SPORTS ARENAS INC
Form DEF 14A
November 20, 2001

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant [X]
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Check the appropriate box:
[ ] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only
(as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant toss.240.14a-11(c) orss.240.14a-12

SPORTS ARENAS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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1) Amount Previously Paid: _________
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3) Filing Party: ________
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SPORTS ARENAS, INC.
[A DELAWARE CORPORATION]

5230 CARROLL CANYON ROAD, SUITE 310
SAN DIEGO, CALIFORNIA 92121

NOTICE OF
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON
DECEMBER 21, 2001

TO THE SHAREHOLDERS OF SPORTS ARENAS, INC.:

The Annual Shareholders' Meeting (the "Meeting") will be held at 10:00 A.M. on Friday, December 21, 2001, at 7415 Carroll Road, Suite C, San Diego, California 92121, for the purpose of considering and voting upon the following matters, each of which is described in the annexed Proxy Statement:

1. The election of five directors, to hold office until the next Annual Meeting of Shareholders, or until their successors are elected and qualified.

2. Such other matters as may properly come before the Meeting or any adjournments of it.

November 6, 2001 is the record date for the determination of shareholders entitled to notice of, and to vote at, the Meeting. A list of shareholders entitled to vote at the Meeting will be available for inspection at the offices of the Company for 10 days before the Meeting.

We hope you can attend the Meeting in person; HOWEVER, REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE MEETING IN PERSON, PLEASE FILL IN, SIGN AND RETURN THE ENCLOSED PROXY PROMPTLY IN THE ENCLOSED BUSINESS REPLY ENVELOPE. ANY SHAREHOLDER WHO SIGNS AND SENDS IN A PROXY MAY REVOKE IT BY EXECUTING A NEW PROXY WITH A LATER DATE; BY WRITTEN NOTICE OF REVOCATION TO THE SECRETARY OF THE COMPANY AT ANY TIME BEFORE IT IS VOTED; OR BY ATTENDANCE AT THE MEETING AND VOTING IN PERSON.

BY ORDER OF THE BOARD OF DIRECTORS

/S/ Harold S. Elkan

Harold S. Elkan
President

San Diego, California
November 20, 2001

SPORTS ARENAS, INC.
5230 CARROLL CANYON ROAD, SUITE 310
SAN DIEGO, CALIFORNIA 92121

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON
DECEMBER 21, 2001

Proxies in the form enclosed with this Proxy Statement are solicited by the Management of Sports Arenas, Inc. (the "Company"), in connection with the Annual Meeting of Shareholders of the Company to be held December 21, 2001, at the place set forth in the preceding Notice of Annual Meeting of Shareholders.

This Proxy Statement and the form of proxy are being first mailed to the Company's shareholders on or about November 22, 2001. In addition to mailing copies of this material to all shareholders, the Company has requested banks and brokers to forward copies of such material to persons for whom they hold stock of the Company, and to request authority for execution of the proxies. The Company will reimburse such banks and brokers for their reasonable out-of-pocket expenses incurred in connection therewith. Officers and regular employees of the Company may, without being additionally compensated therefor, solicit proxies by mail, telephone, telegram or personal contact. All expenses of this solicitation of proxies will be paid by the Company. The Company does not expect to employ any other person or entity to assist in the solicitation of proxies.

Any shareholder giving a proxy pursuant to this solicitation may revoke it at any time before it is exercised at the meeting by: (a) filing with the secretary of the Company a written notice revoking it; (b) executing a proxy bearing a later date; or (c) attending the meeting and voting in person.

All shares represented by valid proxies will be voted in accordance with the directions specified thereon, and otherwise in accordance with the judgment of the proxy holders. Any duly executed proxy on which no direction is specified will be voted for the election of the nominees named herein to the Board of Directors described in the Notice of Meeting of Shareholders and this Proxy Statement.

VOTING

Only shareholders of record of the Company's common stock at the close of business on November 6, 2001 (the "Record Date"), are entitled to notice of, and to vote at the annual shareholders' meeting. On the Record Date there were 27,250,000 shares of common stock outstanding.

Each shareholder of record is entitled to one vote on each of the matters to be presented to the shareholders at the meeting, except that shareholders may have cumulative voting rights with respect to the election of Directors. All proxies which are returned will be counted by the Inspector of Elections in determining the presence of a quorum and each issue to be voted on. An abstention from voting or a broker non-vote is not counted in the voting process under California law.

In accordance with the California General Corporation Law, as applicable to the Company, each shareholder entitled to vote for the election of directors may cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of shares owned, or distribute the shareholder's votes on the same principal among as many candidates as the shareholder thinks fit.

The proxy process does not permit shareholders to cumulate votes. No shareholder shall be entitled to cumulate votes (i.e., cast for any candidate a number of votes greater than the number of shares owned) unless the candidate or candidates' names for which such votes are to be cast have been placed in nomination prior to the voting and the shareholder has given notice at the meeting prior to the voting of the shareholder's intention to cumulate the shareholder's votes. If any one shareholder has given such notice, all shareholders may cumulate their votes for candidates in nomination.

At this time, Management does not intend to give notice of cumulative voting or to cumulate votes it may hold pursuant to the proxies solicited herein, unless the required notice by a shareholder is given in proper format at the meeting, in which instance Management intends to cumulatively vote all of the proxies held by it in favor of the nominees as set forth herein.

The shares represented by all properly executed proxies will be voted in accordance with the shareholder's directions. If the proxy card is properly executed and returned without direction as to how the shares are to be voted, the shares will be voted as recommended by the Board of Directors.

PROPOSAL 1: ELECTION OF DIRECTORS

The Company's bylaws provide for a board of five directors. Consequently, five directors are proposed to be elected at the Meeting, each to hold office until the next annual shareholders' meeting or until his successor is elected and qualified. Unless authority is withheld, or any nominee is unable or unwilling to serve, the persons named in the enclosed form of proxy will vote such proxy for the election of the nominees listed below. In the event any nominee is unable or declines to serve as a director at the time of the Meeting, the proxy will be voted for a substitute selected by the Board of Directors. The Board of Directors has no reason to believe that any nominee will be unavailable.

The Board of Directors held one meeting during the fiscal year ended June 30, 2001. The meeting was attended by all of the incumbent directors.

In September 1988, the Board of Directors appointed Patrick D. Reiley as an audit committee of one. The audit committee is to oversee the Company's accounting and financial reporting policies including recommendations to the Board of Directors regarding appointment of independent auditors, review with the independent auditors of the accounting principles and practices followed and the adequacy thereof, review annual audit and financial results, approve any material change in accounting principles, policies and procedures and to make recommendations to the Board of Directors with regard to any of the foregoing. The audit committee met once in the year ended June 30, 2001.

