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SPORTS ARENAS INC
Form 10-K
October 14, 2003

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended June 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12 (g) of the Act:

Common Stock, \$.01 par value
(Title of class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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-K.

The aggregate market value of the voting stock held by non-affiliates (5,441,733 shares) of the Registrant as of September 25, 2003 was \$109,000 (based on average of bid and asked prices). The number of shares of common stock outstanding as of September 25, 2003 was 27,250,000.

Documents Incorporated by Reference - None.

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PART I

ITEM I. Business

----- General Development and Narrative Description of Business -----

Sports Arenas, Inc. (the "Company") was incorporated as a Delaware corporation in 1957. The Company, primarily through its subsidiaries, owned and operated one bowling center (closed May 31, 2003), an apartment project (50% owned) (sold April 1, 2003), and a graphite golf club shaft manufacturer. The Company also performs a minor amount of services in property management and real estate brokerage related to commercial leasing. The Company has its principal executive office at 7415 Carroll Road, Suite C, San Diego, California. Overall, the Company and its consolidated subsidiaries have approximately 46 employees. The following is a summary of the revenues of each segment stated as a percentage of total revenues for each of the last three years:

	2003	2002	2001
	----	----	----
Bowling	26	35	49
Real estate operations	1	4	10
Real estate development	-	-	-
Golf	55	51	34
Other	18	10	7

(1) Bowling Centers - The Company's wholly owned subsidiary, Cabrillo Lanes, Inc. (the Bowl), operated one 60 lane bowling center located in San Diego, California until it was closed on May 31, 2003. The closing of the bowling center coincided with the expiration of the lease for the property in which the bowl was located. The Company had operated another 50 lane bowling center in San Diego, California until it was closed on December 21, 2000 in conjunction with the sale by the Company of the land and building. These two centers were purchased in August 1993.

(2) Real Estate Development - The Company, through its subsidiaries (see Item 2. Properties (b) Real Estate Development for ownership), had an ownership interest in a 13 acre parcel of partially developed land in Temecula, California (Riverside County) until February 22, 2003 when the ownership interest was sold.

In September 1994, Vail Ranch Limited Partnership (VRLP) was formed as a partnership between Old Vail Partners, L.P., a California limited partnership, (OVP), a subsidiary of the Company, and Landgrant Corporation (Landgrant) to develop a 32 acre parcel of land of which 27 acres were developable. Landgrant is not affiliated with the Company. VRLP completed construction of a community shopping center on 10 acres of land in May 1997. On January 2, 1998, VRLP sold the shopping center to New Plan Excel Realty Trust, Inc. (Excel) for \$9,500,000 cash. On August 7, 1998, VRLP entered into an operating agreement (Agreement) with ERT Development Corporation (ERT), an affiliate of Excel, to form Temecula Creek, LLC, a California limited liability company (TC). TC was formed for the purpose of developing, constructing and operating the remaining 13 acres of land as part of the community shopping center in Temecula, California. VRLP contributed the 13 acres of land to TC and TC assumed the balance of the assessment district obligation payable. For purposes of maintaining capital account balances in calculating distributions, VRLP's contribution, net of the liability assumed by TC, was valued at \$2,000,000. ERT contributed \$1,000,000 cash which was immediately distributed by TC to VRLP. VRLP, which is the managing member, and ERT are each 50 percent members. The development plan was for a 109,910 square foot shopping center on approximately 13 acres of land. TC had completed 85,000 square feet of the shopping center. In February 2003, VRLP sold its membership interest to ERT. The sale price consisted of \$1,318,180 cash

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and one-half of the sale proceeds from the remaining parcel of undeveloped land owned by TC when it is sold. \$100,000 of the sales proceeds are being held in an escrow to be applied to any post closing claims ERT may have related to warranties and normal prorations in the sale contract for the TC interest. The cash proceeds to VRLP of \$1,218,180 were partially offset by \$225,000 of fees paid to one of the VRLP partners. The Company received a distribution of \$592,776 of which \$370,838 was paid to the holder of the minority interest in Old Vail Partners. VRLP recorded a \$843,326 gain from the sale of the partnership interest. This gain was partially offset by VRLP's agreement to pay its general partner \$225,000 of fees related to the sale of the partnership interest.

(3) Commercial Real Estate Rental - Real estate rental operations during the year ended June 30, 2003 consisted of a sublease of a portion of the Company's facilities in San Diego, California and a 50 percent ownership interest in a 542 unit apartment project in San Diego, California, which was sold April 1, 2003.

UCVGP, Inc. and Sports Arenas Properties, Inc. (SAPI), wholly-owned subsidiaries of the Company, are a one percent managing general partner and a 49 percent limited partner, respectively, in UCV, L.P. (UCV). UCV owned a 542 unit apartment project (University City Village) located in San Diego, California. University City Village, which was acquired in August 1974. The property was sold April 1, 2003. The following is a schedule of selected operating information over the last five years:

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	2003	2002	2001	2000	1999
	----	----	----	----	----
Occupancy	97%	98%	98%	99%	99%
Average monthly rent/unit	\$873	\$816	\$772	\$728	\$694
Real property tax	\$118,000	\$116,000	\$114,000	\$112,000	\$110,000
Real property tax rate	1.12%	1.12%	1.12%	1.12%	1.12%

The net proceeds from the sale were \$19,298,141 after deducting current selling expenses of \$2,495,820, paying the related mortgage loans of \$38,000,000 and receiving a \$1,340,348 refund of lender impounds. The Partnership utilized \$4,009,000 of the proceeds to fund cash distributions to the partners and pay other Partnership obligations. The balance of the funds \$15,289,722, were deposited in a special escrow with a qualified intermediary ("exchange accommodator") for purposes of meeting the Internal Revenue Service criteria for purchasing "like-kind" property and thereby qualifying to defer the taxability of a portion of the gain from the sale of the property on April 1, 2003.

On August 28, 2003, 760, LLC, a single member limited liability company of which UCV is the sole member, acquired a property in San Diego, California with 50,667 square feet of retail and office space for approximately \$9,500,000. The purchase was financed with loans totaling \$6,926,500. Both loans are collateralized by the land, building and leases. On September 25, 2003, 939 LLC, a single member limited liability company of which UCV is the sole member, acquired a property in San Diego, California with 23,567 square feet of retail and office space for approximately \$5,000,000. The purchase was financed with the assumption of an existing \$2,636,811 note payable that is collateralized by the land, building and leases. On September 26, 2003, UCV Media Tech Center, LLC, a single member limited liability company of which the Partnership is the sole member, acquired a property in Los Angeles, California with 187,534 square feet of office and industrial space for approximately \$28,670,000. The purchase was financed with a \$20,000,000 note payable, which is collateralized by the land, building, leases and other assets related to the property.

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(4) Golf club shaft Manufacturer - On January 22, 1997, the Company purchased the assets of the Power Sports Group doing business as Penley Power Shaft (PPS) and formed Penley Sports, LLC (Penley) with the Company as a 90 percent managing member and Carter Penley as a 10 percent member. Currently, the Company owns an approximate 81 percent interest (See Note 6b of Notes to the Consolidated Financial Statements). PPS was a manufacturer of graphite golf club shafts that primarily sold its shafts to custom golf shops. PPS's sales had averaged approximately \$375,000 in calendar 1995 and 1996. PPS marketed its shafts in limited quantities through phone contact and trade magazine advertisements directed at golf shops. Although PPS's manufacturing process was not automated, it had developed a good reputation in the golf industry as a manufacturer of high performance golf club shafts, in addition to maintaining relationships with the custom golf shops. Penley's plans are to market its products to golf club manufacturers and golf club component distributors. To complement the program of marketing to higher volume purchasers, Penley purchased over \$1,100,000 of equipment since January 22, 1997 to automate some of the production processes. Additionally, in June 2000 Penley moved from its 8,559 square foot facility into a 38,025 square foot facility, of which approximately 10,000 square feet are subleased to another tenant through October 2004.

Until January 2000, Penley's sales were principally to custom golf shops where the orders are for 2 to 10 shafts per order at prices averaging \$18 per shaft. In January 2000, Penley commenced sales to two of the largest golf component distributors. As a result of increasing sales to distributors and other small golf club manufacturers, golf club shaft sales increased each year to: \$735,654 in the year ended June 30, 2000, \$407,660 in the year ended June 30, 2001, \$1,062,176 in the year ended June 30, 2002, and \$449,453 in the year ended June 30, 2003. Penley currently has products in testing by several large golf club manufacturers. However, there can be no assurances that Penley will be able to enter into any significant sales contracts or that, if it does, the contracts will be profitable to Penley.

Penley has implemented an extensive program to market directly to golf club manufacturers through the distribution of direct mail materials and videos and participation in several large golf shows during the year. Penley is principally using its internal sales staff in the marketing and sale of its shafts to manufacturers, distributors and golf shops. Penley is also promoting its shafts to professional golfers as a means of achieving acceptance with the club manufacturers as the golfers endorse the shafts.

Management believes Penley has been successful in building a reputation as a leader in new shaft design and concepts. Penley has applied for several patents on shaft designs and equipment, of which four have been issued and one other is pending. Although Penley has developed several new products, no assurance can be given they will meet with market acceptance or Penley will be able to continue to design and manufacture additional new products.

The primary raw material used in all of Penley's graphite shafts is carbon fiber, which is combined with epoxy resin to produce sheets of graphite "prepreg". Due to low production levels, Penley currently purchases most of its graphite prepreg from three suppliers. There are numerous alternative suppliers of graphite prepreg. Although Management believes that it will be able to establish relationships with other graphite prepreg suppliers to ensure sufficient supplies of the material at competitive pricing as production increases, there can be no assurances unforeseen difficulties will not occur that could lead to interruptions and delays to Penley's production process.

Penley uses hazardous substances and generates hazardous waste in the ordinary

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course of its manufacturing of graphite golf club shafts and other related products. Penley is subject to various federal, state, and local environmental laws and regulations, including those governing the use, discharge and disposal of hazardous materials. Management believes it is in substantial compliance with the applicable laws and regulations and to date has not incurred any liabilities under environmental laws and regulations nor has it received any notices of violations. However, there can be no assurance that environmental liabilities will not arise in the future which may affect Penley's business.

Penley is trying to enter a highly competitive environment among established golf club shaft manufacturers. Although Penley has made significant progress in establishing its reputation for technology, its unproven production capability is making it difficult to attract the golf club manufacturers as customers.

Penley currently has four patents and numerous copyrighted trademarks and logos. Although Management believes these items are of value to the business and Penley will protect them to the fullest extent possible, Management does not believe these items are critical to Penley's ability to develop business with the golf club manufacturers.

Penley currently has approximately 41 full and part-time employees.

Due to Penley's low sales volume and lack of a contract with a high volume purchaser, there is currently no significant backlog of sales orders, or customer concentration (based on consolidated revenues). Approximately 63 percent of Penley's sales occur in the months of February through July.

(b) Industry Segment Information: See Note 10 of Notes to Consolidated Financial Statements for required industry segment financial information.

ITEM 2. Properties

(a) Bowling Centers: The lease for the Company's only bowling center expired June 30, 2003. The Company closed operations of the bowling center on May 31, 2003 and vacated the premises.

(b) Real Estate Development: RCSA Holdings, Inc. (RCSA) and OVGP, Inc., wholly-owned subsidiaries of the Company, own a combined 50 percent general and limited partnership interest in Old Vail Partners, L.P., a California limited partnership (OVP), which owns a 60 percent limited partnership interest in Vail Ranch Limited Partnership (VRLP). As described in Note 11(b) of Notes to Consolidated Financial Statements, there is one other partner in OVP in the form of liquidating limited partnership interest. This other partner in OVP is entitled to 50 percent of the cash distributions from OVP, not to exceed \$2,450,000, of which \$1,780,838 has been paid as of June 30, 2003. In February 2003, VRLP sold its membership interest in Temecula Creek, LLC, which was the only remaining real estate development activity of the Company.

(c) Real Estate Operations: UCVNV, Inc. and SAPI, wholly owned subsidiaries of the Company, own a one percent managing general partnership interest and a 49 percent limited partnership interest, respectively, in UCV, L.P. (UCV). UCV owned a 542-unit apartment project (University City Village) in the University City area of San Diego, California which was sold April 1, 2003.

On August 28, 2003, 760, LLC, a single member limited liability company of which UCV is the sole member, acquired a property in San Diego, California with 50,667 square feet of retail and office space for approximately \$9,500,000. The purchase was financed with loans totaling \$6,926,500. Both loans are collateralized by the land, building and leases. On September 25, 2003, 939 LLC, a single member limited liability company of which UCV is the sole member, acquired a property in San Diego, California with 23,567 square feet of retail

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and office space for approximately \$5,000,000. The purchase was financed with the assumption of an existing \$2,636,811 note payable that is collateralized by the land, building and leases. On September 26, 2003, UCV Media Tech Center, LLC, a single member limited liability company of which the UCV is the sole member, acquired a property in Los Angeles, California with 187,534 square feet of office and industrial space for approximately \$28,670,000. The purchase was financed with a \$20,000,000 note payable, which is collateralized by the land, building, leases and other assets related to the property.

(d) Golf Operations: Penley Sports, LLC leases 38,025 square feet of industrial space in San Diego, California pursuant to a lease that expires in March 31, 2010 with options to March 31, 2020. Penley has subleased approximately 10,000 square feet to a third party pursuant to a two year lease that expires in October 2004.

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ITEM 3. Legal Proceedings

At June 30, 2003 the Company or its subsidiaries were not parties to any material legal proceedings other than routine litigation incidental to the business other than the following:

A lawsuit filed on January 10, 2003 in the United States District Court in the Southern District of California by Masterson Marketing, Inc. (Masterson) against Penley Sports, LLC. Masterson's lawsuit claims copyright infringement, breach of contract breach of fiduciary duty, constructive fraud and conversion. Masterson is seeking damages in excess of \$450,000. The Company filed a motion to dismiss all claims. Masterson dropped all claims except for the claims of copyright infringement and breach of contract. The balance of the motion to dismiss is waiting for a court decision. It is not possible at this time to predict the outcome of this litigation. We intend to vigorously defend against these claims.

ITEM 4. Submissions of Matters to a Vote of Security Holders

None

PART II

ITEM 5. Market for the Registrant's Common Stock and Related Stockholder Matters

- (a) There is no recognized market for the Company's common stock except for limited or sporadic quotations, which may occur from time to time. The following table sets forth the high and low bid prices per share of the Company's common stock in the over-the-counter market, as reported on the OTC Bulletin Board, which is a market quotation service for market makers. The over-the-counter quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily reflect actual transactions in shares of the Company's common stock.

