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SPORTS ARENAS INC
Form 10-Q
February 13, 2003

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2002

OR

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

For the transition period from _____ to _____

Commission File Number 0-2380

SPORTS ARENAS, INC.

(Exact name of registrant as specified in its charter)

Delaware 13-1944249

(State of Incorporation) (I.R.S. Employer I.D. No.)

7415 Carroll Road, Suite C, San Diego, California 92121

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (858) 408-0364

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes X No
--- ---

The number of shares outstanding of the issuer's only class of common stock (\$.01 par value) as of January 31, 2003 was 27,250,000 shares.

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QUARTER ENDED DECEMBER 31, 2002

INDEX

Part I - Financial Information:

Item 1.- Consolidated Condensed Financial Statements:

Unaudited Balance Sheets as of December 31, 2002 and June 30, 2002	1-2
Unaudited Statements of Operations for the Three Months Ended December 31, 2002 and 2001	3
Unaudited Statements of Operations for the Six Months Ended December 31, 2002 and 2001	4
Unaudited Statements of Cash Flows for the Six Months Ended December 31, 2002 and 2001	5
Notes to Financial Statements	6-8
Item 2.- Management's Discussion and Analysis of Financial Condition and Results of Operations	9-12
Item 3.- Quantitative and Qualitative Disclosures about Market Risk ...	13
Item 4.- Controls and Procedures	13
Part II - Other Information.....	14
Signatures.....	15
Officer Certifications	16-17

SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS
(Unaudited)

	December 31, 2002	June 30, 2002
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 8,632	\$ 39,345
Receivables	330,375	444,996
Inventories	729,805	792,690
Prepaid expenses	87,942	38,706
	-----	-----
Total current assets	1,156,754	1,315,737

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	-----	-----
Receivables due after one year:		
Note receivable- affiliate, net	--	--
	-----	-----
Property and equipment, at cost:		
Equipment and leasehold improvements	2,349,716	2,345,406
Less accumulated depreciation and amortization	(1,419,608)	(1,314,680)
	-----	-----
Net property and equipment	930,108	1,030,726
	-----	-----
Other assets:		
Intangible assets, net	18,642	37,284
Investments	423,657	423,657
Other	95,999	95,999
	-----	-----
	538,298	556,940
	-----	-----
	\$ 2,625,160	\$ 2,903,403
	=====	=====

1

SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS (CONTINUED)

LIABILITIES AND SHAREHOLDERS' DEFICIT
(Unaudited)

	December 31,	June 30,
	2002	2002
	-----	-----
Current liabilities:		
Notes payable-short term	\$ 725,631	\$ 445,000
Current portion of long-term debt	7,000	8,000
Accounts payable	1,152,645	963,402
Accrued payroll and related expenses	264,498	215,093
Accrued interest	40,730	276,735
Other liabilities	98,722	92,803
	-----	-----
Total current liabilities	2,289,226	2,001,033
	-----	-----
Long-term debt, excluding current portion	2,277	5,456
	-----	-----
Distributions received in excess of basis		
in investment	18,374,342	18,008,401
	-----	-----

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Other liabilities	216,000	192,000
	-----	-----
Minority interest in consolidated subsidiary	802,677	802,677
	-----	-----
Shareholders' deficit:		
Common stock, \$.01 par value, 50,000,000		
shares authorized, 27,250,000 shares		
issued and outstanding	272,500	272,500
Additional paid-in capital	1,730,049	1,730,049
Accumulated deficit	(18,770,419)	(17,817,221)
	-----	-----
	(16,767,870)	(15,814,672)
Less note receivable from shareholder	(2,291,492)	(2,291,492)
	-----	-----
Total shareholders' deficit	(19,059,362)	(18,106,164)
	-----	-----
Commitments and contingencies (Note 4)		
	\$2,625,160	\$ 2,903,403
	=====	=====

See accompanying notes to consolidated condensed financial statements.