The audit committee has reviewed and discussed the audited financial statements of the Company for the year ended June 30, 2001 with management. The audit committee has discussed with the independent auditors the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU Section 380), has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No.1 and has discussed the independence of the independent auditors with them. Based on its review of the audited financial statements and the foregoing discussions, the audit committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report and Form 10-K for the year ended June 30, 2001.

The sole member of the audit committee is Patrick D. Reiley.

The following table sets forth certain information about the Directors, each of whom are nominees, and executive officers of the Company:

Name	Age on Record Date	Present Position with the Company	Director since
Harold S. Elkan	58	Chairman of the Board	1983

		President	
Steven R. Whitman	48	Director Chief Financial Officer Secretary	1989
Patrick D. Reiley	60	Director	1986
James E. Crowley	54	Director	1989
Robert A. MacNamara	53	Director	1989

Harold S. Elkan has served as Chairman of the Board of Directors and President of the Company since November 1983. At that time, Andrew Bradley, Inc., of which Mr. Elkan is the sole shareholder, acquired 21,808,267 shares of

the Company's common stock. For 10 years prior to his involvement with the Company, Mr. Elkan was the controlling principal of Elkan Realty & Investment Co., a commercial real estate brokerage firm located in St. Louis, Missouri, and the president of Brandy Properties, Inc., an owner and operator of commercial real estate.

Steven R. Whitman has been a director and Assistant Secretary of the Company since 1989 and the Secretary since January 1995. He is a certified public accountant and has been the Chief Financial Officer of the Company since May 1987. Before joining the Company, Mr. Whitman practiced public accounting with the firm of Laventhol & Horwath, Certified Public Accountants, for five years, four of which were as a manager in the audit department.

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. From 1995 to 1997, Mr. Reiley was an independent business consultant. Mr. Reiley has been a principal of A.R.I.S., Inc., an international insurance brokerage company, since 1997.

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 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, TAG Collision Repair, and Lake Elsinore Ford.

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. Since 1997 Mr. MacNamara has been an independent consultant to the real estate development industry.

There are no understandings between any director or executive officer pursuant to which any director or executive officer was selected as a director or executive officer. There are no family relationships existing among any of the directors or executive officers of the Company.

Compensation

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 four most highly compensated executive officers of the Company whose total annual compensation for the fiscal year ended June 30, 2001,

exceeded $100,000:

Name and Principal Position	Year	Salary	Bonus	Other	Long-term Compensation	All Other Compensation
Harold S. Elkan,	2001	$350,000	$100,000	$ --	$ --	$ --
President	2000	350,000	$100,000	--	--	--
	1999	350,000	$100,000	--	--	--
Steven R. Whitman,	2001	100,000	--	--	--	--
Chief Financial	2000	100,000	10,000	--	--	--
Officer	1999	100,000	10,000	--	--	--

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.

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.

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.

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 can finish its review and propose 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, 2000) 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 has authorized that up to $625,000 of loans can be made to Harold S. Elkan at interest rates not to exceed 10 percent.

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, 2001.

Compensation Committee Report

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 is not a factor in setting base salary compensation levels. Annual cash bonus payments are discretionary and for 2000 related to subjective criteria concerning the performance of the executive and the Company. A bonus of $100,000 was awarded to Harold Elkan in the year ended June 30, 2001.

Outside members of Board of Directors approving the Compensation for Harold S. Elkan are: Patrick D. Reiley, James E. Crowley, and Robert A. MacNamara.

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

The foregoing report and the Performance Graph herein provided below are not "soliciting material", are not deemed filed with the SEC, and shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this report by reference and shall not otherwise be deemed filed under such Acts.

Performance Graph

The following 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 Standard & Poors 500 Index (S&P 500) and the Standard & Poors Leisure Time Index (S&P LT).

The performance graph provides information required by regulations of the Securities and Exchange Commission. However, the Company believes that this performance graph 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 $.02 to $.06 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.

SCHEDULE OF COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN

Year Ended	Sports Arenas, Inc.	S&P 500	S&P Leisure Time
6/1996	100	100	100
6/1997	100	200	160
6/1998	300	255	128
6/1999	200	309	116
6/2000	200	327	95
6/2001	200	275	118

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of November 6, 2001, certain information with respect to the beneficial ownership of Common Stock by (i) each person known by the Company to be the beneficial owner of more than 5 percent of its outstanding Common Stock, (ii) each of the Company's directors, and (iii) all directors and officers as a group. Except as noted below, to the best of the Company's knowledge, each of such persons has sole voting and investment power with respect to the shares beneficially owned.

Name and Address	Shares Beneficially Owned	Nature of Beneficial Ownership	Percent of Class
Harold S. Elkan 5230 Carroll Canyon 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(c) of Notes to Consolidated Financial Statements.

There is no arrangement known by the Company, the operation of which may at a subsequent date, result in a change in control of the Company.

Certain Relationships and Related Transactions

1. The Company has $394,339 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, 2001 ($463,866 as of June 30, 2000). The balance at June 30, 2001 bears interest at 8 percent per annum and is due in monthly installments of interest only plus annual principal payments of $50,000 due on December 31 of each year. The balance is due January 1, 2002. The largest amount outstanding during the year was $463,866 in July 2000.

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 balance of the loans remained below $390,000. As of June 30, 2001, $4,339 of interest accrued on the loans was unrecorded.

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 (8.25 percent at June 30, 2001) and to be added to the principal balance annually. As of June 30, 2001 and 2000, $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 $620,007 as of June 30, 2001 ($359,797 as of June 30, 2000).

THE BOARD OF DIRECTORS RECOMMENDS YOU VOTE FOR THE NOMINEES FOR DIRECTORS AS SET FORTH IN PROPOSAL 1 ON YOUR PROXY.

OTHER BUSINESS

Management knows of no other business to be presented at the meeting. However, if any other matters properly come before the meeting, it is the intention of the persons named in the accompanying proxy to vote pursuant to the proxies in accordance with their judgment in such matters.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and any person holding more than 10% of the Company's common stock, to file reports of ownership and changes in ownership with the SEC. Executive officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Specific due dates for these reports have been established and the Company is required to identify in this Proxy Statement those persons who failed to timely file these reports.

Based solely on representations from officers and directors that no reportable transactions were made, the Company believes that during the fiscal year ended June 30, 2001, applicable filing requirements under Section 16(a) were satisfied.

SHAREHOLDER PROPOSALS

To be eligible for inclusion in the Company's Proxy Statement for the annual meeting of the Company's shareholders expected to be held in December 2001, shareholder proposals must be received by the Company at its principal office at 7415 Carroll Road, Suite C, San Diego, California 92121, prior to July 29, 2002, and must comply with all legal requirements for the inclusion of such proposals.