	2003		2002	
	High	Low	High	Low
First Quarter	\$.03	\$.02	\$.05	\$.02
Second Quarter	\$.02	\$.02	\$.21	\$.02
Third Quarter	\$.02	\$.02	\$.03	\$.03

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Fourth Quarter \$.02 \$.02 \$.03 \$.03

- (b) The number of holders of record of the common stock of the Company as of September 25, 2003 is approximately 4,300. The Company believes there are a significant number of beneficial owners of its common stock whose shares are held in "street name".
- (c) The Company has neither declared nor paid dividends on its common stock during the past ten years, nor does it have any intention of paying dividends in the foreseeable future.

ITEM 6. Selected Consolidated Financial Data (Not covered by

Independent Auditors' Report)

	Year Ended June 30,				
	2003	2002	2001	2000	1999
	-----	-----	-----	-----	-----
Revenues	\$ 4,043,550	\$ 3,295,300	\$ 2,283,151	\$ 2,145,980	\$ 1,293,000
Loss from operations .	(1,329,173)	(2,071,750)	(3,015,657)	(2,857,218)	(3,234,000)
Income (loss) from continuing operations	19,098,581	(2,186,520)	(399,444)	(2,589,187)	(2,915,000)
Basic and diluted income (loss) per common share from continuing operations	0.70	(0.08)	(0.02)	(0.10)	(0.10)
Total assets	12,731,967	2,903,403	3,448,474	6,601,236	6,698,000
Long-term debt, excluding current portion	--	5,456	13,942	1,967,169	3,911,000

See Notes 4(a), 5(b), 7(c), 9, and 11 of Notes to Consolidated Financial Statements regarding disposition of business operations and material uncertainties.

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ITEM 7. Management's Discussion and Analysis of Financial Condition

and Results of Operations

----- Liquidity and Capital Resources -----

The independent auditors' report dated September 5, 2003 included with this 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 13 to the consolidated financial statements, the Company has suffered

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recurring losses 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 13. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company is expecting a \$500,000 cash flow deficit in the year ending June 30, 2004 from operating activities after estimated distributions from UCV (\$1,400,000, including distributions from real estate operations), and estimated capital expenditures (\$60,000) and scheduled principal payments on long-term debt.

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 fiscal year.

Management is currently evaluating other sources of working capital including 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 working capital of \$1,061,553 at June 30, 2003, which is a \$1,746,849 increase in working capital from the working capital deficit of \$685,296 at June 30, 2002. The working capital increased primarily due to distributions received from UCV related to the sale of its real estate on April 1, 2003. This source of funds was partially offset by \$371,000 of payments to minority interests and \$1,559,895 of cash used by operations, capital expenditures, and the repayment of short term debt. The cash provided (used) before changes in assets and liabilities segregated by business segments was as follows:

	2003 ----	2002 ----	2001 ----
Continuing operations:			
Rental	\$ (2,000)	\$ (4,000)	\$ 105,000
Golf	(1,440,000)	(1,647,000)	(2,594,000)
General corporate expense and other	100,000	(111,000)	(467,000)
	-----	-----	-----
Total continuing operations	(1,342,000)	(1,762,000)	(2,956,000)
Discontinued operations:			
Bowling	(192,000)	26,000	(289,000)
Development	--	--	(177,000)
	-----	-----	-----
Total cash used	(1,534,000)	(1,736,000)	(3,422,000)
Capital expenditures	(18,000)	--	(538,000)
Principal payments on long-term debt	(8,000)	(32,000)	(214,000)
	-----	-----	-----
	(1,560,000)	(1,768,000)	(4,174,000)
	=====	=====	=====
Distributions received from investees	3,618,000	2,103,000	1,559,000
	=====	=====	=====
Contributions to investees	--	--	(200,000)
	=====	=====	=====
Proceeds from sale of assets	19,000	31,000	5,680,000

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Payments to minority interests	===== (371,000) =====	===== (50,000) =====	===== (2,172,000) =====
--------------------------------	-----------------------------	----------------------------	-------------------------------

The Company received distributions of approximately \$1,700,000 in March and April of 2002, and \$920,000 in March 2001 from the proceeds of refinancing UCV's long term debt in each of those years. Otherwise the cash distributions the Company received from UCV during those two years were the Company's proportionate share of distributions from UCV's results of operations. On April 1, 2003, UCV sold its 542 unit apartment project for \$58,400,000 in cash. The net sale proceeds to UCV was approximately \$19,156,000. UCV is planning on distributing a cumulative amount of approximately \$3,500,000 of such proceeds to the Company in partial liquidation of its partnership interest in UCV. UCV used the balance of the proceeds to purchase three properties as part of tax-deferred like-kind-exchange transactions. Of the planned distributions to the Company, UCV distributed \$2,500,000 to the Company during the year ended June 30, 2003. The balance of the distribution is expected to be made in October 2003, after the end of the exchange transactions.

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In February 2003 Vail Ranch Limited Partners (VRLP) sold its interest in Temecula Creek LLC (TC) to its other partner in TC (ERT). The sale price consisted of \$1,318,180 cash and one-half of the sale proceeds from the remaining parcel of undeveloped land owned by TC when it is sold. \$100,000 of the sales proceeds are being held in an escrow until to be applied to any post closing claims ERT may have related to warranties and normal prorations in the sale contract for the TC interest. The cash proceeds to VRLP of \$1,218,180 were partially offset by \$225,000 of fees paid to one of the VRLP partners. The Company received a distribution of \$592,776 of which \$370,838 was paid to the holder of the minority interest in Old Vail Partners.

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 year ended June 30, 2003 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, except as it relates to the impairment of an investment (See Note 11(b) to Consolidated Financial Statements).

New Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. The Company adopted Statement No. 142 effective July 1, 2002. As of June 30, 2003, the Company does not have any goodwill, intangible assets or unamortized negative goodwill. The adoption of SFAS No. 142 did not have a material impact on the Company's financial statements.

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In June 2001, FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The adoption of SFAS No. 143 did not have a material impact on the Company's financial statements.

In August 2001, FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which supersedes both SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions (Opinion 30), for the disposal of a segment of a business (as previously defined in that Opinion). SFAS 144 retained the fundamental provisions in SFAS 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with SFAS 121.

The adoption of SFAS No. 144 for long-lived assets held for use did not have a material impact on the Company's financial statements because the impairment assessment under SFAS No. 144 is largely unchanged from SFAS No. 121. However, the adoption of this statement resulted in certain operations being reported as discontinued operations.

In April of 2002, the FASB issued SFAS No. 145, Rescission of SFAS No. 4, 44, and 64, Amendment to SFAS No. 13, and Technical Corrections. This Statement rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt, and an amendment of that Statement, SFAS No. 64, Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements. This Statement also rescinds SFAS No. 44, Accounting for Intangible Assets of Motor Carriers. This Statement amends SFAS No. 13, Accounting for Leases, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. Only the provisions related to SFAS No. 4 had an impact on the presentation of the Company's financial statements. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that did not meet the criteria in Opinion 30 for classification as an extraordinary item was reclassified.

In June 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 adoption of this statement did not have an effect on the Company's financial statements.

In November 2002, the FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 15, 2002 and are not

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expected to have a material effect on our consolidated financial statements. The disclosure requirements are effective for financial statements of interim and annual periods ending after December 15, 2002. The adoption of Interpretation No. 45 did not impact the Company as no guarantees exist.

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In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123. This Statement amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002. The adoption of SFAS No. 148 did not impact the Company as no stock based compensation currently exists.

Statement of Financial Accounting Standards, No. 149 Amendment of Statement 133 on Derivative Instruments and Hedging Activities, or SFAS No. 149, amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. In particular, SFAS No. 149 clarifies under what circumstances a contract within an initial net investment meets the characteristic of a derivative and when a derivative contains a financing component that warrants special reporting in the statement of cash flows. SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003, and is not expected to have a material impact on the Company's consolidated financial statements.

Statement of Financial Accounting Standards, No. 150 Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity, or SFAS No. 150, establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS No. 150 may result in a reclassification of the minority interest in OVP to a liability and the marking of the resulting liability to its fair value.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of ARB No. 51. This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies immediately to variable interests in variable interest entities created after January 31, 2003, and to variable interests in variable interest entities obtained after January 31, 2003. The Interpretation requires certain disclosures in financial statements issued after January 31, 2003 if it is reasonably possible that the Company will consolidate or disclose information about variable interest entities when the Interpretation becomes effective. The adoption of Interpretation No. 46 did not have a material impact on the Company's financial statements.

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION

REFORM ACT OF 1995

With the exception of historical information (information relating to the

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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, the Business Risks described in Item 1 of this Report on Form 10-K and elsewhere in the Company's filings with the Securities and Exchange Commission.

Results of Operations

The discussion of Results of Operations is primarily by the Company's business segments. The analysis is partially based on a comparison of and should be read in conjunction with the business segment operating information in Note 10 to the Consolidated Financial Statements.

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The following is a summary of the changes to the components of the segments in the years ended June 30, 2003 and 2002:

	Real Estate Operation	Golf	Unallocated And Other	Total
	-----	-----	-----	-----
YEAR ENDED JUNE 30, 2003				

Revenues	(\$ 111,277)	\$ 449,453	\$ 410,074	\$ 748,250
Costs	(114,058)	225,262	--	111,204
SG&A-direct	--	(95,386)	118,405	23,019
SG&A-allocated	--	113,000	(120,535)	(7,535)
Depreciation and amortization .	(45,283)	(2,526)	(28,291)	(76,100)
Impairment losses	(44,915)	--	--	(44,915)
Interest expense	450	--	(27,473)	(27,023)
Equity in investees	26,341,632	--	--	26,341,632
Gain (loss) on disposition	--	--	--	--
Minority interest	--	--	--	--
Segment profit (loss)	26,434,161	209,103	467,968	27,111,232
Investment income				11,869
Income tax expense				(5,838,000)
Income (loss) from continuing operations				21,285,101
Discontinued operations				15,363
Change in accounting principle.				37,675
Net income (loss)				21,338,139
YEAR ENDED JUNE 30, 2002				

Revenues	(\$ 287,386)	\$ 1,062,176	\$ 204,374	\$ 979,164
Costs	(74,977)	419,223	--	344,246
SG&A-direct	--	(253,383)	(192,518)	(445,901)
SG&A-allocated	(13,000)	(57,000)	154,826	84,826
Depreciation and amortization .	(17,205)	20,453	3,923	7,171

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Impairment losses	44,915	--	--	44,915
Interest expense	(93,764)	(4,048)	(116,657)	(214,469)
Equity in investees	(178,043)	--	--	(178,043)
Gain (loss) on disposition	(2,764,483)	--	--	(2,764,483)
Minority interest	--	--	--	--
Segment profit (loss)	(3,075,881)	936,931	354,800	(1,784,150)
Investment income				(2,926)
Income tax expense				--
Income (loss) from continuing operations				(1,787,076)
Discontinued operations				(3,794,364)
Change in accounting principle.				--
Net income (loss)				(5,581,440)

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Rental Operations

This segment includes the operations of an office building (Office) sold December 28, 2000, a subleasehold interest in land underlying a condominium project (Sublease) which was sold in March 2002, and other activities which include the equity in income of the operation of a 542 unit apartment project (UCV), which was sold April 1, 2003, the sublease of a portion of the Penley factory and other miscellaneous rents received on undeveloped land, which was sold in June 2001.

The following is a summary of the changes in rental operations segment for each of the years ended June 30, 2003 and 2002 compared to the prior year:

JUNE 30, 2003	Sublease	Other	Combined	
-----	-----	-----	-----	
Revenues	(\$119,098)	\$ 7,821	(\$ 111,277)	
Costs	(116,458)	2,400	(114,058)	
SG&A-direct	--	--	--	
SG&A-allocated	--	--	--	
Depreciation and amortization	(474)	(44,809)	(45,283)	
Impairment losses	(44,915)	--	(44,915)	
Interest expense	450	--	450	
Equity in investees ...	--	26,341,632	26,341,632	
Gain (loss) on disposition	--	--	--	
Segment profit (loss) .	42,299	26,391,862	26,434,161	
JUNE 30, 2002	Sublease	Other	Office	Combined
-----	-----	-----	-----	-----
Revenues	(\$ 45,685)	\$ 1,910	(\$ 243,611)	(\$ 287,386)
Costs	(46,352)	25,800	(54,425)	(74,977)
SG&A-direct	--	--	--	--
SG&A-allocated	--	--	(13,000)	(13,000)
Depreciation and amortization	(1,422)	--	(15,783)	(17,205)
Impairment losses	44,915	--	--	44,915
Interest expense	(12,771)	--	(80,993)	(93,764)
Equity in investees ...	--	(178,043)	--	(178,043)
Gain (loss) on disposition	--	--	(2,764,483)	(2,764,483)

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Segment profit (loss) . (30,055) (201,933) (2,843,893) (3,075,881)

The changes to the sublease component relate to the sale of the subleasehold interest in March 2002.

On April 1, 2003, the Company's investee (UCV) sold its 542 unit apartment project for \$58,400,000 in cash. After deducting current selling expenses (\$2,442,207), paying mortgage loans (\$38,000,000), and the refund of lender impounds (\$1,340,348), the net sale proceeds to UCV was \$19,298,141 and UCV's gain from sale was approximately \$52,558,000. The Company's equity in this gain was approximately \$26,279,000. The \$44,809 decrease in depreciation and amortization relates to the cessation of amortization of the step up in basis as a result of the sale of the underlying asset of UCV. Effective April 1, 2003, UCV changed its fiscal year end from March 31 to June 30 to conform to the fiscal year end of the Company. This was treated as a change in accounting principle by the Company and the Company's \$37,675 of equity in the net income of UCV for the three month period ended June 30, 2002 was classified as the cumulative effect of a change in accounting principle.

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The equity in income of UCV decreased by \$211,000 in 2002 primarily due to increases in interest expense and other costs of UCV that were only partially offset by increases in revenues. The following is a summary of the changes in the operations of UCV, LP in 2002 compared to the previous years:

	2002
Revenues	\$ 321,000
Costs	61,000
Depreciation	(5,000)
Interest and amortization	
of loan costs	707,000
Loss from extinguishment of debt ..	(66,000)
Other expenses	(20,000)
Net income	(356,000)

Vacancy rates at UCV averaged 1.7% and 2.3% in 2001 and 2002, respectively. Total revenues of UCV increased by 6 percent in 2002 primarily due to increases in the average rental rate.

UCV costs increased in 2002 primarily due to professional fees related to tax planning and organization structure. UCV's interest expense increased in 2002 primarily due to an increase in long-term debt in October 1999 and March 2001. UCV increased its long-term debt in March 2002 by \$5,000,000 and by in March 2001 by \$3,960,510 and in October 1999 by \$4,039,490. The refinancings in March 2002 and March 2001 resulted in losses from debt extinguishment of \$335,000 in 2002 and \$401,000 in 2001 related to prepayment penalties and write-offs of the unamortized loan fees of the previous long-term debt.

