legal proceeding brought against each of them in Atlanta, Georgia. The Company has filed a motion to dismiss as a result of the pending suit in Atlanta, Georgia.

### NOTE 10--SUBSEQUENT EVENT

-----

Effective October 31, 2004, the Company acquired all of the issued and outstanding memberships in Strategic Gaming Consultants, LLC ("SGC"), a Nevada limited liability company, in exchange for warrants to acquire 750,000 shares of the Company's common stock at an exercise price of \$.10 per share. In addition, in the event SGC generates \$2,000,000 in gross revenue within three years, the sellers of SGC shall receive an additional warrant to purchase 750,000 shares of the Company's common stock at an exercise price of \$.10 per share.

SGC has had no prior operations. SGC was formed to provide consultation and related services to include the setup, management and security for all types of casino operations.

13

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

The Company has been in the development stage since its inception (May 15, 2001) and has not established sources of revenue sufficient to fund the development of business and pay operating expenses, resulting in a net loss of \$15,530,998 from inception through September 30, 2004. Accordingly, on August 26, 2003, the Board of Directors of the Company unanimously approved a plan to immediately discontinue its racing operation. Since August 26, 2003, the Company has been attempting to find a suitable acquisition candidate and on September 9, 2004, the Company acquired IMG I.

IMG I, a development stage company with no prior operations, is a

## Edgar Filing: TEAM SPORTS ENTERTAINMENT INC - Form 10QSB

company devoted to the creation, development and acquisition of innovative motion pictures and television programming in the sports and family genre. These unique and commercial entertainment properties are designed to appeal to the sports enthusiast and are to be distributed domestically and internationally through both strategic partnerships with film and distribution companies, as well as, growing Internet distribution channels.

### GOING CONCERN FACTORS--LIQUIDITY

The Company, has been in the development stage since its inception (May 15, 2001) and has not established sources of revenue sufficient to fund the development of business and pay operating expenses, resulting in a net loss of \$15,530,998 from inception through September 30, 2004. The Company has ceased its plans to begin a racing league and all related operations have been discontinued. In addition, current liabilities of the Company exceed their assets by \$3,945,354 and their convertible promissory notes payable obligations are in default. These conditions raise substantial doubt about the Company's ability to continue as a going concern. These condensed consolidated financial statements do not include any adjustments that may result from the outcome of these uncertainties.

Since August 26, 2003, the Company has attempted to locate and negotiate with a business entity for a merger of that business into the Company. On September 9, 2004, the Company acquired IMGI. There can be no assurance that the Company will be able to obtain sufficient funding to support IMGI's business plan.

On May 3, 2004, in the Chancery Court of the State of Delaware, five shareholders, including former officers/directors of the Company, filed suit against the Company's former Directors, Terry Washburn and Terry Hansen. The suit alleges breach of fiduciary duty, mismanagement, wrongful termination and conversion. The Company believes this is a retaliation suit by Pritchett and Miller, two of the plaintiffs, because of the legal proceeding brought against each of them in Atlanta, Georgia. The Company has filed a motion to dismiss as a result of the pending suit in Atlanta, Georgia.

14

### DISCONTINUED OPERATIONS

The Company has been in the development stage since its inception (May 15, 2001) and has not established sources of revenue sufficient to fund the development of business and pay operating expenses, resulting in a net loss from discontinued operations of \$15,482,285 from inception through September 30, 2004. On August 26, 2003, when the Board of Directors of the Company discontinued racing operations, the Company was a party to the following agreements:

- o Racing Car Design and Construction Agreement
- o Team Sales Brokerage Agreement
- o Broadcasting Agreement
- o Sales Provider Agreement for Sponsorship Opportunities
- o Office Lease
- o Local Operator Agreement with Former Chief Executive Officer

Management of the Company does not believe the Company has any

## Edgar Filing: TEAM SPORTS ENTERTAINMENT INC - Form 10QSB

remaining liability under these agreements. Additional detail regarding these agreements can be found in the Company's Form 10-KSB for the year ended December 31, 2003.

During the three month period ended June 30, 2004, the landlord of the office lease, which the Company vacated at the end of last year, drew \$100,000 on the letter of credit which had secured payment on the lease. As a result, the \$100,000 in restricted cash, which secured the letter of credit, was paid.

### CURRENT OPERATIONS

The Company had two employees until March 31, 2004, and is completing the wind-down of the racing business. Certain shareholders and creditors of the Company are evaluating other business opportunities. Any new business would require raising additional capital and would probably result in a substantial dilution of existing stockholders.

On September 9, 2004, the Company acquired IMGI, a company devoted to the creation, development and acquisition of innovative motion pictures and television programming in the sports and family genre. These unique and commercial entertainment properties are designed to appeal to the sports enthusiast and are to be distributed domestically and internationally through both strategic partnerships with film and distribution companies, as well as, growing Internet distribution channels.

On October 31, 2004, the Company acquired SGC. SGC has had no prior operations. SGC was formed to provide consultation and related services to include the setup, management and security for all types of casino operations.

15

### ASSET IMPAIRMENT

As a part of the evaluation of the assets of the Company upon discontinuing its operations, the following assets were considered to be fully impaired based upon management's expectation that they had no future value. These amounts have been recorded as impairment losses and were included in the loss from discontinued operations during the quarter ended September 30, 2003.

Race car designs and manufacturing equipment	\$ 1,673,400
Production contract payments	2,545,781
Goodwill	2,810,627
	-----
Total	\$ 7,029,808
	=====

16

### ITEM 3. CONTROLS AND PROCEDURES

The Company discontinued its planned racing operations on August 26, 2003, and subsequently terminated the majority of its employees. A third-party consultant was retained to communicate to management the disclosures required by reports that are filed under the Exchange Act.

(a) Evaluation of Disclosure Controls and Procedures

Edgar Filing: TEAM SPORTS ENTERTAINMENT INC - Form 10QSB

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that are filed under the Exchange Act is accumulated and communicated to management, including the principal executive officer, as appropriate to allow timely decisions regarding required disclosure. Under the supervision of and with the participation of management, including the principal executive officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of September 30, 2004, and, based on its evaluation, our principal executive officer has concluded that these controls and procedures are effective.

(b) Changes in Internal Controls

Other than as discussed above, there have been no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation described above, including any corrective actions with regard to significant deficiencies and material weaknesses.

17

PART II--OTHER INFORMATION

ITEM 6. EXHIBITS

(a) Exhibits--

Exhibit 31.1	Certification pursuant to 18 U.S.C. Section 1350 Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification pursuant to 18 U.S.C. Section 1350 Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

IDEA SPORTS ENTERTAINMENT GROUP, INC.

November 24, 2004

By: /s/ William C. Morris

-----  
William C. Morris, Chief Executive Officer  
and principal financial and accounting  
officer

18