INDEPENDENT AUDITORS

The firm of KPMG LLP served as the Company's independent auditors for fiscal 2001. A representative of KPMG LLP is expected to be at the Meeting.

INDEPENDENT ACCOUNTANT FEES AUDIT FEES

Aggregate fees billed to the Company for the fiscal year ended June 30, 2001, by the Company's principal accounting firm, KPMG LLP were as follows:

Audit Fees (a)	$79,535
Financial Information Systems Design and Implementation Fees	None
All Other Fees	None

(a) Audit fees include audit of consolidated financial statements, quarterly reviews, review of annual report on Form 10-K, attendance at audit committee and shareholder meetings and review of proxy statement for annual meeting.

The Audit Committee has concluded that the provision of these services did not adversely impact the independence of KPMG LLP.

ANNUAL REPORT

The Company's Annual Report for the fiscal year ended June 30, 2001, which includes the Company's financial statements, is attached hereto as Appendix A. The Annual Report is not to be regarded as proxy soliciting material or as a communication by means of which any solicitation is made.

The Company's annual report on Form 10-K for the fiscal year ended June 30, 2001, as filed with the Securities and Exchange Commission, will be provided without charge to any shareholder who requests it from the Company's secretary at the address given at the beginning of this Proxy Statement. The exhibits to that report will also be provided upon payment of costs of reproduction.

By order of the Board of Directors

/S/ Harold S. Elkan

Harold S. Elkan
President

San Diego, California
November 20, 2001

APPENDIX A

SPORTS ARENAS, INC.
[A DELAWARE CORPORATION]

ANNUAL REPORT
FISCAL YEAR ENDED JUNE 30, 2001

SPORTS ARENAS, INC.
[A DELAWARE CORPORATION]

ANNUAL REPORT
FISCAL YEAR ENDED JUNE 30, 2001

DESCRIPTION OF BUSINESS

General

Sports Arenas, Inc. (the "Company") was incorporated as a Delaware corporation in 1957. The Company, primarily through its subsidiaries, owns and operates one bowling center, an apartment project (50% owned), 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 70 employees. The following is a summary of the revenues of each segment, excluding construction, stated as a percentage of total revenues for each of the last three years:

	2001	2000	1999
Bowling	49	54	67
Real estate operations	10	14	14
Real estate development	-	-	-
Golf	34	24	10
Other	7	8	9

Bowling Centers

The Company's wholly owned subsidiary, Cabrillo Lanes, Inc. (the "Bowls"), operated two bowling centers during the year ended June 30, 2001 containing 110

lanes in San Diego, California. These two centers were purchased in August 1993. One of the centers, which contained 50 lanes, was closed on December 21, 2000 in conjunction with the sale by the Company of the land and building.

The remaining bowling center's operations include food and beverage facilities and coin operated video and other games. The revenues from these activities have averaged 32 percent of total bowling related revenues for the last three fiscal years. The bowling center operates the food and beverage operations, which includes sale of beer, wine and mixed drinks. The Company receives a negotiated percentage of the gross revenues from the coin operated video games. The bowling center includes a pro shop, which is leased to an independent operator for a nominal amount. The center also has a day care facility, which is provided free of charge to the bowlers. The bowling center has automatic score-keeping and a computerized cash control system.

On average, 36 percent of the games bowled are by bowling leagues that enter into league reservation agreements to use a specified number of lanes at a specified time and day for a specified period of weeks. On average, the league reservation agreements are for 35 weeks for the winter season (September through April) and 15 weeks for the summer season (May through August). League revenues for September through April average 78 percent of league revenues annually. Approximately 71 percent of all bowling related revenues are generated in the months of September through April.

The bowling industry faces substantial competition for the sports and recreation dollar. The Bowl competes with other bowling centers in its market area, as well as other sports and recreational activities. Further competition is likely at any time a new center is constructed in the same market area. The Company continuously markets its league and open play through a combination of advertising, phone solicitation, direct mail, and a personal sales program.

At June 30, 2001, the bowling center was licensed to sell alcoholic beverages. Licenses are generally renewable annually provided there are no violations of government regulations. The bowling center was cited with two violations in the last 12 months and has a 15 day suspension of its liquor license to serve pending an appeal. If the bowling center receives another citation in the next 12 months, the bowling center may lose its license permanently. The bowling center employs approximately 30 people.

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Real Estate Development

The Company, through its subsidiaries, had ownership interests in a 33 acre parcel and a 13 acre parcel of partially developed land in Temecula, California (Riverside County). The 33 acre parcel was sold on June 1, 2001.

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 was developable. Landgrant is not affiliated with the Company. VRLP completed construction of a community shopping center on 10 acres of land in May 1997 and sold approximately 3.6 partially improved acres in the year ended June 30, 1997 and .59 partially improved acres during the year ended June 30, 1998 to unaffiliated purchasers for cash of $2,365,000 and $400,000, respectively. The cash proceeds from these sales were applied to reduce the construction loan balance. 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 a 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. ERT also advanced approximately $220,000 to TC to reimburse VRLP for certain predevelopment costs incurred by VRLP for the 13 acres. The Agreement provides that ERT will advance funds to fund predevelopment costs, other than property taxes and assessment district costs. Each member is required to advance 50 percent of the property taxes and assessment district costs as they become due (approximately $163,000 annually). The development plan is for 109,910 square foot shopping center on approximately 13 acres of land. In July 2000, TC completed development of 54,107 square feet of the shopping. As of August 31, 2001 a total of 75,692 square feet had been constructed of which 100% is currently leased. The balance of the build out is expected to be completed by February 2002.

Old Vail Partners, a California general partnership, (OVPGP), a subsidiary of the Company, owned a 33 acre parcel which was originally designated as commercially-zoned, however, the City of Temecula adopted a general development plan as a means of down-zoning the property to a lower use, which if the Company was not successful in having a development planned approved, might have significantly impaired the value of the property. The Company contested this action, and as described below, was successful in having a development plan approved in October 2000 that enabled the Company to sell the property in June 2001.

Commercial Real Estate Rental

Real estate rental operations consist of one office building in the Sorrento Mesa area of San Diego, California, a sublessor interest in land leased to condominium owners in Palm Springs, California, and a 50 percent ownership interest in a 542 unit apartment project in San Diego, California.