On December 28, 2000 the Company sold its office building for \$3,725,000 and recorded a gain of \$2,764,483. The consideration consisted of the assumption of the existing loan with a principal balance of \$1,950,478 and cash of \$1,662,337. The cash proceeds were net of selling expenses of \$163,197, credits for lender impounds of \$83,676, deductions for security deposits of \$26,463 and prepaid rents of \$6,201. The Company has been released from liability under the existing loan except for those acts, events or omissions that occurred prior to the loan assumption. The Company had occupied approximately 5,000 square feet of space in the building since 1984. The existing lease expires in September 2011. In conjunction with a lease modification with the new owner of the office building, the Company vacated the premises on April 6, 2001 and moved into the factory

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space occupied by its subsidiary, Penley Sports, LLC. However, because the lease commitment for the office space was a condition to the original loan agreement, the lender will only allow the Company to be conditionally released from its remaining lease obligation. In the event there is an uncured event of default by the new owner of the office building under the existing loan agreement, the Company's obligations under its lease will be reinstated to the extent there is not an enforceable lease on the Company's space (see Note 9 to Consolidated Financial Statements).

Golf Club Shaft Manufacturing:

Prior to January 2000, golf club shaft sales were principally to custom golf shops. In January 2000, Penley commenced sales to two of the largest golf equipment distributors. In addition to increases in sales related to these two customers, sales to other golf equipment distributors and direct sales to the after-market also increased, likely due to the credibility and increased exposure from the Penley products being included in the catalogs of these two distributors. The following is a breakdown of the percentage of sales by customer category:

	2003	2002	2001
	----	----	----
Golf equipment distributors	38%	35%	31%
Small golf club manufacturers manufacturers	32%	26%	12%
Golf shops	24%	33%	48%
Other	6%	6%	9%

Operating expenses of the golf segment consisted of the following in 2003, 2002, and 2001:

	2003	2002	2001
	-----	-----	-----
Costs of sales and manufacturing overhead ...	\$2,632,000	\$2,385,000	\$1,922,000
Research and development ...	198,000	219,000	263,000
	-----	-----	-----
Total golf costs	\$2,830,000	\$2,604,000	\$2,185,000
	=====	=====	=====
Marketing and promotion	\$ 970,000	\$1,179,000	\$1,407,000
Administrative costs- direct	325,000	212,000	237,000
	-----	-----	-----
Total SG&A-direct	\$1,295,000	\$1,391,000	\$1,644,000
	=====	=====	=====

Total golf costs increased in 2003 and 2002 primarily due to an increase in the amount of cost of goods sold related to increased sales. Golf costs also increased in 2003 related to a \$113,000 increase in the valuation allowance expense related to inventory.

Marketing and promotion expense decreased in 2003 and 2002 primarily due to decreases in advertising and the tour program expenses. Administrative costs increased in 2002 primarily due to a \$103,000 increase in the allowance for bad debts related to two small golf club manufacturers that discontinued business.

Unallocated and Other:

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Other revenues increased in 2003 primarily due to one time real estate commissions earned in 2003 that totaled \$450,000. Other revenues increased in 2002 primarily due to recovery from an insurance company for litigation costs on a matter that was settled during the year. The remainder of the increase in 2002 related to other one time events.

Unallocated and Other SG&A increased by \$118,000 in 2003 and decreased by \$193,000 in 2002. The increase in 2003 was primarily due to an increase in wages related to a \$100,000 bonus to Harold Elkan. The decrease in 2002 was primarily due to a reduction of corporate office wages. In December 2000, the Company awarded a \$100,000 bonus to Harold Elkan. There was no bonus in December 2001. The balance of the decrease in 2002 related to a decrease in rent expense for the corporate office as a result of it locating into the Penley factory facility in April 2001.

Interest expense changed in 2002 and 2001 partly due to fluctuations in the balance of short term borrowings in 2003 and 2002 and also due to the decline in interest rates during 2002. All short term debt was paid in April 2003.

Income Taxes:

Income tax expense increased in 2003 due to the income recognized from UCV's sale of its apartment project. As discussed above, UCV is utilizing the "like-kind-exchange" rules to defer recognition of taxable income from the sale to the extent it reinvests the proceeds from sale into like-kind property. Since UCV used some of the sales proceeds to fund distributions to Company, the Company estimates that it will have taxable gain to recognize in the year ending June 30, 2004 of approximately \$13,000,000 and that recognition of approximately \$12,800,000 of gain will be indefinitely deferred. The Company estimates that the amount of gain to be recognized in 2004 for federal income tax purposes will be offset by its federal net operating loss carryforwards. Since the State of California has temporarily suspended the utilization of net operating losses for state income tax purposes, the Company estimates it will have a state income tax liability for the year ended June 30, 2004 to the extent it will not be offset by other losses generated in that tax year.

Discontinued Operations:

As discussed in Footnote 11 of Notes to the Consolidated Financial Statements, the Company has classified its operations in the bowling and real estate development segments as discontinued operations. The income or loss from these operations did not change significantly other than related to the sale of undeveloped land in 2001 which resulted in a \$4,232,333 gain, net of minority interests.

Contractual Obligations and Commercial Commitments:

The following table summarizes the Company's contractual obligations and other commitments at June 30, 2003 and the effect such obligations could have on the Company's liquidity and cash flow in future periods:

	Less than one year	2-3 Years	4-5 Years	Over 5 Years	Total
	-----	-----	-----	-----	-----
Notes payable	\$ 5,771	\$ --	\$ --	\$ --	\$ 5,771
Lease commitments ..	241,000	494,000	494,000	430,000	1,659,000
Contingent lease obligation.....	72,000	152,000	161,000	283,000	668,000
	-----	-----	-----	-----	-----

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\$318,771 \$646,000 \$655,000 \$ 713,000 \$2,332,771
 =====

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk primarily due to fluctuations in interest rates. The Company has utilized both fixed rate and variable rate debt, however at June 30, 2003 there was only fixed rate debt outstanding. The following table presents scheduled principal payments 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:

	2004	Total	Fair Value (1)
	-----	-----	-----
Fixed rate debt	\$ 6,000	\$ 6,000	\$ 6,000
Weighted average interest rate	13.1%	13.1%	13.1%

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

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

ITEM 8. Financial Statements and Supplementary Data

(a) The Financial Statements and Supplementary Data of Sports Arenas, Inc. and Subsidiaries are listed and included under Item 15 of this report.

ITEM 9. Changes in and Disagreements with Accountants on Accounting

and Financial Disclosure NONE

PART III

ITEM 10. Directors and Executive Officers of the Registrant

(a) - (c) The following were directors and executive officers of the Company during the year ended June 30, 2003. All present directors will hold office until the election of their respective successors. All executive officers are to be elected annually by the Board of Directors.

Directors and Officers	Age	Position and Tenure with Company
-----	----	-----
Harold S. Elkan	60	Director since November 7, 1983; President since November 11, 1983
Steven R. Whitman	50	Chief Financial Officer and Treasurer since May 1987; Director and Assistant Secretary since August 1, 1989, Secretary since January 1995

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Patrick D. Reiley	62	Director since August 21, 1986, sole member of audit committee
James E. Crowley	56	Director since January 10, 1989
Robert A. MacNamara	54	Director since January 9, 1989, resigned May 27, 2003
Gordon L. Gerson	52	Director since June 3, 2003

There are no understandings between any director or executive officer and any other person pursuant to which any director or executive officer was selected as a director or executive officer.

(d) Family Relationships - None

(e) Business Experience

1. Harold S. Elkan has been employed as the President and Chief Executive Officer of the Company since 1983. For the preceding ten years he was a principal of Elkan Realty and Investment Co., a commercial real estate brokerage firm, and was also President of Brandy Properties, Inc., an owner and operator of commercial real estate.

2. Steven R. Whitman has been employed as the Chief Financial Officer and Treasurer since May 1987. For the preceding five years he was employed by Laventhol & Horwath, CPAs, the last four of which were as a manager in the audit department.

3. Patrick D. Reiley was the Chairman of the Board and Chief Executive Officer of Reico Insurance Brokers, Inc. (Reico) from 1980 until June 1995, when Reico ceased doing business. Reico was an insurance brokerage firm in San Diego, California. Mr. Reiley has been a principal of A.R.I.S., Inc., an international insurance brokerage company, since 1997.

4. James E. Crowley has been an owner and operator of various automobile dealerships for the last twenty years. Mr. Crowley was President and controlling shareholder of Coast Nissan from 1992 to August 1996; and has been President of the Automotive Group since March 1994. The Automotive Group operates North County Ford, North County Jeep-GMC-Kia, North County Hyundai, Valley Toyota, TAG Collision Repair, and Lake Elsinore Ford.

5. Robert A. MacNamara had been employed by Daley Corporation, a California corporation, from 1978 through 1997, the last eleven years of which he served as Vice President of the Property Division. Daley Corporation is a residential and commercial real estate developer and a general contractor. Mr. MacNamara was an independent consultant to the real estate development industry.

6. Gordon L. Gerson has been an attorney with The Gerson Law Firm, APC in San Diego, California for over the past five years specializing in real estate transactions and financings and creditors rights litigation.

(f) Involvement in legal proceedings - None

Section 16(a) Compliance -Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity

securities, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than ten-percent shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on written representations that no other reports were required, during the three fiscal years ended June 30, 2001 through 2003, all Section 16(a) filing requirements applicable to officers, directors and greater than ten-percent beneficial owners were complied with.

ITEM 11. Executive Compensation

(b) The following Summary Compensation Table shows the compensation paid for each of the last three fiscal years to the Chief Executive Officer of the Company and to the most highly compensated executive officers of the Company whose total annual compensation for the fiscal year ended June 30, 2003 exceeded \$100,000.

Name and Principal Position	Year	Salary	Bonus	Other	Long-term Compen- sation	All Other Compen- sation
-----	----	-----	-----	-----	-----	-----
Harold S. Elkan, .. President	2003	\$350,000	\$100,000	\$--	\$ --	\$ --
	2002	350,000	--	--	--	--
	2001	350,000	100,000	--	--	--
Steven R. Whitman, Chief Financial Officer ...	2003	100,000	--	--	--	--
	2002	100,000	--	--	--	--
	2001	100,000	--	--	--	--

The Company has no Long-Term Compensation Plans. Although the Company provides some miscellaneous perquisites and other personal benefits to its executives, the amount of this compensation did not exceed the lesser of \$50,000 or 10 percent of an executive's annual compensation.

(c)-(f) and (i) The Company hasn't issued any stock options or stock appreciation rights, nor does the Company maintain any long-term incentive plans or pension plans.

(g) Compensation of Directors - The Company pays a \$500 fee to each outside director for each director's meeting attended. The Company does not pay any other fees or compensation to its directors as compensation for their services as directors.

(h) Employment Contracts, Termination of Employment and Change-in-Control Arrangements: The employment agreement for Harold S. Elkan (Elkan), the Company's President, expired in January 1998, however, the Company is continuing to honor the terms of the agreement until such time as the Compensation Committee conducts a review and proposes a new contract. Pursuant to the expired employment agreement, Elkan is to receive a sum equal to twice his annual salary (\$350,000 as of June 30, 2003) plus \$50,000 if he is discharged by the Company without good cause, or the employment agreement is terminated as a result of a change in the Company's management or voting control. The agreement also provides for miscellaneous perquisites, which do not exceed either \$50,000 or 10 percent of his annual salary. The Board of Directors had previously authorized that up to \$625,000 of loans can be made to Harold S. Elkan at interest rates not to exceed 10 percent. No loans have been made to Harold S. Elkan in over

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three years.

(j) Compensation Committee Interlocks and Insider Participation: Harold S. Elkan, the Company's President, was appointed by the Company's Board of Directors as a compensation committee of one to review and set compensation for all Company employees other than Harold S. Elkan. The Company's outside Directors set compensation for Harold S. Elkan. None of the executive officers of the Company had an "interlock" relationship to report for the fiscal year ended June 30, 2003.

(k) Board Compensation Committee Report on Executive Compensation

The Company's Board of Directors appointed Harold S. Elkan as a compensation committee of one to review and set compensation for all Company employees other than Harold S. Elkan. The Board of Directors, excluding Harold S. Elkan and Steven R. Whitman, set and approve compensation for Harold S. Elkan.

The objectives of the Company's executive compensation program are to: attract, retain and motivate highly qualified personnel; and recognize and reward superior individual performance. These objectives are satisfied through the use of the combination of base salary and discretionary bonuses. The following items are considered in determining base salaries: experience, personal performance, responsibilities, and, when relevant, comparable salary information from outside the Company. Currently, the performance of the Company

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is not a factor in setting compensation levels. Annual cash bonus payments are discretionary and would typically relate to subjective performance criteria. Bonuses of \$100,000 were awarded to Harold Elkan in each of the years ended June 30, 2003 and 2001.

In the fiscal year ended June 30, 1993 the outside members of the Board of Directors approved a new employment agreement for Harold S. Elkan (Elkan) effective from January 1, 1993 until December 31, 1997. This agreement provided for annual base salary of \$250,000 plus discretionary bonuses as the Board of Directors may determine and approve. In setting the compensation levels in this agreement, the Board of Directors, in addition to utilizing their personal knowledge of executive compensation levels in San Diego, California, referred to a special compensation study performed in 1987 for the Board of Directors by an independent outside consultant. The Board of Directors is currently reviewing information for purposes of entering into a new employment agreement with Elkan. In the meantime, the Board of Directors approved an increase in Elkan's base pay to \$350,000 annually effective July 1, 1998.

Outside members of Board of Directors approving the Compensation for Harold S. Elkan:

Patrick D. Reiley
James E. Crowley
Robert A. MacNamara, resigned May 27, 2003
Gordon L. Gerson, became director June 3, 2003

Directors' Compensation Committee for Other Employees:
Harold S. Elkan

(l) Performance Graph: The following schedule and graph compares the performance of \$100 if invested in the Company's common stock (SAI) with the performance of \$100 if invested in each of the NASDAQ Industrial Index (Ind Indx), and Aldila, Inc. (Aldila), a manufacturer of composite golf club shafts.

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The performance graph and schedule provide information required by regulations of the Securities and Exchange Commission. However, the Company believes that this performance graph and schedule could be misleading if it is not understood that there is limited trading of the Company's stock. The Company's common stock has traded in the range of \$.01 to \$.02 for most of the past five years. As a result, a small increase in the per share price results in large percentage changes in the value of an investment.

The performance is calculated by assuming \$100 is invested at the beginning of the period (July 1994) in the Company's common stock at a price equal to its market value (the bid price). At the end of each fiscal year, the total value of the investment is computed by taking the number of shares owned multiplied by the market price of the shares at the end of each fiscal year.