2

SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED DECEMBER 31, 2002 AND 2001
(Unaudited)

	2002	2001
	-----	-----
Revenues:		
Bowling	\$ 394,945	\$ 445,947
Rental	22,311	58,539
Golf	496,677	343,276
Other	114,224	117,636
Other-related party	48,645	46,315
	-----	-----
	1,076,802	1,011,713
	-----	-----
Costs and expenses:		
Bowling	332,799	319,376
Rental	18,700	57,207
Golf	498,880	407,133

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Selling, general, and administrative	612,840	656,374
Depreciation and amortization	65,819	71,189
Impairment loss on deferred lease costs	--	41,915
	-----	-----
	1,529,038	1,553,194
	-----	-----
Loss from operations	(452,236)	(541,481)
	-----	-----
Other income (charges):		
Investment income-related party	7,214	9,457
Interest expense	(11,874)	(23,103)
Equity in income of investees	31,194	5,020
	-----	-----
	26,534	(8,626)
	-----	-----
Net income (loss)	\$ (425,702)	\$ (550,107)
	=====	=====
Basic and diluted net income (loss) per common share (based on 27,250,000 weighted average common shares outstanding)	\$ (0.02)	\$ (0.02)
	=====	=====

See accompanying notes to consolidated condensed financial statements.

3

SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
SIX MONTHS ENDED DECEMBER 31, 2002 AND 2001
(Unaudited)

	2002	2001
	-----	-----
Revenues:		
Bowling	\$ 752,548	\$ 829,768
Rental	40,287	117,398
Golf	1,131,751	787,499
Other	156,052	155,775
Other-related party	96,869	92,384
	-----	-----
	2,177,507	1,982,824
	-----	-----
Costs and expenses:		
Bowling	675,564	666,295
Rental	37,400	115,917
Golf	1,145,141	906,202
Selling, general, and administrative	1,189,593	1,309,137
Depreciation and amortization	131,638	142,852

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Impairment loss on deferred lease costs	--	41,915
	-----	-----
	3,179,336	3,182,318
	-----	-----
Loss from operations	(1,001,829)	(1,199,494)
	-----	-----
Other income (charges):		
Investment income:		
Related party	16,284	16,228
Other	--	1,807
Interest expense	(45,522)	(48,085)
Equity in income (loss) of investees	77,869	(28,281)
	-----	-----
	48,631	(58,331)
	-----	-----
Net income (loss)	\$ (953,198)	\$ (1,257,825)
	=====	=====
Basic and diluted net income (loss) per common share (based on 27,250,000 weighted average common shares outstanding)	\$ (0.03)	\$ (0.05)
	=====	=====

See accompanying notes to consolidated condensed financial statements.

4

SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED DECEMBER 31, 2002 AND 2001
(Unaudited)

	2001	2001
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ (953,198)	\$ (1,257,825)
Adjustments to reconcile net income (loss) to the net cash used by operating activities:		
Depreciation and amortization	131,638	142,852
Equity in (income) loss of investees	(77,869)	28,281
Deferred income	24,000	24,000
Impairment loss on deferred lease costs	--	41,915
Changes in assets and liabilities:		
Decrease in receivables	114,621	145,446
Decrease in inventories	62,885	63,407
(Increase) decrease in prepaid expenses	(49,236)	(25,734)
Increase (decrease) in accounts payable	189,243	(40,889)
Increase in accrued expenses	99,950	105,546
Other	18,642	18,642
	-----	-----
Net cash used by operating activities	(439,324)	(754,359)
	-----	-----

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Cash flows from investing activities:		
Capital expenditures	(4,310)	--
Distribution to holder of minority interest	--	(25,000)
Distributions from investees	417,100	150,820
	-----	-----
Net cash provided by investing activities	412,790	125,820
	-----	-----
Cash flows from financing activities:		
Scheduled principal payments on long-term debt	(4,179)	(19,221)
Proceeds from short-term notes payable	--	150,000
	-----	-----
Net cash provided by (used) financing activities	(4,179)	130,779
	-----	-----
Net increase (decrease) in cash and cash equivalents	(30,713)	(497,760)
Cash and cash equivalents, beginning of year	39,345	515,204
	-----	-----
Cash and cash equivalents, end of year	\$ 8,632	\$ 17,444
	=====	=====
Supplemental Disclosure of Non-Cash Financing Activities:		
Reclassification of principal payments on short-term debt to accrued interest	\$ 280,631	\$ --
	=====	=====

See accompanying notes to consolidated condensed financial statements.

5

SPORTS ARENAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Unaudited)

- The information furnished reflects all adjustments of a recurring nature which management believes are necessary to a fair statement of the Company's financial position, results of operations and cash flows for the interim periods.