Downtown Properties Development Corporation (DPDC), a wholly-owned subsidiary of the Company, owned a 36,000 square foot office building in the Sorrento Mesa area of San Diego, California. The building was originally acquired in 1984 by 5230, Ltd., which was 75 percent owned as a limited and general partner by Sports Arenas Properties, Inc. (SAPI), a wholly-owned subsidiary of the Company. The Company occupied approximately 14 percent of the office building. On December 28, 2000 the Company sold its office building for $3,725,000 and recorded a gain of $2,764,483. 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 to 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 former space.

The following is a schedule of selected operating information over the last five years:

	2001	2000	1999	1998	1997
Occupancy	93%	99%	99%	97%	98%
Average monthly rent per square foot	$1.18	$1.11	$.98	$.86	$.87
Real property tax	$9,000	$19,000	$19,000	$18,000	$17,000
Real Property tax rate	1.12%	1.12%	1.12%	1.12%	1.12%

DPDC is also the lessee of 15 acres of land in the Palm Springs, California area under a ground lease expiring in September 2043. The land is subleased to owners of condominium units which were constructed on the property in 1982. The development was originally planned by DPDC and then sold to another developer, but DPDC retained the rights to the subleases. The subleases also expire in September 2043. The master lease provides for the payment of rent equal to the greater of a minimum rent, which is adjusted for increases in the consumer price index every five years, or 85 percent of the rents collected on the subleases, which are also adjusted for increases in the consumer price index every five years.

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), which owns an apartment project (University City Village) located in San Diego, California. University City Village contains 542 rental units and was acquired in August 1974. UCV employs approximately 30 persons. The following is a schedule of selected operating information over the last five years:

	2001	2000	1999	1998	1997
Occupancy	98%	99%	99%	99%	98%
Average monthly rent/unit	$772	$728	$694	$675	$662
Real property tax	$114,000	$112,000	$110,000	$108,000	$107,000
Real Property tax rate	1.12%	1.12%	1.12%	1.12%	1.12%

Golf 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. 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 compliment 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 2002.

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 the sales to these two distributors and other small golf club manufacturers, golf club shaft sales increased by $735,654 in the year

ended June 30, 2000 and $407,660 in the year ended June 30, 2001. Penley currently has products in testing by several large golf club manufacturers. However, there can be no assurances that the 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, of which one was issued and the others are pending. Although Penley has developed several new products, no assurance can be given that they will meet with market acceptance or that 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 two 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 the 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 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, the unproven production capability of Penley is making it difficult to attract the golf club manufacturers as customers.

Penley currently has one patent and two other patents pending and several 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 35 full and part-time employees.

Due to Penley's low sales volume, there is currently no impact from the seasonality of sales (expected to be from April through September), no significant backlog of sales orders, or customer concentration (based on consolidated revenues).

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.

	2001		2000	
	High	Low	High	Low
First Quarter	$ .04	$ .04	$ .02	$ .02
Second Quarter	$ .04	$ .04	$ .02	$ .02
Third Quarter	$ .04	$ .04	$ .05	$ .02
Fourth Quarter	$ .06	$ .04	$ .06	$ .02

(b) The number of holders of record of the common stock of the Company as of September 20, 2001 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.

SELECTED FINANCIAL DATA (NOT COVERED BY INDEPENDENT AUDITORS' REPORT)

	Year Ended June 30,				
	2001	2000	1999	1998	19
Revenues	$ 4,492,736	$ 4,724,435	$ 3,957,011	$ 3,642,335	$ 3,72
Loss from operations	(3,443,196)	(3,424,495)	(3,654,212)	(2,603,065)	(4,32
Income (loss) from continuing operations	3,603,234	(3,625,063)	(3,501,933)	(895,524)	(3,34
Basic and diluted income (loss) per common share from continuing operations	.13	(.13)	(.13)	(.03)	(.
Total assets	3,448,474	6,601,236	6,998,820	9,448,653	9,93
Long-term debt, excluding current portion	13,942	1,967,169	3,911,694	3,287,783	4,06

See Notes 4(b), 6(c), and 12 of Notes to Consolidated Financial Statements regarding disposition of business operations and material uncertainties.

Certain 2000, 1999, 1998 and 1997 amounts have been reclassified to conform to the presentation used in 2001.

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

Liquidity and Capital Resources

The Company has a working capital deficit of $1,086,126 at June 30, 2001, which is a $5,741,877 decrease from the working capital deficit of $6,828,003 at June 30, 2000. The working capital deficit decreased primarily due to the sale of the office building, bowling center real estate and undeveloped land. These sources of funds were partially offset by $3,422,256 of cash used by operations.

The Company has been unable to generate sufficient cash flow from operating activities to meet scheduled principal payments on long-term debt and capital replacement needs during the last several years. It has used its share of distributions from investees and proceeds from real estate and bowling center sales to fund these deficits.

The cash provided (used) before changes in assets and liabilities segregated by business segments was as follows:

	2001	2000	1999
Bowling	(289,000)	(356,000)	(157,000)
Rental	105,000	219,000	207,000
Golf	(2,594,000)	(2,652,000)	(2,587,000)
Development	(177,000)	(246,000)	(215,000)
General corporate expense and other .	(467,000)	(217,000)	(257,000)
Cash provided (used) by continuing operations	(3,422,000)	(3,252,000)	(3,009,000)
Capital expenditures, net of financing	(538,000)	(446,000)	(148,000)
Principal payments on long-term debt	(214,000)	(360,000)	(262,000)
Cash used	(4,174,000)	(4,058,000)	(3,419,000)
Distributions received from investees	1,559,000	2,193,000	1,420,000
Contributions to investees	(200,000)	(43,000)	--
Proceeds from sale of assets	5,680,000	190,000	--
Payments on minority interests	(2,172,000)	--	--

Other than distributions of $920,000 received in March 2001 and $1,757,000 received in October 1999 from the proceeds of UCV's long term debt, the cash distributions the Company received from UCV during the last three years were the Company's proportionate share of distributions from UCV's results of operations. The investment in UCV is classified as a liability because the cumulative distributions received from UCV exceed the sum of the Company's initial

investment and the cumulative equity in income of UCV by $15,792,373 at June 30, 2001. Although this amount is presented in the liability section of the balance sheet, the Company has no liability to repay the distributions in excess of basis in UCV. The Company estimates that the current market value of the assets of UCV (primarily apartments) exceeded its liabilities by

$20,000,000-$27,000,000 as of June 30, 2001. On October 3, 2000, UCV obtained approval for plans to redevelop the 542 unit apartment project into 1,109 units plus an 80 unit assisted living facility. UCV is currently evaluating alternatives for financing the redevelopment.