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[GRAPHIC OMITTED]

SCHEDULE OF COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN

Year Ended	Sports Arenas, Inc.	Aldila	NASDAQ Ind Indx
6/1998	100	100	100
6/1999	67	28	122
6/2000	133	24	158
6/2001	167	24	114
6/2002	100	8	90
6/2003	67	9	94

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

AND MANAGEMENT (a) - (c):

Name and Address	Shares Beneficially Owned	Nature of Beneficial Ownership	Percent of Class
Harold S. Elkan 7415 Carroll Road San Diego, California	21,808,267 (a)	Sole investment and voting power	80.0%
All directors and officer as a group	21,808,267	Sole investment and voting power	80.0%

(a) These shares of stock are owned by Andrew Bradley, Inc., which is owned by Harold S. Elkan- 88%, Andrew S. Elkan- 6%, and Bradley J. Elkan- 6%. Andrew Bradley, Inc. has pledged 10,900,000 of its shares of Sports Arenas, Inc. stock as collateral for its loan from Sports Arenas, Inc. See Note 3(b) of Notes to Consolidated Financial Statements.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS (a) - (c):

1. The Company has \$360,653 of unsecured loans outstanding to Harold S. Elkan, (President, Chief Executive Officer, Director and, through his 88% owned corporation, Andrew Bradley, Inc., the majority shareholder of the Company) as of June 30, 2003 (\$399,256 as of June 30, 2002). The balance at June 30, 2003 bears interest at 8 percent per annum and is due in monthly installments of

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interest only. The balance is due on demand. The largest amount outstanding during the year was \$412,685 in April 2003.

Elkan's primary source of repayment of unsecured loans from the Company is withholding from compensation received from the Company. Due to the Company's financial condition, there is uncertainty about the Company's ability to continue funding the additional compensation necessary to repay the unsecured loans. Therefore, during the year ended June 30, 1999, the Company recorded a \$390,000 charge to reflect the uncertainty of the collectability of the unsecured loans. This charge was included in selling, general and administrative expense. The Company also discontinued recording the interest income on the loans except to the extent that the balance of the loans remained below \$390,000. As of June 30, 2003 there was no unrecorded accrued interest on the loans (\$8,256 of interest accrued on the loans was unrecorded of June 30, 2002).

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2. In December 1990, the Company loaned \$1,061,009 to the Company's majority shareholder, Andrew Bradley, Inc. (ABI), which is 88% owned by Harold S. Elkan, the Company's President. The loan provided funds to ABI to pay its obligation related to its purchase of the Company's stock in November 1983. The loan to ABI provides for interest to accrue at an annual rate of prime plus 1-1/2 percentage points (5.25 percent at June 30, 2003) and to be added to the principal balance annually. As of June 30, 2003 and 2002, \$1,230,483 of interest had been accrued and added to the loan balance in the financial statements. The loan is due in November 2003. The loan is collateralized by 10,900,000 shares of the Company's stock.

Effective January 1, 1999, the Company discontinued recognizing the accrual of interest income on the note receivable from shareholder. This policy was adopted in recognition that the shareholder's most likely source of funds for repayment of the loan is from sale of the Company's stock or dividends from the Company and that the Company has unresolved liquidity problems. The cumulative amount of interest that accrued but was not recorded was \$1,001,166 as of June 30, 2003 (\$809,735 as of June 30, 2002).

ITEM 14. 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 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:

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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.

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PART IV

ITEM 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

A. The following documents are filed as a part of this report:

1. Financial Statements of Registrant

Independent Auditors' Report	20
Sports Arenas, Inc. and subsidiaries consolidated financial statements:	
Balance sheets as of June 30, 2003 and 2002	21-22
Statements of operations for each of the years in the three-year period ended June 30, 2003	23
Statements of shareholders' equity (deficiency) for each of the years in the three-year period ended June 30, 2003	24
Statements of cash flows for each of the years in the three-year period ended June 30, 2003	25-26
Notes to financial statements	27-39

2. Financial Statements of Unconsolidated Subsidiaries

UCV, L.P. (a California limited partnership)- 50 percent owned investee:	
Independent Auditors' Report	40
Balance sheets as of June 30, 2003 and 2002	41
Statements of operations and partners' equity (deficit) for each of the years ended June 30, 2003, March 31, 2002 and March 31, 2001 and the three-month period ended June 30, 2002	42
Statements of cash flows for each of the years ended June 30, 2003, March 31, 2002 and March 31, 2001 and the three-month period ended June 30, 2002	43
Notes to financial statements	44-48

3. Financial Statement Schedules

There are no financial statement schedules because they are either not applicable or the required information is shown in the financial statement or notes thereto.

4. Exhibits

Index to Exhibits	50
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B. Reports on Form 8-K:

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The following reports on Form 8-K were filed during the last quarter of the period covered by this report:

1. The report filed April 15, 2003 disclosed the sale of a 542 unit apartment project by UCV, LP.
2. The report filed June 16, 2003 disclosed the resignation of Robert MacNamara as a director of the Company on May 27, 2003 and the appointment of Gordon L. Gerson as his replacement on June 3, 2003.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sports Arenas, Inc.:

We have audited the accompanying consolidated balance sheets of Sports Arenas, Inc. and subsidiaries (the "Company") as of June 30, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity (deficiency) and cash flows for each of the years in the three-year period ended June 30, 2003. These consolidated financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sports Arenas, Inc. and subsidiaries as of June 30, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5(b) to the consolidated financial statements, effective April 1, 2003, the Company changed its method of accounting for its equity investment in UCV, L.P.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 13 to the consolidated financial statements, the Company has suffered recurring losses, 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 13. The consolidated financial statements do

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not include any adjustments that might result from the outcome of this uncertainty.

KPMG LLP

San Diego, California
September 5, 2003

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SPORTS ARENAS, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS—JUNE 30, 2003 AND 2002

ASSETS

	2003	2002
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 365,674	\$ 39,345
Other receivable—affiliate (Note 5b)	350,000	--
Trade receivables, net of allowance for doubtful accounts of \$228,000 and \$73,000 respectively ..	402,875	444,996
Note receivable— affiliate (Note 3a)	--	--
Inventories (Note 2)	641,127	792,690
Prepaid expenses	34,958	38,706
	-----	-----
Total current assets	1,794,634	1,315,737
	-----	-----
Property and equipment, at cost (Note 10):		
Machinery and equipment	1,492,404	1,221,553
Leasehold improvements	396,991	1,123,853
	-----	-----
	1,889,395	2,345,406
Less accumulated depreciation and amortization	(1,052,740)	(1,314,680)
	-----	-----
Net property and equipment	836,655	1,030,726
	-----	-----
Other assets:		
Intangible assets, net (Note 4)	--	37,284
Deferred tax assets (Note 8)	4,661,000	--
Investments (Note 5)	5,344,007	423,657
Other	95,671	95,999
	-----	-----
	10,100,678	556,940
	-----	-----
	\$12,731,967	\$ 2,903,403
	=====	=====

SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)-JUNE 30, 2003 AND 2002

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)

	2003	2002
	-----	-----
Current liabilities:		
Notes payable, short-term (Note 6b)	\$ --	\$ 445,000
Current portion of long-term debt (Note 6a)	5,771	8,000
Accounts payable	441,434	963,402
Accrued payroll and related expenses	282,080	215,093
Accrued interest	--	276,735
Other liabilities	3,796	92,803
	-----	-----
Total current liabilities	733,081	2,001,033
	-----	-----
Long-term debt, excluding current portion (Note 6a)	--	5,456
	-----	-----
Distributions received in excess of basis in investment (Note 5b)	--	18,008,401
	-----	-----
Other liabilities	--	192,000
	-----	-----
Deferred income taxes (Note 8)	10,514,000	--
	-----	-----
Minority interest in consolidated subsidiary (Note 11b)	431,839	802,677
	-----	-----
Shareholders' equity (deficiency):		
Common stock, \$.01 par value, 50,000,000 shares authorized, 27,250,000 shares		

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issued and outstanding	272,500	272,500
Additional paid-in capital	1,730,049	1,730,049
Retained earnings (accumulated deficit)	1,341,990	(17,817,221)
	-----	-----
	3,344,539	(15,814,672)
Less note receivable from shareholder (Note 3b) ..	(2,291,492)	(2,291,492)
	-----	-----
Total shareholders' equity (deficiency)	1,053,047	(18,106,164)
	-----	-----

Commitments and contingencies (Notes 7 and 9)

\$12,731,967	\$ 2,903,403
=====	=====

See accompanying notes to consolidated financial statements.

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SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED JUNE 30, 2003, 2002 AND 2001

	2003	2002	2001
	-----	-----	-----
Revenues:			
Golf	\$ 3,038,746	\$ 2,589,293	\$ 1,520,000
Rental	78,957	190,234	44,000
Other	201,618	329,402	13,000
Other-related party (Note 5b)	724,229	186,371	17,000
	-----	-----	-----
	4,043,550	3,295,300	2,280,000
	-----	-----	-----
Costs and expenses:			
Golf	2,829,698	2,604,436	2,180,000
Rental	75,400	189,458	26,000
Selling, general, and administrative	2,272,402	2,256,918	2,580,000
Depreciation and amortization	195,223	271,323	26,000
Provision for impairment losses (Note 4a)	--	44,915	--
	-----	-----	-----
	5,372,723	5,367,050	5,290,000
	-----	-----	-----
Loss from operations	(1,329,173)	(2,071,750)	(3,010,000)
	-----	-----	-----
Other income (charges):			

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Investment income:			
Related party (Notes 3a and 3b)	40,251	27,890	2
Other	1,315	1,807	
Interest expense and amortization of finance costs	(57,656)	(84,679)	(29)
Equity in income (loss) of investee (Note 5a)	26,281,844	(59,788)	11
Gain on sale of office building (Note 9)	--	--	2,76
	-----	-----	-----
	26,265,754	(114,770)	2,61
	-----	-----	-----
Income (loss) from continuing operations before income taxes and change in accounting principle	24,936,581	(2,186,520)	(39)
Income tax expense (Note 8)	(5,838,000)	--	
	-----	-----	-----
Income (loss) from continuing operations	19,098,581	(2,186,520)	(39)
Income from discontinued operations net of income tax expense of \$15,000 in 2003 (Note 11)	22,955	7,592	3,80
Cumulative effect of change in accounting principle ... (Note 5b)	37,675	--	
	-----	-----	-----
Net income (loss)	\$ 19,159,211	(\$2,178,928)	\$3,40
	=====	=====	=====
Per common share (based on weighted average shares outstanding) basic and diluted:			
Income (loss) from continuing operations	\$ 0.70	(\$ 0.08)	(\$ 0
Discontinued operations	--	--	0
Cumulative effect of change in accounting principle	--	--	
	-----	-----	-----
Net income (loss)	\$ 0.70	(\$ 0.08)	\$ 0
	=====	=====	=====

See accompanying notes to consolidated financial statements.

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SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)
YEARS ENDED JUNE 30, 2003, 2002 AND 2001

	Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	No Receiv fr Shareh
	Number of Shares	Amount			
	-----	-----	-----	-----	-----
Balance at June 30, 2000	27,250,000	\$272,500	\$1,730,049	(\$19,040,805)	(\$2,2
Net income	--	--	--	3,402,512	
	-----	-----	-----	-----	-----

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Balance at June 30, 2001	27,250,000	272,500	1,730,049	(15,638,293)	(2,2
Net loss	--	--	--	(2,178,928)	-----
Balance at June 30, 2002	27,250,000	272,500	1,730,049	(17,817,221)	(2,2
Net income	--	--	--	19,159,211	-----
Balance at June 30, 2003	27,250,000	\$272,500	\$1,730,049	\$ 1,341,990	(\$2,2
	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

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SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2003, 2002 AND 2001

	2003	2002	2001
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$19,159,211	(\$2,178,928)	\$3,400,000
Less income from discontinued operations	(22,955)	(7,592)	(3,800,000)
Income (loss) from continuing operations	19,136,256	(2,186,520)	(3,400,000)
Adjustments to reconcile net income (loss) to the net cash used by operating activities:			
Amortization of deferred financing costs	--	--	--
Depreciation and amortization	195,223	271,323	260,000
Equity in (income) loss of investee	(26,319,519)	59,788	(11,000,000)
Deferred income	(192,000)	48,000	4,000,000
Provision for impairment losses	--	44,915	--
Gain on sale of assets	--	--	(2,750,000)
Provision for deferred income taxes	5,838,000	--	--
Changes in assets and liabilities:			
Increase in receivables	(294,242)	(124,339)	(12,000,000)
(Increase) decrease in inventories	151,563	(207,579)	(28,000,000)

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(Increase) decrease in prepaid expenses	20,112	(14,878)	7
Increase (decrease) in accounts payable	(456,755)	248,077	(3)
Increase in accrued expenses and other liabilities	14,744	6,932	21
Other	37,612	62,284	3
	-----	-----	-----
Net cash used by continuing operations	(1,869,006)	(1,791,997)	(3,06)
Net cash provided (used) by discontinued operations	(320,402)	70,104	(52)
	-----	-----	-----
Net cash used by operating activities	(2,189,408)	(1,721,893)	(3,58)
	-----	-----	-----
Cash flows from investing activities:			
Decrease in notes receivable	--	--	7
Additions to property and equipment	(17,850)	--	(50)
Proceeds from sale of office building	--	--	1,66
Proceeds from sale of bowling center building	--	--	2,04
Proceeds from sale of undeveloped land	--	--	3,61
Proceeds from sale of other assets	19,465	30,700	
Additions to development costs	--	--	(3)
Distributions to holders of minority interest	(370,838)	(50,000)	(2,17)
Distributions received from investees	3,618,276	2,102,820	1,55
Contributions to investees	--	--	(20)
	-----	-----	-----
Net cash provided by investing activities.	3,249,053	2,083,520	6,05
	-----	-----	-----
Cash flows from financing activities:			
Scheduled principal payments	(7,685)	(32,486)	(21)
Proceeds from short-term borrowings	75,000	450,000	1,20
Payments on short-term borrowings	(800,631)	(1,255,000)	(1,30)
Loan costs	--	--	(2)
Extinguishment of long-term debt	--	--	(1,65)
Other	--	--	2
	-----	-----	-----
Net cash used by financing activities	(733,316)	(837,486)	(1,96)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents ..	326,329	(475,859)	50
Cash and cash equivalents, beginning of year	39,345	515,204	1
	-----	-----	-----
Cash and cash equivalents, end of year	\$ 365,674	\$ 39,345	\$ 51
	=====	=====	=====

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SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2003, 2002, AND 2001

SUPPLEMENTAL CASH FLOW INFORMATION:

	2003	2002	2001
	-----	-----	-----
Interest paid	\$ 54,000	\$ 11,000	\$ 196,000
	=====	=====	=====

Supplemental schedule of non-cash investing and financing activities:

During the year ended June 30, 2003, the Company closed its bowling center operations and sold the machinery and equipment for \$19,465. The cost and accumulated depreciation of the assets sold were \$473,861 and \$471,112,

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respectively.

During the year ended June 30, 2003, the Company reclassified \$280,631 of principal payments on short-term debt to accrued interest.

During the year ended June 30, 2002 the Company assigned its interests in the leasehold and the related subleasehold interests for a note receivable of \$37,500. The note receivable was assigned to the master lessor in satisfaction of a portion of the rent due. There was \$75,615 of unamortized deferred lease costs for which an impairment loss of \$44,915 had been recorded in the year ended June 30, 2002.