Revenue recognition:

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the amount is fixed or determinable and collectibility is probable. All of these conditions are typically met at the time the Company ships products to its customers.

- Due to the seasonal fluctuations of the bowling and golf club shaft manufacturing operations, the financial results for the interim periods ended December 31, 2002 and 2001, are not necessarily indicative of operations for the entire year.

3. Investments:

(a) Investments consist of the following:

	December 31, 2002	June 30, 2002
	-----	-----
Vail Ranch Limited Partnership (equity method)	\$ 423,657	\$ 423,657
	=====	=====
Investment in UCV, L.P. classified		

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as liability- Distributions received
in excess of basis in investment\$18,374,342 \$18,008,401
===== =====

The following is a summary of the equity in income (loss) of the investments accounted for by the equity method for the six-month periods ended December 31:

	2002	2001
UCV, L.P.	\$ 77,869	\$ 44,719
Vail Ranch Limited Partnership	--	(73,000)
	\$ 77,869	\$ (28,281)
	=====	=====

The following is a summary of distributions received from investees for the six-month periods ended December 31,:

	2002	2001
UCV, L.P.	\$417,100	\$150,820
Vail Ranch Limited Partnership	--	--
	\$417,100	\$150,820
	=====	=====

(b) Investment in UCV, L.P.

The operating results of this investment are included in the accompanying consolidated condensed statements of operations based upon the partnership's fiscal year (March 31). Summarized information from UCV, L.P.'s (UCV) unaudited statements of income for the six and three-month periods ended September 30, 2001 and 2000 are as follows:

	Six Months		Three Months	
	2002	2001	2002	2001
Revenues	\$2,818,000	\$2,683,000	\$1,442,000	\$1,354,000
Operating and general and administrative costs	978,000	841,000	517,000	423,000
Depreciation	6,000	7,000	3,000	4,000
Interest expense	1,678,000	1,745,000	842,000	877,000
Net income	156,000	90,000	80,000	50,000

As disclosed in the annual financial statements for the year ended June 30, 2002, the Company performs management services and development services for UCV pursuant to separate agreements with UCV. The Company believes that the terms of these agreements are no less favorable to the Company or UCV than could be obtained with an independent third party.

4. Contingencies

The Company is involved in various routine litigation and disputes incident to its business. In management's opinion, based in part on the advice of legal counsel, none of these matters will have a material adverse effect on the Company's financial position.

5. Impact of Adopting SFAS No. 142, Goodwill and Other Intangible Assets

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The Company does not have goodwill or intangible assets that have indefinite useful lives recorded on the accompanying consolidated condensed balance sheets. The Company only maintains intangible assets that have finite useful lives which are amortized over their useful lives.

6. Liquidity

The accompanying consolidated condensed financial statements have been prepared assuming the Company will continue as a going concern. The Company has suffered recurring losses, has a working capital deficiency, and is forecasting negative cash flows for the next twelve months. These items raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on either refinancing or selling certain real estate assets, obtaining additional investors in its subsidiary, Penley Sports, or increases in the sales volume of Penley Sports. The consolidated condensed financial statements do not contain adjustments, if any, including diminished recovery of asset carrying amounts, that could arise from forced dispositions and other insolvency costs.

7. Business segment information

The Company operates principally in four business segments: bowling centers, commercial real estate rental, real estate development, and golf club shaft manufacturing. Other revenues, which are not part of an identified segment, consist of property management and development fees (earned from both a property 50 percent owned by the Company and a property in which the Company has no ownership) and commercial brokerage.

7

	Bowling	Real Estate Rental	Real Estate Development	Golf	Una An
	-----	-----	-----	-----	-----
SIX MONTHS ENDED DECEMBER 31, 2002:					

Revenues	\$ 752,548	\$ 40,287	\$ --	\$ 1,131,751	\$
Depreciation and amortization...	12,198	26,710	--	83,514	
Interest expense	--	--	--	--	
Equity in income (loss)					
of investees	--	77,869	--	--	
Impairment loss	--	--	--	--	
Segment profit (loss)	(108,269)	54,046	--	(797,913)	
Investment income					
Net loss..					
SIX MONTHS ENDED DECEMBER 31, 2001:					

Revenues	\$ 829,768	\$ 117,398	\$ --	\$ 787,499	\$
Depreciation and amortization...	4,980	27,184	--	85,548	
Interest expense	--	1,662	--	--	
Equity in income (loss)					

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of investees	--	44,719	(73,000)	--
Impairment loss	--	41,915	--	--
Segment profit (loss)	(14,386)	(24,561)	(77,000)	(975,581)
Investment income				
Net loss..				