At June 30, 2001, the Company owned a 60 percent limited partnership interest in Vail Ranch Limited Partnership (VRLP), which is a 50 percent partner in Temecula Creek, LLC (TC), a limited liability company, the other member of which is ERT Development Corporation (an affiliate of Excel). In July 2000, TC completed development of the first phase of a shopping center consisting of 60,229 square feet of space (of which 56,307 square feet is currently leased) on approximately 7 acres of land. TC is currently in the process of obtaining construction financing to construct an additional 50,032 square feet of shopping center space on the remaining 6 acres of land. The Company estimates that the value of the Company's 60 percent interest in VRLP at June 30, 2001 is approximately $1,000,000 to $1,500,000. In July 2000, TC completed development of 54,107 square feet of the shopping center. As of August 31, 2001 a total of 75,692 square feet had been constructed of which 100% is currently leased. The balance of the build out is expected to be completed by February 2002.

The Company is expecting a $1,500,000 cash flow deficit in the year ending June 30, 2002 from operating activities after estimated distributions from UCV, and estimated capital expenditures ($20,000) and scheduled principal payments on short-term and long-term debt. Management expects continuing cash flow deficits until Penley Sports develops sufficient sales volume to become profitable. However, there can be no assurances that Penley Sports will ever achieve profitable operations. Management is currently evaluating other sources of working capital from obtaining additional investors in Penley Sports to provide sufficient funds for the expected future cash flow deficits. 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.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations", SFAS No. 142, "Goodwill and Other Intangible Assets" ", and SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. SFAS No. 142 requires the use of a non-amortization approach to account for purchased goodwill. Goodwill acquired on or prior to June 30, 2001 will no longer be amortized effective January 1, 2002. Goodwill acquired on or after July 1, 2001 will follow the non-amortization approach under SFAS No. 142. Under the non-amortization approach, goodwill would be tested for impairment, rather than being amortized to earnings, as originally proposed. In addition, SFAS No. 142 requires that acquired intangible assets be separately identified and amortized over their individual useful lives. The Company will be required to adopt these statements beginning January 1, 2002. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002 and 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 Company does not expect that SFAS No. 141 and 142 will have material impact on the Company's financial position or results of operations. The Company has not yet assessed the impact of SFAS No. 143.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk primarily due to fluctuations in interest rates. The Company utilizes both fixed rate and variable rate debt. 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:

	2002	2003	2004	Total	Fair Value (1)
Fixed rate debt....	$26,000	$8,000	$6,000	$40,000	$40,000
Weighted average interest rate...	11.8%	13.9%	13.9%	12.5%	12.5%
Variable rate debt.	$1,256,000	--	--	$1,256,000	$1,250,000
Weighted average interest rate...	7.8%	--	--	7.8%	7.8%

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

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The variable rate debt includes a $1,250,000 short term note payable that is due on demand, which for purposes of this calculation has been treated as though paid during the year ending June 30, 2002.

The Company's unconsolidated subsidiary, UCV, has variable rate debt of $33,000,000 as of March 31, 2001 for which the interest rate was 8.5 percent. However, the combination of a floor established by the lender and a cap purchased by UCV has resulted in the rate being fixed at 8.5 percent for the initial term of the loan. The scheduled principal payments for each of UCV's fiscal years ending March 31 is: 2002- none; 2003- $33,000,000, and in total- $33,000,000. The estimated fair value of this debt is $33,800,000 based on the current rates offered for this type of loan with similar risks and maturities.

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

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

With the exception of historical information (information relating to the Company's financial condition and results of operations at historical dates or for historical periods), the matters discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations are forward-looking statements that necessarily are based on certain assumptions and are subject to certain risks and uncertainties. These forward-looking statements are based on management's expectations as of the date hereof, and the Company does not undertake any responsibility to update any of these statements in the future. Actual future performance and results could differ from that contained in or suggested by these forward-looking statements as a result of the factors set forth in this Management's Discussion and Analysis of Financial Condition and Results of Operations, 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 11 to the Consolidated Financial Statements.

The following is a summary of the changes to the components of the segments in the years ended June 30, 2001 and 2000:

	Bowling	Real Estate Operation	Real Estate Development	Golf	Unallocated And Other
YEAR ENDED JUNE 30, 2001					
Revenues	$(368,870)	$ (231,562)	$ --	$407,660	$(70,238)
Costs	(214,662)	(39,907)	(68,991)	434,793	--
SG&A-direct	(103,946)	--	--	(59,649)	(68,260)
SG&A-allocated	(53,906)	(13,000)	--	(7,000)	73,906
Depreciation and amortization	(67,103)	(64,306)	--	52,106	(6,458)
Impairment losses	--	--	--	--	(37,926)
Interest expense	(50,660)	(67,778)	(31,814)	(9,425)	157,220
Equity in income (loss) of investees	--	(118,443)	(99,200)	--	--
Gain on sale	482,487	2,764,483	5,544,743	--	--
Segment profit (loss)	603,894	2,599,469	5,546,348	(3,165)	(188,720)
Investment income					
Income from continuing operations					
YEAR ENDED JUNE 30, 2000					
Revenues	(85,410)	76,477	--	735,654	43,388
Costs	113,520	30,332	44,661	719,119	--
SG&A-direct	(11,967)	--	--	18,289	(326,384)
SG&A-allocated	18,508	5,000	(7,000)	73,000	(89,508)
Depreciation and amortization	(4,497)	835	--	11,349	(2,162)
Impairment losses	--	--	(90,629)	--	37,926
Interest expense	(6,329)	29,437	15,049	(8,540)	12,090
Equity in income (loss) of investees	--	(79,293)	(114,880)	--	--
Segment profit (loss)	(194,645)	(68,420)	(76,961)	(77,563)	411,426
Investment income					
Loss from continuing operations					

BOWLING OPERATIONS:

The segment includes the operations of two bowling centers, Valley Bowl and Grove Bowl. On December 21, 2000, the Company closed the operations of Valley Bowl in conjunction with the sale of the real estate on December 29, 2000. The following is a summary by bowling center of the changes in the results of operations:

	2001 vs. 2000			2000 vs. 1999		
	Grove	Valley	Combined	Grove	Valley	C

Revenues	256,008	(624,878)	(368,870)	5,393	(90,803)
Costs	166,375	(381,037)	(214,662)	136,579	(23,059)
SG&A-direct	6,808	(110,754)	(103,946)	(942)	(11,025)
SG&A-allocated	2,594	(56,500)	(53,906)	22,808	(4,300)
Depreciation and amortization	(84)	(67,019)	(67,103)	(5,602)	1,105
Interest expense	--	(50,660)	(50,660)	--	(6,329)
Gain on sale	--	482,487	482,487	--	--
Segment profit (loss)	80,315	523,579	603,894	(147,450)	(47,195)

2001 vs. 2000

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 $167,671.