During the year ended June 30, 2001 the Company sold equipment for \$5,000 which had a cost of \$24,250 and accumulated depreciation of \$9,240.

During the year ended June 30, 2001, the Company abandoned leasehold improvements with a cost of \$18,536 and accumulated depreciation of \$18,070.

See accompanying notes to consolidated financial statements.

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SPORTS ARENAS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2003, 2002 AND 2001

1. Summary of significant accounting policies and practices:

Description of business- The Company, primarily through its subsidiaries, owns and operates one bowling center (discontinued May 31, 2003), an apartment

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project (50% owned) (sold April 1, 2003), and a graphite golf club shaft manufacturer. The Company also performs a minor amount of services in property management and real estate brokerage related to commercial leasing.

Principles of consolidation - The accompanying consolidated financial statements include the accounts of Sports Arenas, Inc. and all subsidiaries and partnerships more than 50 percent owned or in which there is a controlling financial interest (the Company). All material inter-company balances and transactions have been eliminated. The minority interests' share of the net loss of partially owned consolidated subsidiaries have been recorded to the extent of the minority interests' contributed capital. The Company uses the equity method of accounting for investments in entities in which its ownership interest gives the Company the ability to exercise significant influence over operating and financial policies of the investee. The Company uses the cost method of accounting for investments in which it has virtually no influence over operating and financial policies.

Cash and cash equivalents - Cash and cash equivalents only include highly liquid investments with original maturities of less than 3 months. There were no cash equivalents at June 30, 2003 and 2002.

Inventories - Inventories are stated at the lower of cost (first-in, first-out) or market and relate to golf club shaft manufacturing.

Property and equipment - Property and equipment are stated at cost. Depreciation and amortization are provided on the straight-line method based on the estimated useful lives of the related assets, which are from 3 to 15 years.

Investments - The Company's purchase price in March 1975 of the one-half interest in UCV, L.P. exceeded the equity in the book value of net assets of the project at that time by approximately \$1,300,000. The excess was allocated to land and buildings based on their relative fair values. The amount allocated to buildings was being amortized over the remaining useful lives of the buildings and the amortization was included in the Company's depreciation and amortization expense until the property was sold April 1, 2003.

Income taxes - The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

Amortization of intangible assets - Deferred loan costs are amortized over the terms of the loans on the straight-line method, which approximates the effective interest method. Unamortized loan costs related to loans refinanced or paid prior to their contractual maturity are written off.

Valuation impairment - The Company adopted Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (Statement No. 144), on July 1, 2002. Statement No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that 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 net cash flows

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expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of an asset exceeds the fair value of the asset. Statement No. 144 requires companies to separately report discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. Prior to the adoption of Statement No. 144, the Company followed the guidance of Statement No. 121.

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Concentrations of credit risk - Financial instruments which potentially subject the Company to concentrations of credit risk are the notes receivable described in Note 3.

Fair value of financial instruments - The following methods and assumptions were used to estimate the fair value of each class of financial instruments where it is practical to estimate that value:

Cash and cash equivalents, other receivables-affiliate, trade receivables, accounts payable, and notes payable-short term - the carrying amount reported in the balance sheet approximates the fair value due to their short-term maturities.

Note receivable-affiliate - It is impractical to estimate the fair value of the note receivable-affiliate due to the related party nature of the instrument.

Long-term debt - the fair value was determined by discounting future cash flows using the Company's current incremental borrowing rate for similar types of borrowing arrangements. The carrying value of long-term debt reported in the balance sheet approximates the fair value.

Use of estimates - Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

Income (loss) per share- Basic earnings per share is computed by dividing income (loss) by the weighted average number of common shares outstanding during each period. Diluted earnings per share is computed by dividing the amount of income (loss) for the period by each share that would have been outstanding assuming the issuance of common shares for all potentially dilutive securities outstanding during the reporting period. The Company currently has no potentially dilutive securities outstanding. The weighted average shares used for basic and diluted earnings per share computation was 27,250,000 for each of the years in the three-year period ended June 30, 2003.

Losses from Extinguishment of Debt- The Company adopted Statement No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Correction" ("SFAS No. 145") on July 1, 2002. Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt" ("SFAS No. 4"), required that gains and losses from the extinguishment of debt that were included in the determination of net income be aggregated

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and, if material, classified as an extraordinary item. The provisions of SFAS No. 145 related to the rescission of SFAS No. 4 require the Company to reclassify prior period items that do not meet the extraordinary classification. Accordingly, the Company's equity in an investees losses from extinguishment of debt recorded in the Company's years ended June 30, 2002 and 2001 that had previously been classified as extraordinary items have been reclassified and included in the equity in income (loss) from investees.

Reclassification- Certain 2002 and 2001 amounts have been reclassified to conform to the presentation used in 2003.

2. Inventories:

Inventories consist of the following:

	2003	2002
	-----	-----
Raw materials	\$ 126,766	\$ 199,255
Work in process	561,161	428,573
Finished goods	186,200	253,862
	-----	-----
	874,127	881,690
Less valuation allowance	(233,000)	(89,000)
	-----	-----
	\$ 641,127	\$ 792,690
	=====	=====

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3. Notes receivable:

(a) Affiliate - The Company made unsecured loans to Harold S. Elkan, the Company's President and, indirectly, the Company's majority shareholder, and recorded interest income of \$40,251, \$27,890, and \$28,926 in 2003, 2002 and 2001, respectively. The loans bear interest at 8 percent per annum and are due on demand.

Elkan's primary source of repayment of unsecured loans from the Company is withholding from compensation received from the Company. Due to the Company's financial condition, there is uncertainty about the Company's ability to continue funding the additional compensation necessary to repay the unsecured loans. Therefore, during the year ended June 30, 1999, the Company recorded a \$390,000 charge to reflect the uncertainty of the collectability of the unsecured loans. This charge was included in selling, general and administrative expense. As a result of the balance of the unsecured loans decreasing below \$390,000 as of June 30, 2003, \$29,347 of the valuation allowance was recovered in the year ended June 30, 2003.

The Company also discontinued recording the interest income on the loans except to the extent that the balance of the loans remained below \$390,000. As of June 30, 2003 no interest accrued on the loans was unrecorded. At June 30, 2002 and 2001, \$8,256 and \$4,339, respectively, of interest accrued on the loans was unrecorded.

	2003	2002
	-----	-----
Balance of note receivable	\$ 360,653	\$ 398,256
Unrecorded accrued interest	--	(8,256)
Less valuation allowance .	(360,653)	(390,000)
	-----	-----
	\$ --	\$ --
	=====	=====

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(b) Shareholder - In December 1990, the Company loaned \$1,061,009 to the Company's majority shareholder, Andrew Bradley, Inc. (ABI), which is 88% owned by Harold S. Elkan, the Company's President. The loan provided funds to ABI to pay its obligation related to its purchase of the Company's stock in November 1983. The loan to ABI provides for interest to accrue at an annual rate of prime plus 1-1/2 percentage points (5.50 percent at June 30, 2003) and to be added to the principal balance annually. The loan is due in November 2003. The loan is collateralized by 10,900,000 shares of the Company's stock. The original loan amount plus accrued interest of \$1,230,483 is presented as a reduction of shareholders' equity because ABI's only asset is the stock of the Company.

Effective January 1, 1999, the Company discontinued recognizing the accrual of interest income on the note receivable from shareholder. This policy was adopted in recognition that the shareholder's most likely source of funds for repayment of the loan is from sale of the Company's stock or dividends from the Company and that the Company has unresolved liquidity problems. The cumulative amount of interest that accrued but was not recorded was \$1,001,166 as of June 30, 2003 (\$809,735 as of June 30, 2002).

4. Intangible assets:

Intangible assets consisted of the following as of June 30, 2003 and 2002:

	2003	2002
Lease inception fee	\$ --	\$ 232,995
Less accumulated amortization	--	(195,711)
	\$ --	\$ 37,284
	=====	=====

(a) Downtown Properties Development Corporation (DPDC), a wholly owned subsidiary of the Company, was a sublessor of a parcel of land that is subleased to individual owners of a condominium project. The Company capitalized \$111,674 of carrying costs prior to subleasing the land in 1980 and was amortizing the capitalized carrying costs over the period of the subleases on the straight-line method.

On March 20, 2002, the DPDC transferred ownership of its sublessor interests to the condominium owners association based on agreements entered into in October 2001 and approved by the Bureau of Indian Affairs on March 20, 2002. DPDC received a note receivable of \$37,500 as consideration for the sublessor interest that DPDC then assigned to the master lessors for a reduction in amounts owed by DPDC to the master lessors. DPDC still owes the master lessors \$61,424 plus interest from November 1, 2001. Once this amount is paid, the Company will be released from any further liability under the master lease. As a result of these agreements, the Company recorded a \$44,915 impairment loss for a portion of the unamortized balance (\$75,615) of the deferred lease costs related to this sublessor interest and discontinued amortizing the deferred lease costs effective October 2001.

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The following is a summary of the results from operations of the Palm Springs sublease included in the financial statements:

	2002	2001
Rents	\$ 119,000	\$ 165,000
Costs	116,000	163,000
Impairment loss	45,000	--

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Depreciation	--	2,000
	-----	-----
Income (loss) from operations	(42,000)	--
Interest expense	5,000	18,000
	-----	-----
Income (loss) from continuing operations ..	\$ (47,000)	\$ (18,000)
	=====	=====

(b) In March 1997 the Company paid \$232,995 to the lessor of the real estate in which the Grove bowling center is located. The payment represented the balance due for a deferred lease inception fee. The fee was amortized over the then remaining lease term of 75 months.

5. Investments:

(a) Investments consist of the following:

	2003	2002
	-----	-----
Accounted for on the equity method:		
Investment in UCV, L.P.	\$ 5,277,007	\$(18,008,401)
Vail Ranch Limited Partnership (Note 11b)	67,000	423,657
	-----	-----
	5,344,007	(17,584,744)
Less Investment in UCV, L.P. classified as liability- Distributions received in excess of basis in investment	--	18,008,401
	-----	-----
	5,344,007	423,657
	-----	-----
Accounted for on the cost basis:		
All Seasons Inns, La Paz	37,926	37,926
Less provision for impairment loss	(37,926)	(37,926)
	-----	-----
Total investments	\$ 5,344,007	\$ 423,657
	=====	=====

The following is a summary of the equity in income (loss) from UCV:

	2003	2002	2001
	-----	-----	-----
UCV, L.P.	\$26,281,844	\$ (59,788)	\$ 118,255

The equity in income (loss) from VRLP (see Note 11b) is included in the income from discontinued operations.

(b) Investment in UCV, L.P. (real estate operation segment):

The Company is a one percent managing general partner and 49 percent limited partner in UCV, L.P. (UCV) which owned University City Village, a 542 unit apartment project in San Diego, California until it was sold April 1, 2003.

Effective April 1, 2003, the Company began recording its equity in the income (loss) of UCV on a current basis rather than on a 91 day delayed basis. The Company has treated this as a change in its accounting principle and accordingly has classified its \$37,675 of equity in the net income of UCV for the period of April 1, 2002 through June 30, 2002 as the cumulative effect of a change in accounting principle in 2003.

On April 1, 2003, UCV sold the University City Village Apartments for \$58,400,000 in cash. After deducting current selling expenses (\$2,495,820), paying mortgage loans (\$38,000,000), and the refund of lender impounds (\$1,340,348), the net sale proceeds to UCV was approximately \$19,298,141 and UCV's gain from sale was approximately \$52,558,000. UCV is planning on

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distributing a cumulative amount of approximately \$3,500,000 of such proceeds to the Company in partial liquidation of its partnership interest in UCV. Of this total, UCV distributed \$1,000,000 to the Company from the

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proceeds of funds released from escrow on March 17, 2003 and distributed another \$1,500,000 to the Company in April 2003. The balance of the distribution is expected to be made after the end of the like-kind exchange transactions. The remaining funds are expected to be reinvested by UCV in "like-kind" property to defer a portion of the income tax consequences of the sale. As part of the sales transaction, the Company earned a \$350,000 sales commission that was included in UCV' selling expenses.

The following is summarized financial information of UCV's balance sheets as of June 30, 2003 and 2002:

	2003	2002
Total assets	\$15,617,000	\$ 5,360,000
Total liabilities	406,000	38,613,000

The following is summarized financial information of UCV's results of operations, which have been classified as discontinued operations in the financial statements of UCV:

	Three Months			
	Year Ended	Ended	Year Ended	Year Ended
	June 30, 2003	June 30, 2002	March 31, 2002	March 31, 2001
	-----	-----	-----	-----
Revenues	\$4,346,000	\$1,376,000	\$5,406,000	\$5,085,000
Operating and general				
And administrative costs	1,554,000	461,000	1,672,000	1,611,000
Depreciation	11,000	3,000	14,000	19,000
Interest and amortization				
of loan costs	2,775,000	836,000	3,504,000	2,797,000
Other expenses	--	--	--	20,000
Loss from extinguishment of				
debt	--	--	335,000	401,000
Gain on sale	52,558,000	--	--	--
Income (loss) from				
discontinued operations ...	52,564,000	76,000	(119,000)	237,000
Net income (loss)	52,564,000	76,000	(119,000)	237,000

The apartment project was managed by the Company, which recognized management fee income of \$110,229, \$138,371, and \$130,957 in the twelve-month periods ended June 30, 2003, 2002, and 2001, respectively. In addition, pursuant to a development fee agreement with UCV dated July 1, 1998, the Company received development fees totaling \$72,000 in the year ended June 30, 2003 and \$96,000 each in the years ended June 30, 2002 and 2001. The Company had been deferring one half of fees it was receiving from UCV pursuant to a development services agreement. The balance of deferred income at March 31, 2003 (\$228,000) was recognized as revenue on April 1, 2003 upon the sale of the property. The Company believes that the terms of these agreements were no less favorable to the Company or UCV than could be obtained with an independent third party.

A reconciliation of the investment (distributions received in excess of basis) in UCV as of June 30 is as follows:

2003	2002
------	------

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	-----	-----
Balance, beginning	\$(18,008,401)	\$ (15,792,373)
Equity in income (loss), net	26,319,519	(59,788)
Cash distributions	(3,025,500)	(2,102,820)
Amortization of purchase price in excess of equity in net assets	(8,611)	(53,420)
	-----	-----
Balance, ending	\$ 5,277,007	\$(18,008,401)
	=====	=====

(c) Other investment:

The Company owns a 6 percent limited partnership interest in two partnerships that own and operate a 109-room hotel (the Hotel) in La Paz, Mexico (All Seasons Inns, La Paz). The cost basis of this investment (\$162,629) has been reduced by provisions for impairment loss of \$37,926 recorded in the year ended June 30, 2000 and \$125,000 recorded in the year ended June 30, 1991. On August 13, 1994, the partners owning the Hotel agreed to sell their partnership interests to one of the general partners. The total consideration to the Company (\$123,926) was \$2,861 cash at closing (December 31, 1994) plus a \$121,065 note receivable bearing interest at 10

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percent with installments of \$60,532 plus interest due on January 1, 1996 and 1997. Due to financial problems, the note receivable was initially restructured so that all principal was due on January 1, 1997, however, only an interest payment of \$12,106 was received on that date. Because the cash consideration received at closing was minimal, the Company has not recorded the sale of its investment. The cash payments of \$27,074 received to date (representing accrued interest through December 1996) were applied to reduce the cost of the investment.