THREE MONTHS ENDED DECEMBER 31, 2002:

Revenues	\$ 394,945	\$ 22,311	\$ --	\$ 496,677	\$
Depreciation and amortization...	6,099	13,355	--	41,757	
Interest expense	--	--	--	--	
Equity in income (loss)					
of investees	--	40,194	(9,000)	--	
Impairment loss.....	--	--	--	--	
Segment profit (loss)	(33,747)	30,450	(9,000)	(426,041)	
Investment income					
Net loss.....					

THREE MONTHS ENDED DECEMBER 31, 2001:

Revenues	\$ 445,947	\$ 58,539	\$ --	\$ 343,276	\$
Depreciation and amortization...	2,490	13,355	--	42,774	
Interest expense	--	1,662	--	--	
Equity in income (loss)					
of investees	--	25,020	(20,000)	--	
Impairment loss.....	--	41,915	--	--	
Segment profit (loss)	39,187	(30,580)	(19,000)	(510,327)	
Investment income					
Net loss.....					

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

The independent auditors' report dated September 23, 2002 included in our June 30, 2002 Annual Report on Form 10-K contained the following explanatory paragraph:

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 14 to the consolidated financial statements, the Company has suffered recurring losses, has a working capital deficiency and shareholders' deficit, and is forecasting negative cash flows from operating activities for the next twelve months. These items raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 14. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Management estimates negative cash flow of \$200,000 to \$400,000 in total for the remaining two quarters of the year ending June 30, 2003 from operating

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activities after deducting capital expenditures and principal payments on notes payable and adding estimated distributions from UCV.

The short-term loan from the Company's partner in UCV is due on demand. The Company is exploring selling its partner a portion of the Company's interest in UCV in satisfaction of the remaining loan obligations. At this point management is unable to assess the likelihood a transaction will be consummated.

Vail Ranch Limited Partners is negotiating the sale of its partnership interest in Temecula Creek Partners to its other partner in Temecula Creek. The Company estimates that its share of the proceeds from this sale to be approximately \$550,000 to \$650,000. The Company is obligated to pay approximately one-half of these proceeds to its minority partner.

Management expects continuing cash flow deficits until Penley Sports develops sufficient sales volume to become profitable. Although, there can be no assurances that Penley Sports will ever achieve profitable operations, management estimates that a combination of continued increases in the sales of Penley Sports and reduction of its operating costs will result in Penley Sports and the Company achieving a breakeven level of operations at the end of the next two quarters.

Management is currently evaluating other sources of working capital including the sale of assets or obtaining additional investors in Penley Sports. Management has not assessed the likelihood of any other sources of long-term or short-term liquidity. If the Company is not successful in obtaining other sources of working capital this could have a material adverse effect on the Company's ability to continue as a going concern. However, management believes it will be able to meet its financial obligations for the next twelve months.

The Company has a working capital deficit of \$1,132,472 at December 30, 2002, which is a \$447,176 increase from the working capital deficit of \$685,296 at June 30, 2002. The increase in working capital deficit is primarily attributable to the cash used by operating activities for the six months ended December 31, 2002. The following is a schedule of the cash provided (used) before changes in assets and liabilities, segregated by business segments:

	2002	2001	Change
	-----	-----	-----
Bowling	\$ (96,000)	\$ (9,000)	\$ (87,000)
Rental	3,000	--	3,000
Golf	(715,000)	(891,000)	176,000
Development	--	(4,000)	4,000
General corporate expense and other	(68,000)	(117,000)	49,000
	-----	-----	-----
Cash used by continuing operations	(876,000)	(1,021,000)	145,000
Capital expenditures, net of financing	(4,000)	--	(4,000)
Principal payments on long-term debt	(4,000)	(19,000)	15,000
	-----	-----	-----
Cash used	(884,000)	(1,040,000)	156,000
	=====	=====	=====
Distributions received from investees	417,000	151,000	266,000
	=====	=====	=====

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CRITICAL ACCOUNTING POLICIES

In response to the SEC's release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies", the Company has identified its most critical accounting policy as that related to the carrying value of its long-lived assets. Any event or circumstance that indicates to the Company an impairment of the fair value of any asset is recorded in the period in which such event or circumstance becomes known to the Company. During the three and six month periods ended December 31, 2002 no such event or circumstance occurred that would, in the opinion of management, signify the need for a material reduction in the carrying value of any of the Company's assets.