The following is a comparison of the operations of the Grove bowling center to the prior year. Grove's revenues increased 17 percent in 2001 primarily due to an 8 percent increase in number of games bowled. The average price of games bowled also increased by 9 percent. This bowling center is located in a shopping center that just completed a major renovation and "reopened" in April 2000 with two major retail stores. As a result, the bowling center has experienced a significant increase in open and league play since the "reopening". Although

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management forecasts continued increases in open and league play at the bowling center, the amount of the increase and how long it will continue is uncertain. League revenues also increased because of the ability to move league bowlers from Valley when the bowl was closed in December 2000.

Bowl costs increased $166,000 or 12% primarily due to a $99,000 (106%) increase in utility costs and a $55,000 (12%) increase in payroll costs. The increase in utility costs related to the increase in electric rates in San Diego that have been subsiding since April and May of 2001 but are still substantially higher than the rates in 2000. Payroll costs increased primarily due to an increase in staffing related to the increase in customer bowling. There was no significant change in selling, general and administrative expenses.

2000 vs. 1999

Bowling revenues decreased by 4 percent. The number of league games bowled continued to decrease at each of the bowling centers by approximately 15% (54,000 games in total). This decrease is being partially offset by an increase in the open-play games bowled at Grove (18,000) related to the April 2000 "reopening" of the shopping.

Bowl costs increased by 6% primarily due to due to a $76,000 increase in supplies and maintenance expenses. Approximately $46,000 of the increase in maintenance expenses related to lane resurfacing or painting the exterior of a building, which are not indicative of a trend of increases in expenses to be annualized. There was no significant change in selling, general and administrative expenses.

RENTAL OPERATIONS

This segment includes the operations of the office building sold December 28, 2000, the equity in income of the operation of a 542 unit apartment project (UCV), a subleasehold interest in land underlying a condominium project, the sublease of a portion of the Penley factory and other miscellaneous rents received on undeveloped land. The following is a summary of the changes in operations:

	2001 vs. 2000			2000 vs. 1999		
	Office	Others	Combined	Office	Others	Combine
Revenues	$ (233,259)	$ 1,697	$ (231,562)	$52,461	$ 24,016	$76,47
Costs	(57,938)	18,031	(39,907)	(25,584)	55,916	30,33
SG&A-allocated	(13,000)	--	(13,000)	5,000	--	5,00
Depreciation and amortization	(64,306)	--	(64,306)	835	--	83
Interest expense	(85,535)	17,757	(67,778)	29,437	--	29,43
Equity in income of UCV .	--	(118,443)	(118,443)	--	(79,293)	(79,29
Gain on sale	2,764,483	--	2,764,483	--	--	--
Segment profit (loss) ...	2,752,003	(152,534)	2,599,469	42,773	(111,193)	(68,42

A temporary easement granted by the Company for the use of a portion of its undeveloped land in Temecula, California expired in September 2000. The Company had been amortizing approximately $17,000 of deferred rent to income each quarter. Rental revenues decreased by $48,000 in 2001 and increased 24,000 in 2000 related to this easement.

Rental revenues and rental costs increased by $46,000 and $47,000 respectively related to the sublease for the Penley factory. Approximately 10,000 square feet of the Penley factory space (38,000 square feet) was subleased commencing in November 2000 under a lease that expires in October 2002.

Other rental costs also increased in 2000 due to an increase in the rent expense for the subleasehold interest.

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 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.

Office building rental revenues of the office building increased in 2000 primarily due to the continued increases in the rental rates at the office

building. The vacancy rate for the office building was 3% and 1% 1999 and 2000, respectively. The average monthly rent per square foot was $.98 and $1.11 for 1999 and 2000, respectively. Interest expense for the office building increased in 2000 related to an increase in the long-term debt secured by the building in May of 1999.

The equity in income of UCV decreased by $118,000 in 2001 and $79,000 in 2000 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 2001 and 2000 compared to the previous years:

	2001	2000
Revenues	$ 261,000	$ 202,000
Costs	(47,000)	148,000
Depreciation	(7,000)	(3,000)
Interest and amortization of loan costs	532,000	216,000
Other expenses	20,000	--
Income before extraordinary loss	(237,000)	(159,000)
Extraordinary loss from debt extinguishment	401,000	(197,000)
Net income	(638,000)	38,000

Vacancy rates at UCV have averaged 1.3% 1.7% and 2.3% in 1999, 2000 and 2001, respectively. Total revenues of UCV increased by 5 and 4 percent in 2001 and 2000, respectively, primarily due to increases in the average rental rate.

UCV costs decreased in 2001 primarily due to a decrease in repairs and maintenance costs. UCV costs increased in 2000 primarily due to an increase in water expense ($60,000) related to increased irrigation of the property. Otherwise, costs increased 6 percent in 2000. UCV's interest expense increased in 2001 and 2000 primarily due to an increase in long-term debt in October 1999 and March 2001. UCV increased its long-term debt in May of 1998 by $5,166,500, in October 1999 by $4,039,490, and in March 2001 by $3,960,510. The refinancings in May 1998 and March 2001 resulted in an extraordinary loss of $197,000 in 1998 and $401,000 in 2001 related to prepayment penalties and write-offs of the unamortized loan fees of the previous long-term debt.

REAL ESTATE DEVELOPMENT:

The real estate development segment consists primarily of OVP's operations related to 33 acres of undeveloped land in Temecula, California, and an investment in VRLP.

Development costs consist primarily of legal expenses ($65,000 in 2001, $104,000 in 2000, and $62,000 in 1999) related to the litigation regarding the effective down-zoning of the 33 acres of land and property taxes ($88,000 in 2001, $106,000 in 2000, and $95,000 in 1999). Development interest primarily represents the interest portion of the assessment district payments due each year and the interest accrued on the delinquent payments.

On June 1, 2001, the OVP sold the 33 acres to an unrelated developer for $6,375,000 cash plus assumption of the non-delinquent balance of the assessment district obligation ($1,001,274) and 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. A 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 $1,360,000 has been paid through June 30, 2001 ($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 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. The $1,312,410 paid to these partners is presented as "Minority interest in consolidated subsidiary" in the Statement of Operations for the year ended June 30, 2001.

The following is a summary of the changes in the operations of VRLP in 2001 and 2000 compared to the previous years:

	2001	2000
Revenues	$ (10,000)	$(122,000)
Operating expenses	(56,000)	78,000
Equity in loss of investee	225,000	(43,000)
Net income (loss)	(179,000)	(157,000)

The operations for 1999 and 2000 reflected the results of negotiating property tax refunds that were non-recurring. The equity in loss of investee represents VRLP's share of the results of operations of Temecula Creek LLC which was developing a shopping center during all of 1999 and 2000 and a portion of 2001. The equity in the loss of investee represents VRLP's share of the property taxes expensed by Temecula Creek during 1999 and 2000. The equity in loss of investee in 2001 primarily represents the share of the operating loss of the shopping center as various phases were completed.