6. Long-term and short-term debt:

(a) The principal payments due on notes payable during the next five fiscal years are as follows: \$5,771 in 2004.

(b) The Company borrowed a total of \$2,700,000 (\$150,000 in 2002, \$1,200,000 in 2001 and \$1,350,000 in 2000) from the Company's partner in UCV (Lender) of which \$725,631 (including \$280,631 reclassified from accrued interest in 2003), \$955,000 and \$1,300,000 was paid in 2003, 2002 and 2001, respectively. The loans were unsecured, due on demand and bore interest monthly at a base rate plus 1 percent. The Company admitted the Lender and an affiliate of the Lender as partners in Old Vail Partners with a liquidating partnership interest for which they received combined distributions of \$112,410 in the year ended June 30, 2001 and their partnership interests were liquidated. The Company also provided the Lender with an ownership interest in Penley Sports that would provide the Lender with a 10 percent interest in profits and distributions. Although the terms of these loans are likely to be comparable to the loan terms from an independent third party, it is unlikely that the Company could obtain a similar loan from an independent third party.

(c) On February 27, 2003 the Company borrowed \$75,000 from its partner in OVP, LP. The loan was unsecured, due on demand and bore interest at the rate of 10 percent. The loan plus accrued interest of \$884 was paid on April 11, 2003. Although the terms of this loan is likely to be comparable to the loan terms from an independent third party, it is unlikely that the Company could obtain a similar loan from an independent third party.

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(d) On January 11, 2002, the Company borrowed \$300,000 from Harold S. Elkan, the Company's President and, indirectly, the Company's majority shareholder, pursuant to a short term loan agreement that was paid on March 27, 2002. During the term of the loan \$8,200 of interest (10% per annum) was paid to Elkan. Although the terms of this note are likely to be comparable to the loan terms from an independent third party, it is unlikely that the Company could obtain a similar loan from an independent third party.

7. Commitments and contingencies:

(a) The Company leases its golf club shaft manufacturing plant under a ten year operating lease agreement, which commenced April 1, 2000. The lease provides for fixed annual minimum rentals in addition to taxes, insurance and maintenance for each of the years ending June 30 as follows: 2004- \$241,000, 2005- \$247,000, 2006- \$247,000, 2007- \$247,000, 2008- \$247,000, thereafter- \$430,000. Commencing April 1, 2005 the lease provides for adjustments to the rent based on increases in a consumer price index, not to exceed six percent per annum. The lease also provides for two options that each extend the lease for an additional five years. The rent for the first year of the first option will be based on a five percent increase over the previous year's rent. Subsequent year's rent will be adjusted based on increases in the consumer price index. Rental expense for the manufacturing facilities was \$234,105 in 2003, \$227,288 in 2002, and \$220,688 in 2001.

The Company has subleased a portion of the golf club shaft manufacturing plant to different tenants since November 1, 2001. The current sublease commenced November 1, 2002 and continues through October 31, 2004. Rental income from subleases was \$78,957 in 2003, \$71,136 in 2002 and \$46,400 in 2001. These amounts are presented as rental revenues.

(b) The Company's employment agreement with Harold S. Elkan expired on January 1, 1998, however the Company is continuing to honor the terms of the agreement until such time as it is able to negotiate a new contract. The agreement provides that if he is discharged without good cause, or discharged following a change in management or control of the Company, he will be entitled to liquidation damages equal to twice his salary at the time of termination plus \$50,000. As of June 30, 2003, his annual salary was \$350,000.

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(c) A lawsuit was filed on January 10, 2003 in the United States District Court in the Southern District of California by Masterson Marketing, Inc. (Masterson) against Penley Sports, LLC. Masterson's lawsuit claims copyright infringement, breach of contract, breach of fiduciary duty, constructive fraud and conversion. Masterson is seeking damages in excess of \$450,000. The Company filed a motion to dismiss all claims. Masterson dropped all claims except for the claims of copyright infringement and breach of contract. The balance of the motion to dismiss is waiting for a court decision. It is not possible at this time to predict the outcome of this litigation. We intend to vigorously defend against these claims.

(d) The Company is involved in other 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, other than as described in Note 7(c) will have a material adverse affect on the Company's financial position.

8. Income taxes

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At June 30, 2003, the Company had net operating loss carry-forwards of \$13,042,000 for federal income tax purposes and \$5,475,000 for California state income tax purposes. The carryforwards expire from years 2004 to 2022. Deferred tax assets are primarily related to these net operating loss carryforwards and certain other temporary differences.

In accordance with SFAS No. 109, the Company records a valuation allowance against deferred tax assets if it is more likely than not that some or all of the deferred tax assets will not be realized. The Company has recorded a valuation allowance primarily for impairment losses and state net operating loss carryforwards which may expire before they can be utilized. The decrease in the valuation allowance in 2003 primarily related to the increased likelihood that federal net operating loss carryforwards will be realized due to taxable income from partnerships to be recognized by the Company for tax purposes in 2004.

The income tax expense attributable to income (loss) from continuing operations for the years ended June 30, 2003, 2002, and 2001 is as follows:

	2003	2002	2001
	-----	-----	-----
Current	\$ --	\$ --	\$ --
	-----	-----	-----
Deferred:			
Federal	4,378,000	--	--
State	1,460,000	--	--
	-----	-----	-----
Total deferred	5,838,000		
	-----	-----	-----
Total expense	\$ 5,838,000	\$ --	\$ --
	=====	=====	=====

The following is a reconciliation of the normal expected federal income tax rate of 34 percent to the income (loss) from continuing operations in the financial statements:

	2003	2002	2001
	-----	-----	-----
Expected federal income tax expense (benefit)	\$ 8,491,000	\$ (743,000)	\$ (136,000)
State tax, net of federal benefit .	1,457,000	(128,000)	(23,000)
Increase (decrease) in valuation allowance	(4,351,000)	620,000	(36,000)
Expiration of net operating loss carryforward	185,000	191,000	149,000
Other	56,000	60,000	46,000
	-----	-----	-----
Provision for income tax expense ..	\$ 5,838,000	\$ --	\$ --
	=====	=====	=====

The following is a schedule of the significant components of the Company's deferred tax assets and deferred tax liabilities as of June 30, 2003 and 2002:

	2003	2002
	-----	-----
Deferred tax assets :		
Net operating loss carryforwards	\$ 4,753,000	\$ 4,275,000
Accumulated depreciation and		

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amortization	101,000	270,000
Valuation allowance for impairment losses	919,000	765,000
Other	163,000	316,000
	-----	-----
Total net deferred tax assets	5,936,000	5,626,000
Less valuation allowance	(1,275,000)	(5,626,000)
	-----	-----
Net deferred tax assets	\$ 4,661,000	\$ --
	=====	=====
Deferred tax liabilities:		
Gain on sale to be recognized	\$ 5,407,000	\$ --
Gain on sale to be deferred	5,107,000	--
	-----	-----
Total net deferred tax liabilities	\$ 10,514,000	\$ --
	=====	=====

9. Leasing activities:

The Company, as lessor, leased office space in an office building under operating leases that were primarily for periods ranging from one to five years, occasionally with options to renew. This office building was sold in December 2000. The Company was also a sublessor of land to condominium owners under operating leases with an approximate remaining term of 44 years which commenced in 1981 and 1982. On March 20, 2002, the Company sold its interests in the subleases (see Note 4a).

On December 28, 2000 the Company sold its office building for \$3,725,000 and recorded a gain of \$2,764,483. The consideration consisted of the assumption of the existing loan with a principal balance of \$1,950,478 and cash of \$1,662,337. The cash proceeds were net of selling expenses of \$163,197, credits for lender impounds of \$83,676, deductions for security deposits of \$26,463 and prepaid rents of \$6,201. The Company has been released from liability under the existing loan except for those acts, events or omissions that occurred prior to the loan assumption. The Company had occupied approximately 5,000 square feet of space in the building since 1984. The existing lease expires in September 2011. In conjunction with a lease modification with the new owner of the office building, the Company vacated the premises on April 6, 2001 and moved into the factory space occupied by its subsidiary, Penley Sports, LLC. However, because the lease commitment was a condition to the original loan agreement, the lender will only allow the Company to be conditionally released from its remaining lease obligation. In the event there is an uncured event of default by the new owner of the office building under the existing loan agreement, the Company's obligations under its lease will be reinstated to the extent there is not an enforceable lease on the Company's space. The future minimum rent payments under the lease agreement are as follows for the years ending June 30: \$72,000- 2004; \$75,000- 2005; \$77,000- 2006; \$79,000 in 2007, \$82,000 in 2008, \$283,000 thereafter and \$668,000 in the aggregate.

The following is a summary of the results from operations of the office building included in the financial statements:

	2001

Rents	\$243,000
Costs	54,000
Allocated SG&A	13,000
Depreciation	16,000

Income from operations	160,000
Interest expense	81,000

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Income from continuing operations \$ 79,000
=====

10. Business segment information:

The Company operates principally in two business segments: commercial real estate rental, 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. Two segments, bowling centers and real estate development, were disposed of in the fourth quarter of 2003 (Note 11).

The following is summarized information about the Company's operations by business segment.

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	Real Estate Operation	Golf	Unallocated And Other	To
YEAR ENDED JUNE 30, 2003	-----	-----	-----	-----
Revenues	\$ 78,957	\$ 3,038,746	\$ 925,847	\$ 4,0
Depreciation and amortization	8,611	167,485	19,127	1
Impairment losses	--	--	--	
Interest expense	5,436	--	52,220	
Equity in income of investee	26,281,844	--	--	26,2
Gain on disposition	--	--	--	
Segment profit (loss)	26,271,354	(1,607,743)	231,404	24,8
Investment income				
Loss from continuing operations				24,9
Significant non-cash items	(26,319,519)	--	--	(26,3
Segment assets	5,277,908	1,896,012	5,490,999	12,6
Investment in equity of investees	5,277,007	--	--	5,2
Expenditures for segment assets	--	5,210	12,640	
Information for disposed segments:				
Assets				
Expenditures				
 YEAR ENDED JUNE 30, 2002				
Revenues	\$ 190,234	\$ 2,589,293	\$ 515,773	\$ 3,2
Depreciation and amortization	53,894	170,011	47,418	2
Impairment losses	44,915	--	--	
Interest expense	4,986	--	79,693	
Equity in loss of investee	(59,788)	--	--	(
Gain on disposition	--	--	--	
Segment profit (loss)	(162,807)	(1,816,846)	(236,564)	(2,2
Investment income				
Loss from continuing operations				(2,1
Significant non-cash items	104,703	--	--	1
Segment assets	2,296	2,227,595	132,502	2,3

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Investment in equity of investees	--	--	--	
Expenditures for segment assets	--	--	--	
Information for disposed segments:				
Assets				5
Expenditures				

YEAR ENDED JUNE 30, 2001

Revenues	\$ 477,620	\$ 1,527,117	\$ 311,399	\$ 2,3
Depreciation and amortization	71,099	149,558	43,495	2
Impairment losses	--	--	--	
Interest expense	98,750	4,048	196,350	2
Equity in income of investee	118,255	--	--	1
Gain on disposition	2,764,483	--	--	2,7
Segment profit (loss)	2,913,074	(2,753,777)	(591,364)	(4
Investment income				
Loss from continuing operations				(3
Significant non-cash items	(2,882,738)	--	--	(2,8
Segment assets	118,785	2,106,825	164,387	2,3
Investment in equity of investees	--	--	--	
Expenditures for segment assets	--	433,043	43,454	4
Information for disposed segments:				
Assets				1,0
Expenditures				

	2003	2002	2001
Revenues per segment schedule	\$ 4,043,550	\$ 3,295,300	\$ 2,316,136
Intercompany rent eliminated	--	--	(32,985)
Consolidated revenues	\$ 4,043,550	\$ 3,295,300	\$ 2,283,151

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11. Disposition of business segments:

During the year ended June 30, 2003, the Company ceased operations in two business segments. The following is a summary of the income (loss) from the discontinued business segments excluding the \$15,000 of income tax expense related to 2003:

	2003	2002	2001
Bowling	\$ (198,164)	\$ (10,619)	\$ 140,519
Real estate development	236,119	18,211	3,661,437
	\$ 37,955	\$ 7,592	\$ 3,801,956

(a) Bowling segment:

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On May 31, 2003, the Company ceased operations at the leased facility (lease expired June 2003) occupied by the Grove Bowling Center. The Company sold the machinery and equipment for \$19,465 and recorded a gain of \$16,716. The cost and accumulated depreciation of the assets sold were \$473,861 and \$471,112, respectively.

On December 29, 2000 the Company sold the land and building occupied by the Valley Bowling Center for \$2,215,000 cash and recorded a gain of \$482,487. The proceeds of the sale were used to pay the existing loan of \$1,650,977 and selling expenses of \$167,672. The bowling center discontinued its operations on December 21, 2000.

The following is a summary of the results of operations of the bowling segment:

	2003	2002	2001
	-----	-----	-----
Revenues	\$ 1,441,508	\$ 1,783,545	\$ 2,209,585
Bowl costs	(1,277,431)	(1,404,006)	(1,851,210)
SG&A-direct	(231,397)	(236,068)	(389,827)
SG&A-corporate allocation	(125,000)	(117,465)	(182,291)
Depreciation	(22,560)	(36,625)	(37,108)
Amortization of loan fees	--	--	(15,714)
Interest expense	--	--	(75,403)
Gain from sale	16,716	--	482,487
	-----	-----	-----
Income (loss)	(\$ 198,164)	(\$ 10,619)	\$ 140,519
	=====	=====	=====

(b) Real estate development segment:

During the three years ended June 30, 2003, the Company's real estate development activities related to undeveloped land that was owned through a consolidated subsidiary, Old Vail Partners (OVP), and an unconsolidated subsidiary, Vail Ranch Limited Partnership (VRLP), which was accounted for using the equity method of accounting. The Company owns a combined 50 percent general and limited partnership interest in Old Vail Partners, L.P., a California limited partnership (OVP). OVP owns a 60 percent limited partnership interest in Vail Ranch Limited Partnership (VRLP). The other partner in OVP holds a liquidating limited partnership interest which entitles him to 50 percent of future distributions up to \$2,450,000, of which \$1,780,838 has been paid through June 30, 2003 (\$370,838 in 2003, \$50,000 in 2002, \$860,000 in 2001, \$50,000 in 1999 and \$450,000 in 1998). This limited partner's capital account balance is presented as "Minority interest" in the consolidated balance sheets. Three other parties were granted liquidating partnership interests related to either their efforts with achieving the zoning approval for the 33 acres described below or making a loan to the Company that was used to fund payments to the County of Riverside for delinquent taxes. These partners received distributions totaling \$1,312,410 from the sale of the undeveloped land in the year ended June 30, 2001 and their limited partnership interests were liquidated.