NEW ACCOUNTING PRONOUNCEMENTS

In June of 2002, the FASB issued SFAS No. 146; Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. This statement will only have an effect on the Company's financial statements to the extent future exit or disposal activities relevant to SFAS No. 146 occur.

In October 2002, the FASB issued SFAS No. 147; Acquisitions of Certain Financial Institutions. This Statement is not relevant to the Company's operations and will not have an impact on the Company's financial statements.

In December 2002, the FASB issued SFAS No. 148; Accounting for Stock-Based Compensation- Transition and Disclosure. This statement amends SFAS No. 123; Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement is effective for financial statements for fiscal years ending after December 15, 2002. The Company does not have stock-based compensation and this statement will not currently have an impact on the Company's financial statements.

In December 2002, the FASB issued Financial Interpretation No. 45 (FIN 45); Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 requires guarantors to determine and recognize the fair value of a guarantee at the issuance date. In addition, FIN 45 contains detailed disclosure requirements. The initial recognition and measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002 and the disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company does not guarantee debt of others and does not expect FIN 45 to have an impact on the Company's financial statements.

In January 2003, the FASB issued Financial Interpretation No. 46 (FIN 46); Consolidation of Variable Interest Entities (VIE). The FASB has transformed its exposure draft on accounting for special purpose entities into this interpretation on variable interest entities. FIN 46 provides new guidance on consolidation of controlled entities, irrespective of voting interests. Most of the requirements under FIN 46 are effective for new VIE's created after January 30, 2003. The Company is still in the process of determining the accounting and

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financial statement impact of FIN 46.

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

 With the exception of historical information (information relating to the Company's financial condition and results of operations at historical dates or for historical periods), the matters discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations are forward-looking statements that necessarily are based on certain assumptions and are subject to certain risks and uncertainties. These forward-looking statements are based on management's expectations as of the date hereof, and the Company does not undertake any responsibility to update any of these statements in the future. Actual future performance and results could differ from that contained in or suggested by these forward-looking statements as a result of the factors set forth in this Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in the Company's filings with the Securities and Exchange Commission.

10

Results of Operations

 The following is a summary of the changes in the results of operations of the six and three-month periods ended December 31, 2002 compared to the same period in 2001 and a discussion of the significant changes:

SIX MONTHS ENDED DECEMBER 31, 2002 VERSUS 2001

	Bowling	Rental Operation	Real Estate Development	Golf	Unallocate And Other
	-----	-----	-----	-----	-----
Revenues	\$ (77,220)	\$ (77,111)	\$ --	\$ 344,252	\$ 4,762
Costs	9,269	(78,517)	--	238,939	--
SG&A-direct	(684)	--	--	(76,321)	(42,539)
SG&A-allocated	860	--	(4,000)	6,000	(2,860)
Depreciation and amortization ..	7,218	(474)	--	(2,034)	(15,924)
Impairment loss	--	(41,915)	--	--	--
Interest expense	--	(1,662)	--	--	(901)
Equity in investees	--	33,150	73,000	--	--
Segment profit (loss)	(93,883)	78,607	77,000	177,668	66,986
Investment income					
Income from operations					

THREE MONTHS ENDED DECEMBER 31, 2002 VERSUS 2001

	Bowling	Rental Operation	Real Estate Development	Golf	Unallocate And Other
	-----	-----	-----	-----	-----
Revenues	\$ (51,002)	\$ (36,228)	\$ --	\$ 153,401	\$ (1,082)
Costs	13,423	(38,507)	--	91,747	--
SG&A-direct	2,831	--	--	(26,615)	(19,750)
SG&A-allocated	2,069	--	1,000	5,000	(8,069)
Depreciation and amortization ..	3,609	--	--	(1,017)	(7,962)
Impairment loss	--	(41,915)	--	--	--
Interest expense	--	(1,662)	--	--	(9,567)

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Equity in investees	--	15,174	11,000	--	--
Gain on sale	--	--	--	--	--
Segment profit (loss)	(72,934)	61,030	10,000	84,286	44,266
Investment income					
Income from operations					

BOWLING OPERATIONS:

 Bowl revenues decreased by 9% and 11% in the six and three month periods, respectively, primarily due related declines in the number of games bowled. Both open play and league play decreased by the same percentages. There were no material changes in bowl costs or selling, general and administrative costs related to the bowling center.