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The following is a summary of the results of operations of the real estate development segment:

	2003	2002	2001
	-----	-----	-----
Costs	\$ --	\$ --	\$ (156,688)
SG&A- allocate	--	--	(20,000)

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Provision for impairment loss	(88,881)	--	--
Interest expense	--	--	(235,208)
Gain on sale	--	--	5,544,743
Minority interest	--	--	(1,312,410)
Equity in income (loss) of investee.....	325,000	18,211	(159,000)
	-----	-----	-----
Income	\$ 236,119	\$ 18,211	\$ 3,661,437
	=====	=====	=====

OVP owned 33 acres of undeveloped land in Temecula, CA which was sold on June 1, 2001 to an unrelated developer for \$6,375,000 cash plus assumption of the non-delinquent balance of the assessment district obligation (\$1,001,274). The transaction resulted in a recorded a gain of \$5,544,743. The cash proceeds were used to pay \$2,459,477 of delinquent taxes and assessments related to the property and \$299,458 of selling expenses. The land had a carrying value of \$1,501,318 at the time of sale, which was net of a \$2,409,000 impairment loss provision recorded in the year ended June 30, 1997.

VRLP is a partnership formed in September 1994 between OVP (60 percent ownership interest since 1999) and a third party (Developer) to develop 32 acres of the land that was contributed by OVP to VRLP. During the fiscal year ended June 30, 1997, VRLP constructed a 107,749 square foot retail complex which utilized approximately 14 of the 27 developable acres. On January 1, 1998, VRLP sold the retail complex for \$9,500,000. On August 7, 1998, VRLP executed a limited liability company operating agreement for Temecula Creek, LLC (Temecula Creek) with the buyer of the retail center to develop the remaining 13 acres. VRLP, as a 50 percent member and the manager, contributed the remaining 13 acres of developable land at an agreed upon value of \$2,000,000 and the other member contributed cash of \$1,000,000, which was distributed to VRLP as a capital distribution.

On February 21, 2003 Vail Ranch Limited Partners (VRLP) sold its interest in Temecula Creek LLC (TC) to its other partner in TC (ERT). The sale price consisted of \$1,318,180 cash plus one-half of the sale proceeds from the remaining parcel of undeveloped land owned by TC when it is sold. \$100,000 of the sales proceeds are being held in an escrow to be applied to any post closing claims ERT may have related to warranties and normal prorations in the sale contract for the TC interest. The cash proceeds to VRLP of \$1,218,180 received in February 2003 were partially offset by \$225,000 of fees paid to one of the VRLP partners. The Company received a distribution of \$592,776 of which \$370,838 was paid to the holder of the minority interest in Old Vail Partners. VRLP recorded a \$843,326 gain from the sale of the partnership interest. This gain was partially offset by VRLP's agreement to pay its general partner \$225,000 of fees related to the sale of the partnership interest.

The Company recorded provisions for impairment losses of \$480,000 in June 1998 and \$88,881 in March 2003 to reduce the carrying value of its investment in VRLP to reflect an amount equal to the estimated distributions the Company would receive based on the estimated fair market value of VRLP's assets and liabilities.

The following is summarized financial information of VRLP as of June 30, 2003 and 2002 and for the years then ended:

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	2003	2002
	-----	-----
Assets:		
Investment in Temecula Creek	\$ 159,000	\$588,000
Other assets	13,000	10,000
Total assets	172,000	598,000
Total liabilities	39,000	14,000
Partners' capital	133,000	584,000
Gain on sale of investment ...	635,000	--
Equity in income (loss) of		
Temecula Creek	(77,000)	30,000
Net income	541,000	30,000

The following is a reconciliation of the investment in Vail Ranch Limited Partnership:

	2003	2002
	-----	-----
Balance, beginning	\$ 903,657	\$885,446
Equity in net income	325,000	18,211
Distributions received	(592,776)	--
	-----	-----
Balance, ending	635,881	903,657
Less valuation allowance ...	(568,881)	(480,000)
	-----	-----
	\$ 67,000	\$423,657
	=====	=====

12. Supplementary Non-Cash information:

The following is a summary of the changes to the balance sheet related to the non-cash portions of the sale of the office building, Valley Bowl real estate and undeveloped land for the year ended June 30, 2001:

	Office Building	Valley Bowl Real estate	Undeveloped Land
	-----	-----	-----
Receivables	\$ 6,201	\$ --	\$ --
Prepaid expenses	(83,676)	--	--
Property and equipment	(1,171,699)	(2,434,539)	--
Accumulated depreciation	(438,096)	(877,536)	--
Undeveloped land	--	--	(1,532,073)
Deferred loan costs	(52,200)	(7,838)	--
Other assets	(11,516)	--	--
Assessment district obligation..	--	--	(3,066,388)
Property taxes in default	--	--	(394,392)
Long-term debt	(1,950,478)	--	--
Other liabilities	(26,462)	--	--

13. Liquidity:

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has suffered recurring losses 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 obtaining additional investors in its subsidiary, Penley Sports, or increases in the sales volume of Penley Sports. The consolidated 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.

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impact on the fourth quarter of 2003 of the change in accounting principle described in footnote 5(b) was to record the Company's share of the gain on the sale of UCV of \$26,278,831 in the fourth quarter of 2003 rather than in the first quarter of 2004.

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INDEPENDENT AUDITORS' REPORT

General Partners
UCV, L.P., a California limited partnership:

We have audited the accompanying balance sheets of UCV, L.P., a California limited partnership, as of June 30, 2003 and 2002, and the related statements of operations and partners' equity (deficit) and cash flows for the years ended June 30, 2003, March 31, 2002 and March 31, 2001 and the three-month period ended June 30, 2002. These financial statements are the responsibility of UCV, L.P.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 that 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 UCV, L.P., a California limited partnership, as of June 30, 2003 and 2002, and the results of its operations and its cash flows for the years ended June 30, 2003, March 31, 2002 and March 31, 2001 and the three-month period ended June 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1(k) to the financial statements, effective April 1, 2003 the Partnership changed its year-end to June 30.

KPMG LLP

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San Diego, California
 September 5, 2003, except for Note 7 as to which
 the date is September 26, 2003

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UCV, L.P.
 (A CALIFORNIA LIMITED PARTNERSHIP)
 BALANCE SHEETS - JUNE 30, 2003 and 2002

	2003	2002
	-----	-----
Property and equipment (Note 3):		
Land	\$ --	\$1,289,565
Buildings	--	5,189,188
Equipment	--	542,366
	-----	-----
	--	7,021,119
Less accumulated depreciation	--	(5,706,722)
	-----	-----
	--	1,314,397
Cash	119,293	249,550
Restricted cash (Note 3)	--	1,109,082
Cash held by accommodator (Note 5)	15,123,883	--
Accounts receivable	75,620	31,373
Prepaid expenses	20,728	189,896
Redevelopment planning costs	--	1,615,501
Deferred acquisition costs	77,015	--
Deferred loan costs, less accumulated amortization of \$352,224 in 2002	--	850,044
Deposits to purchase escrows	200,000	--
	-----	-----
	\$ 15,616,539	\$5,359,843
	=====	=====

LIABILITIES AND PARTNERS' EQUITY (DEFICIT)

Long-term debt (Note 3)	\$ --	\$38,000,000
Accounts payable	56,333	372,273
Account payable- affiliate (Note 5)	350,000	--
Other accrued expenses	--	14,621
Tenants' security deposits	--	225,930
	-----	-----
	406,333	38,612,824

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Partners' equity (deficit)	15,210,206	(33,252,981)
	-----	-----
	\$ 15,616,539	\$ 5,359,843
	=====	=====

See accompanying notes to financial statements.

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UCV, L.P.
(A CALIFORNIA LIMITED PARTNERSHIP)
STATEMENTS OF OPERATIONS AND PARTNERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED JUNE 30, 2003, MARCH 31, 2002 AND 2001 AND
FOR THE THREE MONTHS ENDED JUNE 30, 2002

	Year Ended June 30, 2003	Three Months Ended June 30, 2002	Year Ended March 31, 2002	Year En March 2001
	-----	-----	-----	-----
Income (loss) from discontinued operations	\$ 52,563,687	\$ 75,350	\$ (119,577)	\$ 23
	-----	-----	-----	-----
Net income (loss)	52,563,687	75,350	(119,577)	23
Partners' deficit, beginning of year ..	(33,252,981)	(32,871,331)	(28,370,933)	(26,61
Cash distributed to partners	(4,100,500)	(457,000)	(4,380,821)	(1,98
	-----	-----	-----	-----
Partners' equity (deficit), end of year	\$ 15,210,206	(\$33,252,981)	(\$32,871,331)	(\$28,37
	=====	=====	=====	=====

See accompanying notes to financial statements.

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UCV, L.P.
(A CALIFORNIA LIMITED PARTNERSHIP)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2003, MARCH 31, 2002 AND 2001 AND
FOR THE THREE MONTHS ENDED JUNE 30, 2002

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	Year Ended June 30, 2003	Months Ended June 30, 2002	Year Ended March 31, 2002	Year M
Cash flows from operating activities:				
Net income (loss)	\$ 52,563,687	\$ 75,350	(\$ 119,577)	\$
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation	10,649	3,102	14,399	
Amortization of deferred loan costs	777,022	282,387	679,668	
Loss from extinguishment of debt	--	--	335,042	
Gain on sale	(52,557,662)	--	--	
Other	48,500	--	--	
Changes in assets and liabilities:				
Increase in restricted cash	(231,266)	(88,074)	(38,137)	
(Increase) decrease in receivables	(44,247)	(695)	(18,568)	
(Increase) decrease in prepaid expenses ...	169,168	(155,262)	62,689	
Increase (decrease) in accounts payable and other accrued expenses	19,439	87,783	183,490	
Decrease in accrued interest	--	--	(155,533)	
Increase (decrease) in security deposits .	(225,930)	12,668	4,729	
Net cash provided by operating activities ..	529,360	217,259	948,202	
Net cash flows from investing activities:				
Additions to redevelopment costs	(422,000)	(23,163)	(354,717)	
Additions to property and equipment	(5,269)	(1,357)	(7,424)	
Proceeds from sale	55,928,702	--	--	
Deposits to purchase escrows	(200,000)	--	--	
Increase in cash at accommodator	(15,123,883)	--	--	
Additions to deferred acquisition costs	(77,015)	--	--	
Net cash provided (used) by investing activities	40,100,535	(24,520)	(362,141)	
Cash flows from financing activities:				
Principal payments on long-term debt	--	--	--	
Extinguishment of long-term debt	(38,000,000)	--	(33,000,000)	
Costs related to early extinguishment of debt	--	--	--	
Proceeds from long term debt	--	--	38,000,000	
Refund of restricted cash held by lender	1,340,348	--	903,531	
Funding of restricted cash from loan proceeds	--	--	(1,079,371)	
Loan costs	--	298	(1,241,928)	
Cash distributed to partners	(4,100,500)	(457,000)	(4,380,821)	
Net cash provided (used) by financing activities	(40,760,152)	(456,702)	(798,589)	
Net increase (decrease) in cash	(130,257)	(263,963)	(212,528)	
Cash, beginning of period	249,550	513,513	726,041	
Cash, end of period	\$ 119,293	\$ 249,550	\$ 513,513	\$

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Supplemental cash flow information:

Interest paid	\$ 1,949,170	\$ 553,900	\$ 2,979,509	\$
	=====	=====	=====	=====

See accompanying notes to financial statements

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UCV, L.P.

(a California Limited Partnership)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2003, MARCH 31, 2002, AND MARCH 31, 2001 AND
THE THREE MONTH PERIOD ENDED JUNE 30, 2002

1. Organization and Summary of Significant Accounting Policies:

- (a) Organization- Effective June 1, 1994 the form of organization was changed from a joint venture to a limited partnership and the name of the entity was changed from University City Village to UCV, L.P., a California limited partnership (the Partnership). The Partnership conducts business as University City Village.
- (b) Leasing arrangements- Until April 1, 2003, when the apartment project was sold, the Partnership leased apartments under operating leases that were substantially all on a month-to-month basis. The apartment operations were the Partnership's only business segment. Rental revenues were recognized when earned.
- (c) Property and equipment and depreciation- Property and equipment are stated at cost. Depreciation was provided using the straight-line method based on the estimated useful lives of the property and equipment (33 years for real property and 3-10 years for equipment). The depreciable basis of the property and equipment for tax purposes was essentially the same as the financial statement basis.
- (d) Income taxes- For income tax purposes, any profit or loss from operations is includable in the income tax returns of the partners and, therefore, a provision for income taxes is not required in the accompanying financial statements.
- (e) Redevelopment planning costs- The Partnership capitalized engineering, architectural and other costs incurred related to the planning of the possible redevelopment of the apartment project.
- (f) Deferred loan costs- Costs incurred in obtaining financing were amortized using the straight-line method over the term of the related loan.
- (g) Fair value of financial instruments - The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

Cash, restricted cash, cash held by accommodator, accounts receivable, accounts payable, accrued interest and other accrued expenses- the carrying amount reported in the balance sheet approximates the fair value due to their short-term maturities.

Long-term debt - The carrying value of long-term debt reported in the balance sheet approximates the fair value based on management's belief that the interest rates and terms of the debt are comparable to those commercially available to the Partnership in the marketplace for similar instruments.

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(h) Derivative Financial Instruments- The Partnership adopted Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) on January 1, 2001. As a result of refinancing the Partnership's long-term debt, the new loan agreement requires the Partnership to maintain an interest rate cap (the Cap) on the notional principal amount of the debt. The Partnership used this derivative financial instrument to effectively manage the interest rate risk of its variable rate note payable. Accounting for any gains or losses resulting from changes in the market value of the derivative depend upon the use of the derivative and whether it qualifies for hedge accounting.

The instrument was negotiated with a high credit quality counterparty, therefore, the risk of nonperformance by the counterparty is considered to be negligible. See additional information regarding derivative financial instruments in Note 4.

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UCV, L.P.

(a California Limited Partnership)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2003, MARCH 31, 2002, AND MARCH 31, 2001 AND
THE THREE MONTH PERIOD ENDED JUNE 30, 2002

(i) Use of estimates - Management of the Partnership has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period to prepare these financial statements in conformity with accounting principles general accepted in the United States of America. Actual results could differ from these estimates.

(j) Valuation impairment-Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that 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 net cash flows (undiscounted and without interest) 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 amounts of the assets exceed the fair values of the assets.

(k) Accounting period- effective April 1, 2003 the Partnership changed the date of its fiscal year end from March 31 to June 30 to conform to the fiscal year end of one of the partners (See Note 6).

(l) Basis of presentation- As a result of the sale of the sole asset of the Partnership on April 1, 2003, the results of operations for each of the periods presented have been classified as discontinued operations.

2. Related party transactions:

An affiliate of a partner provided management services for an unspecified term to the Partnership and was paid a fee equal to 2-1/2 percent of gross revenues, as defined.

In July 1998 the Partnership entered into development services agreements with two affiliates of a partner. The agreements are cancelable on 30 days notice and relate to planning for redevelopment of the apartments. The affiliate was paid the following amounts for these development services:

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\$72,000 for the year ended June 30, 2003; \$96,000 for each of the years ended March 31, 2002 and 2001; and \$24,000 for each of the three month periods ended June 30, 2002 and 2001.

The Partnership paid a \$50,000 fee to Harold S. Elkan (Elkan) for his personal guarantee of certain provisions of the Partnership's long-term debt (see Note 3). Elkan is the President and, indirectly, the controlling shareholder of Sports Arenas, Inc., which is the parent company of one of the partners in UCV.

As part of the sales transaction described in Note 5, an affiliate of a partner earned a sales commission of \$350,000.

3. Long-term debt:

On April 1, 2003, the Partnership sold its 542 unit apartment project and paid the related debt of \$38,000,000. As of June 30, 2002 long-term debt consisted of the following:

Payable in monthly installments of interest (5.4% as of June 30, 2002) based on a variable rate of interest equal to LIBOR plus 3 percentage points plus principal based on a 30 year amortization schedule. Balance due April 1, 2003.	\$36,000,000
Payable in monthly installments of interest only based on a fixed rate of 12-1/2% interest. Balance due April 1, 2003.	2,000,000

Total	\$38,000,000
	=====

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UCV, L.P.
(a California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2003, MARCH 31, 2002, AND MARCH 31, 2001 AND
THE THREE MONTH PERIOD ENDED JUNE 30, 2002

On March 8, 2002, UCV refinanced its \$33,000,000 note payable with two loans totaling \$38,000,000. Each of the loans matured April 1, 2003 and provided for a six month extension upon meeting certain financial criteria. The first deed of trust was \$36,000,000 and provided for monthly payments equal to interest plus principal based on a 30 year amortization schedule. Interest was based on an annual interest rate of 300 basis points above the greater of the 30-Day LIBOR rate or 2.4 percent, adjusted monthly. UCV paid a \$48,500 fee to cap the base rate of LIBOR at 4 percent, which effectively capped the maximum interest rate charged at 7 percent over the term. This note was collateralized by UCV's land, buildings and leases. The Partnership was required to make monthly payments of approximately \$29,358 to a property tax and insurance impound account and \$15,803 to a replacement reserve account maintained by the lender. Additionally, \$787,198 was deducted from the loan proceeds and was being held by the lender as funds to be used for estimates of deferred maintenance. This amount was included in Restricted Cash in the balance sheet as of June 30, 2002.

The second deed of trust was \$2,000,000 and provided for monthly payments of interest only at an annual rate of 12-1/2 percent. This loan was payable in full at any time subject to a fee equal to the difference between \$185,000

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and the amount of interest paid from inception to the loan payoff date. This loan was collateralized by UCV's land, buildings, and leases and the ownership interests of UCV's partners.

The proceeds of the new loans, after extinguishing the \$33,000,000 note payable were utilized to: pay loan costs of \$1,178,044 and pay distributions to the partners of \$3,400,000 in March 2002. The refinancing resulted in charges of \$335,042 related to the unamortized portion of deferred loan costs related to the old note payable. These charges were classified as loss from extinguishment of debt in the financial statements of UCV in its fourth quarter ended March 31, 2002.

On March 8, 2001, the Partnership paid its then existing \$28,478,687 note payable with the proceeds from a \$33,000,000 loan due August 2002. The new loan provided for monthly payments of interest only at a variable rate of interest equal to LIBOR (not less than 6 percent) plus 2-1/2 percentage points. UCV paid a \$30,000 fee to cap LIBOR at 6 percent. The note payable was collateralized by the land, buildings, leases and security deposits. The refinancing resulted in charges of \$401,444 related to the prepayment penalty of \$295,260 and \$106,184 of the unamortized portion of deferred loan costs related to the old note payable. These charges were classified as loss from extinguishment of debt in the financial statements for the year ended March 31, 2001.

The Partnership adopted Statement No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Correction" ("SFAS No. 145") on July 1, 2002. Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt" ("SFAS No. 4"), required that gains and losses from the extinguishment of debt that were included in the determination of net income be aggregated and, if material, classified as an extraordinary item. The provisions of SFAS No. 145 related to the rescission of SFAS No. 4 require the Partnership to reclassify prior period items that do not meet the extraordinary classification. Accordingly, losses from extinguishment of debt in the years ended March 31, 2002 and 2001 that had previously been classified as extraordinary items have been reclassified and included in the income (loss) from discontinued operations.

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UCV, L.P.

(a California Limited Partnership)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2003, MARCH 31, 2002, AND MARCH 31, 2001 AND
THE THREE MONTH PERIOD ENDED JUNE 30, 2002

4. Interest Rate Cap:

The Partnership adopted SFAS 133 on January 1, 2001. Due to the extensive documentation and administration requirements of SFAS 133, the Partnership's derivative instruments did not currently qualify for hedge accounting treatment. Although the Partnership's Caps as of March 31, 2002 and 2001 were designed as a cash flow hedge, the Partnership cannot adopt hedge accounting treatment, until all required documentation is completed and hedging criteria is met. Since SFAS 133 requires that all unrealized gains and losses on derivatives not qualifying for hedge accounting be recognized currently through earnings, the Partnership accounted for the Caps in this manner. For the years ended March 31, 2001 and June 30, 2003 the Partnership recorded a loss of \$20,000 and \$48,500, respectively in other expense in the statement of operations for the change in the value of the Cap since inception of the transactions on March 8, 2001 and March 8, 2002, respectively.

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5. Sale of property:

On April 1, 2003 the Partnership sold its property and equipment for \$58,400,000 cash to an unrelated third party. The net proceeds from the sale were \$19,298,141 after deducting current selling expenses of \$2,495,820, paying the related mortgage loans of \$38,000,000 and receiving a \$1,340,348 refund of lender impounds. The Partnership utilized \$4,009,000 of the proceeds to fund cash distributions to the partners and pay other Partnership obligations. The balance of the funds \$15,289,722, were deposited in a special escrow with a qualified intermediary ("exchange accommodator") for purposes of meeting the Internal Revenue Service criteria for purchasing "like-kind" property and thereby qualifying to defer the taxability of a portion of the gain from the sale of the property on April 1, 2003 (See Note 7).

The sale resulted in a gain of \$52,557,662 after deducting current selling expenses plus \$53,613 of costs deferred from a prior period, cost of property and equipment of \$7,016,738 less accumulated depreciation of \$5,707,721, and the accumulated redevelopment planning costs of \$2,037,501. In accordance with SFAS 66, Accounting for Sales of Real Estate, this gain was recognized at the time of sale because the profit was determinable and the earnings process was complete.

The following is a summary of the results of operations of the 542 unit apartment project for each of the periods presented, which have been classified as discontinued operations:

	Year Ended June 30, 2003	Three Months Ended June 30, 2002	Year Ended March 31, 2002	Year Ended March 31, 2001
Revenues:				
Apartment rentals	\$ 4,175,467	\$ 1,331,324	\$ 5,206,822	\$ 4,903,939
Other rental related	170,408	44,219	198,896	180,718
	4,345,875	1,375,543	5,405,718	5,084,657
Costs and expenses:				
Operating	1,149,604	355,150	1,227,883	1,243,651
General and administrative	294,676	70,326	307,882	238,152
Management fees, related party .	110,229	35,328	136,445	129,102
Depreciation	10,649	3,102	14,399	18,875
Other expense	48,500	--	--	20,000
Interest and amortization of loan costs	2,726,192	836,287	3,503,644	2,796,924
Loss from extinguishment of debt	--	--	335,042	401,444
	4,339,850	1,300,193	5,525,295	4,848,148
Income (loss) before gain on sale .	6,025	75,350	(119,577)	236,509
Gain on sale	52,557,662	--	--	--
Income (loss) from discontinued operations	52,563,687	75,350	(119,577)	236,509

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UCV, L.P.
 (a California Limited Partnership)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED JUNE 30, 2003, MARCH 31, 2002, AND MARCH 31, 2001 AND
 THE THREE MONTH PERIOD ENDED JUNE 30, 2002

6. Change in Accounting Period:

Effective April 1, 2003 the Partnership changed the date of its fiscal year end from March 31 to June 30 to conform to the fiscal year end of one of the partners. The following unaudited financial statement information for the three-month period ended June 30, 2001 is for comparative purposes:

Revenues:	
Apartment rentals	\$1,274,062
Other rental related	54,673

	1,328,735

Costs and expenses:	
Operating	314,206
General and administrative	70,141
Management fees, related party	33,402
Depreciation	3,255
Interest and amortization of loan costs	868,336

	1,289,340

Net income	39,395
	=====

7. Subsequent Events:

(a) On August 28, 2003, 760, LLC, a single member limited liability company of which the Partnership is the sole member, acquired a property for approximately \$9,500,000. The purchase was financed with loans totaling \$6,926,500. Both loans are collateralized by the land, building and leases. The first note payable for \$6,650,000 provides for monthly payments of interest and principal based on a base rate (six month LIBOR) plus 4.25 percent and amortization of the principal balance based on 25 years. This note payable is due September 1, 2013. The second note payable for \$276,500 is due in monthly payments of interest only at 5.50 percent and the balance is due August 28, 2006. Elkan is a co-borrower of the first loan and owns a .1% undivided interest in the property.

(b) On September 25, 2003, 939 LLC, a single member limited liability company of which the Partnership is the sole member, acquired a property for approximately \$5,000,000. The purchase was financed with the assumption of an existing \$2,636,811 note payable that is collateralized by the land, building and leases. The note payable is due in monthly payments of \$19,112, including principal and interest at a fixed rate of 7.15 percent. The note payable is due July 1, 2008.

(c) On September 26, 2003, UCV Media Tech Center, LLC, a single member limited liability company of which the Partnership is the sole member, acquired a property for approximately \$28,670,000. The purchase was financed with a

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\$20,000,000 note payable, which is collateralized by the land, building, leases and other assets related to the property. The note provides for monthly payments of principal and interest based on a fixed interest rate of 5.95 percent and amortization of the principal balance over 30 years. The note payable is due October 1, 2013.

SIGNATURES

Pursuant to the Requirements of Section 13 or 15(d) 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.

(Registrant) SPORTS ARENAS, INC.

(Registrant) SPORTS ARENAS, INC.

By (Signature and Title) /s/ Harold S. Elkan
Harold S. Elkan, President & Director

DATE: October 10, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, 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 with 3 columns: SIGNATURE, TITLE, DATE. Rows include Steven R. Whitman (Chief Financial Officer, Director, and Principal Accounting Officer), Gordon L. Gerson (Director), and Patrick D. Reiley (Director), all dated October 10, 2003.

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INDEX TO EXHIBITS

Exhibit No	Exhibit Description
3.1	Certificate of Incorporation dated September 30, 1957
3.2	By-Laws of the Company
3.3	Amendment to Certificate of Incorporation dated May 9, 1972
3.4	Amendment to Certificate of Incorporation dated February 21, 1987
10.1	Lease Agreement dated as of April 5, 1994 between the Company and DP Partnership
10.2	First Amendment to Lease Agreement dated as of November 1, 1996 between the Company and DP Partnership
10.3	Second Amendment to Lease Agreement dated as of November 28, 1998 between the Company and DP Partnership
10.4	Third Amendment to Lease Agreement dated as of December 18, 1998 between the Company and DP Partnership
10.5	Fourth Amendment to Lease Agreement dated as of January 19, 1999 between the Company and DP Partnership
10.6	Fifth Amendment to Lease Agreement dated as of February 29, 1999 between the Company and DP Partnership
10.7	Sixth Amendment to Lease Agreement dated as of March 29, 1999 between the Company and DP Partnership
10.8	Agreement of Limited Partnership for UCV, L.P. dated June 1, 1994
10.9	First Amendment to Agreement of Limited Partnership for UCV, L.P. dated February 27, 2001
10.10	Agreement of Limited Partnership for Vail Ranch Limited Partnership dated April 1, 1994
10.11	Amendment to Limited Partnership Agreement for Vail Ranch Limited Partnership dated January 25, 1996
10.12	Agreement of Limited Partnership for Old Vail Partners, L.P. dated September 23, 1994
10.13	Lease Agreement dated February 17, 2000 between the Company and H.G Fenton Company
10.14	Agreement for Sale of Office Building dated October 23, 2000
10.15	Agreement for Sale of Bowling Center Real Estate dated October 23, 2000
10.16	Agreement for Sale of Undeveloped Land dated January 11, 2001

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- 10.17 Agreement for Sale of University City Village Apartments dated February 14, 2003
- 10.18 Amendment to Agreement for Sale of University City Village Apartments dated March 6, 2003
- 18.01 Preferability letter
- 21.1 Subsidiaries of Registrant
- 31.1 Certification of Chief Executive Officer
- 31.2 Certification of Chief Financial Officer
- 32.1 Certification of Chief Executive Officer pursuant to Sec. 906
- 32.2 Certification of Chief Financial Officer pursuant to Sec. 906

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EXHIBIT 21.1

SPORTS ARENAS, INC. AND SUBSIDIARIES
SUBSIDIARIES OF REGISTRANT

State of Incorporation	Subsidiary
New York	Cabrillo Lanes, Inc.
Delaware	Downtown Properties, Inc.
California	Old Vail Partners, a California general partnership (50% general partner)
California	Downtown Properties Development Corp.
Nevada	UCVNV, Inc.
California	UCVGP, Inc.
California	UCV, L.P. (1% general partner)
California	Sports Arenas Properties, Inc.
California	UCV, L.P. (49% limited partner) (formerly known as University City Village, a joint venture)
California	760, LLC, a California limited liability company, 100% owned by UCV, LP
Delaware	939, LLC, a Delaware limited liability company, 100% owned by UCV, LP
Delaware	UCV Media Tech Center, LLC, a Delaware limited liability Company, 100% owned by UCV, LP
California	Ocean West, Inc.
California	RCSA Holdings, Inc.

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California	Old Vail Partners, a California general partnership (50% general partner)
California	Old Vail Partners, L.P. (49% limited partner)
California	Vail Ranch Limited Partnership (50% limited partner)
California	OVGP, Inc.
California	Old Vail Partners, L.P. (1% general partner)
California	Ocean Disbursements, Inc.
California	Bowling Properties, Inc.
California	Penley Sports, LLC (90% managing member)

All subsidiaries are 100% owned, unless otherwise indicated, and are included in the Registrant's consolidated financial statements, except for Vail Ranch Limited Partnership and UCV, L.P.