RENTAL OPERATIONS:

 This segment includes the equity in income of the operation of a 542 unit apartment project (UCV), a subleasehold interest in land underlying a condominium project (PS Sublease) (which was sold in March 2002), and the sublease of a portion of the Penley factory. The following is a summary of the changes in operations:

	Six Month Period			Three Month Period		
	PS Sublease	Other	Combined	PS Sublease	Other	Combined
Revenues	(82,598)	5,487	(77,111)	(41,139)	4,911	(36,228)
Costs	(79,917)	1,400	(78,517)	(39,207)	700	(38,507)
SG&A-allocated	--	--	--	--	--	--
Depreciation and amortization	(474)	--	(474)	--	--	--
Impairment loss	(41,915)	--	(41,915)	(41,915)	--	(41,915)
Interest expense	(1,662)	--	(1,662)	(1,662)	--	(1,662)
Equity in income of UCV	--	33,150	33,150	--	15,174	15,174
Segment profit (loss)	41,370	37,237	78,607	41,645	19,385	61,030

11

The primary reason for the decline in rental revenues and costs related to the sale of the PS Sublease in March 2002.

The equity in income of UCV increased in the six and three month periods primarily due to decreases in interest expense related to the lower interest rate obtained in the refinancing in March 2002. Rental revenues increased in each period primarily due to an 6% increase in the average rental rate for each period, which was partially offset by increases in the vacancy rate from 1.2% to 2.1% for the six month period and from 1.07% to 1.32% for the three month period. Costs increased in each period primarily due to increases in insurance costs and maintenance and repairs. The following is a summary of the changes in the operations of UCV, LP in the six and three months periods of 2001 compared to the prior period:

	Six Months	Three Months
Revenues	\$ 135,000	\$ 88,000
Costs	137,000	94,000
Depreciation	(1,000)	(1,000)

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Interest and amortization of loan costs	(67,000)	(35,000)
Net income	66,000	30,000

REAL ESTATE DEVELOPMENT OPERATIONS:

The increase in the equity in income of Vail Ranch Limited Partners (VRLP), relates to the increase in the income from the operation of the partially completed shopping center for which the first store commenced operations in July 2000 and is now reaching a level of stabilized operations after being leased up.

GOLF OPERATIONS:

Golf revenues increased in 2002 due to increases in sales to small golf club manufacturers and golf equipment distributors. The following is a breakdown of the percentage of increases in sales by customer category:

	Six Months	Three Months
	-----	-----
Golf equipment distributors .	133%	158%
Golf club manufacturers	102%	63%
Golf shops	(14%)	(13%)
Other	(46%)	348%

Operating expenses of the golf segment consisted of the following in 2002 and 2001:

	Six Months		Three Months	
	2002	2001	2002	2001
	-----	-----	-----	-----
Costs of goods sold and manufacturing overhead	\$1,048,000	\$ 792,000	\$ 450,000	\$ 352,000
Research & development	97,000	114,000	49,000	55,000
	-----	-----	-----	-----
Total golf costs	1,145,000	906,000	499,000	407,000
	=====	=====	=====	=====
Marketing & promotion	442,000	581,000	264,000	315,000
Administrative-direct	135,000	72,000	56,000	32,000
	-----	-----	-----	-----
Total SG&A-direct	577,000	653,000	320,000	347,000
	=====	=====	=====	=====
Allocated corporate costs	124,000	118,000	62,000	57,000
	=====	=====	=====	=====

Total golf costs increased in 2002 primarily due to the cost of goods sold and other manufacturing overhead (primarily payroll) associated with increased sales. Marketing and promotion expenses decreased primarily due to the Company not renewing the contract with its marketing consultant in May 2002. Marketing and promotion otherwise decreased due to a decrease in the tour program expenses that resulted from staffing the program with one person instead of two. Administrative expenses increased primarily due to increases in bad debt expense of \$45,000 and \$22,000 in the six and three month periods, respectively.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk primarily due to fluctuations in interest

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rates. The Company utilizes both fixed rate and variable rate debt. The following table presents principal maturities and related weighted average interest rates of the Company's long-term fixed rate and variable rate debt for the fiscal years ended June 30.

	2003 -----	2004 -----	Total -----	Fair Value -----
				(1)
Fixed rate debt ..	\$ 6,000	\$ 3,000	\$ 9,000	\$ 9,000
Weighted average interest rate .	13.6%	13.6%	13.6%	
Variable rate debt	\$ 726,000	--	\$ 726,000	\$ 726,000
Weighted average interest rate .	5.3%	--	5.3%	

The amounts for 2003 relate to the six months ending June 30, 2003.

(1)The fair value of fixed-rate debt and variable-rate debt were estimated based on the current rates offered for fixed-rate debt and variable-rate debt with similar risks and maturities.

The variable rate debt includes a \$726,000 short term note payable that is due on demand, which for purposes of this calculation has been treated as though paid during the year ending June 30, 2003.

The Company's unconsolidated subsidiary, UCV, has two notes payable which mature April 1, 2003 as a result of a refinancing in March 2002. The first loan is variable rate debt of \$36,000,000 for which the interest rate was 5.4 percent as of December 31, 2002. However, there is a floor of 5.4% established by the lender and a cap purchased by UCV which effectively caps the maximum rate on this loan at 7%. The scheduled principal payments for UCV's fiscal years ending March 31 2003 is \$36,000,000. The estimated fair value of this debt is \$36,000,000 based on the current rates offered for this type of loan with similar risks and maturities. The second loan of \$2,000,000 is fixed rate debt at 12.5%. The scheduled principal payments for UCV's fiscal years ending March 31 2003 is \$2,000,000. The estimated fair value of this debt is \$2,000,000 based on the current rates offered for this type of loan with similar risks and maturities.

The Company does not enter into derivative or interest rate transactions for speculative or trading purposes.

ITEM 4. CONTROLS AND PROCEDURES

 We maintain disclosure controls and procedures (as defined in Securities Exchange Act 1934 Rules 13a-14(c) and 15d-4(c)) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures,

Within 90 days prior to the date of this quarterly report, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the

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effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Controls:

There have not been any significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation. There were no significant deficiencies or material weaknesses, and therefore no corrective actions were taken.

13

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

As of December 31, 2002, there were no changes in legal proceedings from those set forth in Item 3 of the Form 10-K filed for the year ended June 30, 2002.

ITEM 2. Changes in Securities

NONE

ITEM 3. Defaults upon Senior Securities

N/A

ITEM 4. Submission of Matters to a Vote of Security Holder

On December 23, 2002 the Company held its annual shareholder meeting in which the following item was voted upon:

Tabulation of Votes

	For	Against	Abstain
Election of Directors:			
Harold S. Elkan	23,668,148	0	48,761
Steven R. Whitman	23,692,091	0	24,818
Patrick D. Reiley	23,690,893	0	26,016
James E. Crowley	23,692,643	0	24,266
Robert A. MacNamara	23,690,643	0	26,266

ITEM 5. Other Information

NONE

ITEM 6. Exhibits & Reports on Form 8-K

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(a) Exhibits: NONE

(b) Reports on Form 8-K: NONE

14

SIGNATURES

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

SPORTS ARENAS, INC.

By: /s/ Harold S. Elkan

Harold S. Elkan, President and Director

Date: February 12, 2003

By:/s/ Steven R. Whitman

Steven R. Whitman, Treasurer,
Principal Accounting Officer and Director

Date: February 12, 2003

15

CERTIFICATIONS

I, Harold S. Elkan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sports Arenas, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by

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this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were any significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 12, 2003

By: /s/ Harold S. Elkan

Harold S. Elkan
President and Chief Executive Officer

16

I, Steven R. Whitman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sports Arenas, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue

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statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were any significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 12, 2003

By:/s/ Steven R. Whitman

Steven R. Whitman
Chief Financial Officer