The Company recorded a $90,629 provision for impairment loss in the year ended June 30, 1999 to reduce the carrying value of undeveloped land in Missouri to the value realized when it was sold in September 1999.

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, 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. In the year 2000, approximately 34 percent of the revenues were from sales to six golf equipment distributors, 8 percent from small golf club manufacturers, and the remainder related to sales directly to golf shops. In the year 2001, approximately 31 percent of the revenues were from sales to seven golf equipment distributors, 12 percent from small golf club manufacturers, and the remainder related to sales directly to golf shops.

Operating expenses of the golf segment consisted of the following in 1999, 1998 and 1997:

	2001	2000	1999
Costs of sales and manufacturing overhead	$1,922,000	$1,502,000	$ 797,000
Research and development	263,000	248,000	234,000
Total golf costs	$2,185,000	$1,750,000	$1,031,000
Marketing and promotion	$1,407,000	$1,514,000	$1,511,000
Administrative costs- direct	237,000	190,000	174,000
Total SG&A-direct	$1,644,000	$1,704,000	$1,685,000

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Total golf costs increased in 2001 and 2000 primarily due to an increase in the amount of cost of goods sold related to increased sales, a $54,000 increase in rent for the factory that was moved into in June 2000, an increase in the cost of prototype shafts developed during the periods, and an increase in the payroll for research and development. Marketing and promotion expenses decreased in 2001 primarily due to decreases in player sponsorship costs and promotional goods. Administrative costs increased in 2001 primarily due to an increase in professional fees related to filings for trademark and patent matters.

UNALLOCATED AND OTHER:

Revenues decreased by $70,000 in 2001 due to a decrease in brokerage commissions. Revenues increased by $43,000 in 2000 due to a $37,000 increase in brokerage commissions.

Unallocated and Other SG&A decreased by $68,000 in 2001 and $326,000 in 2000. The decrease in 2000 primarily related to $390,000 of expense recorded in 1999 as a provision for the uncertainty of the collectability of the note receivable from affiliate. The decrease in 2001 primarily related to a $44,000 reduction in brokerage commission fees.

Interest expense increased in 2001 and 2000 due to interest related to short term borrowings.

Investment income decreased by $116,967 in 2000 due to the cessation of the accrual of interest income on the note receivable from shareholder (See Note 3b of the Notes to Consolidated Financial Statements).

DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following were directors and executive officers of the Company during the year ended June 30, 2001. 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	58	Director since November 7, 1983; President since November 11, 1983
Steven R. Whitman	48	Chief Financial Officer and Treasurer since May 1987; Director and Assistant Secretary since August 1, 1989; Secretary since January 1995
Patrick D. Reiley	60	Director since August 21, 1986
James E. Crowley	54	Director since January 10, 1989
Robert A. MacNamara	53	Director since January 9, 1989

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.

Business Experience

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.

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.

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.

JamesE. 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, TAG Collision Repair, and Lake Elsinore Ford.

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 is currently an independent consultant to the real estate development industry.

SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS-JUNE 30, 2001 AND 2000

ASSETS

	2001	2000
Current assets:		
Cash and cash equivalents	$ 515,204	$ 13,961
Current portion of notes receivable-affiliate (Note 3a)	--	50,000
Other receivables	324,912	193,510
Inventories (Note 2)	585,111	304,906
Prepaid expenses	61,365	238,719
Total current assets	1,486,592	801,096

	2001	2000
Receivables due after one year:		
Note receivable- Affiliate, net (Note 3a)	--	73,866
Less current portion	--	(50,000)
	--	23,866
Property and equipment, at cost (Notes 7 and 10):		
Land	--	678,000
Buildings	--	2,461,327
Equipment and leasehold and tenant improvements	2,345,406	2,347,767
	2,345,406	5,487,094
Less accumulated depreciation and amortization	(1,060,626)	(2,160,132)
Net property and equipment	1,284,780	3,326,962
Other assets:		
Undeveloped land, at cost (Note 4)	--	1,501,318
Intangible assets, net (Note 5)	150,657	246,123
Investments (Note 6)	405,446	564,446
Other assets	120,999	137,425
	677,102	2,449,312
	$ 3,448,474	$ 6,601,236

See accompanying notes to consolidated financial statements.

SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - JUNE 30, 2001 AND 2000 (CONTINUED)

LIABILITIES AND SHAREHOLDERS' DEFICIT

	2001	2000

Current liabilities:		
Assessment district obligation-in default (Note 4b)	$ --	$ 2,831,180
Notes payable-short term (Note 7d)	1,250,000	1,350,000
Current portion of long-term debt (Note 7a)	32,000	1,874,000
Accounts payable	708,307	796,483
Accrued payroll and related expenses	195,367	164,170
Accrued property taxes, in default (Note 4b)	--	356,178
Accrued interest	203,578	41,079
Other liabilities	183,466	216,009
Total current liabilities	2,572,718	7,629,099
Long-term debt, excluding current portion (Note 7a)	13,942	1,967,169
Distributions received in excess of basis in investment (Notes 6a and 6b)	15,792,373	14,498,208
Other liabilities	144,000	123,831
Minority interest in consolidated subsidiary (Note 6c)	852,677	1,712,677
Shareholders' deficit:		
Common stock, $.01 par value, 50,000,000 shares authorized, 27,250,000 shares issued and outstanding ..	272,500	272,500
Additional paid-in capital	1,730,049	1,730,049
Accumulated deficit	(15,638,293)	(19,040,805)
	(13,635,744)	(17,038,256)
Less note receivable from shareholder (Note 3b)	(2,291,492)	(2,291,492)
Total shareholders' deficit	(15,927,236)	(19,329,748)
Commitments and contingencies (Notes 4b, 5a, 6c, 8 and 10)		
	$ 3,448,474	$ 6,601,236

See accompanying notes to consolidated financial statements.

SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED JUNE 30, 2001, 2000, AND 1999

	2001	2000	1
Revenues:			
Bowling	$ 2,209,585	$ 2,578,455	$ 2,66
Rental	444,635	644,886	57
Golf	1,527,117	1,119,457	38
Other	132,442	209,671	17
Other-related party (Note 6b)	178,957	171,966	16
	4,492,736	4,724,435	3,95
Costs and expenses:			
Bowling	1,851,210	2,065,872	1,95
Rental	264,435	304,342	27
Golf	2,185,213	1,750,420	1,03
Development	156,688	225,679	18
Selling, general, and administrative (Note 3a)	3,177,126	3,377,670	3,70
Depreciation and amortization	301,260	387,021	38
Provision for impairment losses (Notes 4a, and 6d)	--	37,926	9
	7,935,932	8,148,930	7,61
Loss from operations	(3,443,196)	(3,424,495)	(3,65
Other income (expenses):			
Investment income:			
Related party (Notes 3a and 3b)	28,926	38,450	14
Other	3,697	11,292	2
Interest expense related to development activities	(235,208)	(266,001)	(24
Interest expense and amortization of finance costs	(390,265)	(361,929)	(34
Equity in income of investees (Note 6a)	159,977	377,620	57
Gain on sale of office building (Note 10)	2,764,483	--	
Gain on sale of bowling center building (Note 12)	482,487	--	
Gain on sale of undeveloped land (Note 4b)	5,544,743	--	
	8,358,840	(200,568)	15
Income (loss) from continuing operations before minority interest	4,915,644	(3,625,063)	(3,50
Minority interest in consolidated subsidiary (Note 6c)	(1,312,410)	--	
	3,603,234	(3,625,063)	(3,50
Extraordinary losses from:			

Early extinguishment of debt (Note 7a)	--	--	(7
Early extinguishment of investee debt (Note 6a)	(200,722)	--	(9
Net income (loss)	$ 3,402,512	($3,625,063)	($3,67
Basic and diluted net income (loss) per common share from:			
Continuing operations	$ 0.13	($ 0.13)	($ 0.
Extraordinary items	(0.01)	--	(0.
	$ 0.12	($ 0.13)	($ 0.

See accompanying notes to consolidated financial statements.

SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
YEARS ENDED JUNE 30, 2001, 2000, AND 1999

	Common Stock				
	Number of Shares	Amount	Additional paid-in Capital	Accumulated Deficit	Not Receiv Fro Shareh
Balance at June 30, 1998	27,250,000	$272,500	$1,730,049	($11,736,312)	($2,18
Interest accrued	--	--	--	--	(10
Net loss	--	--	--	(3,679,430)	
Balance at June 30, 1999	27,250,000	272,500	1,730,049	(15,415,742)	(2,29
Net loss	--	--	--	(3,625,063)	
Balance at June 30, 2000	27,250,000	272,500	1,730,049	(19,040,805)	(2,29
Net income	--	--	--	3,402,512	
Balance at June 30, 2001	27,250,000	$272,500	$1,730,049	($15,638,293)	($2,29

See accompanying notes to consolidated financial statements.

SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2001, 2000, AND 1999

	2001	2000	199
Cash flows from operating activities:			
Net income (loss)	$ 3,402,512	($3,625,063)	($3,679
Adjustments to reconcile net loss to the net cash used by operating activities:			
Amortization of deferred financing costs	18,846	9,120	13
Depreciation and amortization	301,260	387,021	381
Equity in income of investees	(159,977)	(377,620)	(473
Deferred income	48,000	48,000	48
Interest income accrued on note receivable from shareholder	--	--	(104
Interest accrued on assessment district obligations	235,208	266,001	245
Provision for note receivable- affiliate	--	--	390
Provision for impairment losses	--	37,926	90
(Gain) loss on sale of assets	(8,781,237)	1,793	
Minority interest in consolidated subsidiary	1,312,410	--	
Extraordinary loss on debt extinguishment	200,722	--	78
Changes in assets and liabilities:			
(Increase) decrease in other receivables	(125,201)	(77,106)	50
(Increase) decrease in inventories	(280,205)	5,254	(7
(Increase) decrease in prepaid expenses	93,678	(39,051)	46
Increase (decrease) in accounts payable	(88,176)	343,280	(124
Increase (decrease) in accrued expenses and other liabilities	199,337	(230,906)	239
Other	38,317	(8,705)	26
Net cash used by operating activities	(3,584,506)	(3,260,056)	(2,777
Cash flows from investing activities:			
Decrease in notes receivable	73,866	30,963	40
Additions to property and equipment	(507,336)	(335,920)	(140
Proceeds from sale of office building	1,662,337	--	
Proceeds from sale of bowling center building	2,047,328	--	
Proceeds from sale of undeveloped land	3,616,066	190,362	
Proceeds from sale of other assets	5,000	--	
Increase in development costs on undeveloped land	(30,755)	(109,850)	(7
Distributions received from investees	1,559,000	2,193,400	1,419
Contributions to investees	(200,000)	(43,319)	
Distribution to holders of minority interest	(2,172,410)	--	(50
Net cash provided by investing activities	6,053,096	1,925,636	1,262
Cash flows from financing activities:			
Scheduled principal payments	(213,772)	(283,598)	(261
Proceeds from short-term borrowings	1,200,000	1,900,000	
Payments of short-term borrowings	(1,300,000)	(550,000)	
Proceeds from refinancing of long-term debt	--	--	1,975

Loan costs	(22,598)	--	(62
Extinguishment of long-term debt	(1,650,977)	(75,927)	(1,147
Costs to extinguish long-term debt	--	--	(45
Other	20,000	--	
Net cash provided (used) by financing activities	(1,967,347)	990,475	457
Net increase (decrease) in cash and equivalents	501,243	(343,945)	(1,058
Cash and cash equivalents, beginning of year	13,961	357,906	1,416
Cash and cash equivalents, end of year	$ 515,204	$ 13,961	$ 357

See accompanying notes to consolidated financial statements

SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2001, 2000, AND 1999

SUPPLEMENTAL CASH FLOW INFORMATION:

	2001	2000	1999
Interest paid	$ 196,000	$ 326,000	$ 341,000

Supplemental schedule of non-cash investing and financing activities:

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.

During the year ended June 30, 2000, the Company discarded fully depreciated equipment with a cost and accumulated depreciation of $112,829.

During the year ended June 30, 2000, the Company abandoned leasehold improvements with a cost of $13,317 and accumulated depreciation of $12,162.

See accompanying notes to consolidated financial statements.

SPORTS ARENAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2001, 2000 AND 1999

1. Summary of significant accounting policies and practices:

Description of business- The Company, primarily through its subsidiaries, owns and operates two bowling centers (one of which was closed in December 2000), an apartment project (50% owned), one office building (sold in December 2000), a graphite golf club shaft manufacturer, and undeveloped land (sold in June 2001). 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, 2001 and 2000.

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 - Depreciation and amortization are provided on the straight-line method based on the estimated useful lives of the related assets, which are 20 years for the buildings and range from 3 to 15 years for the other assets.

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 is being amortized over the

remaining useful lives of the buildings and the amortization is included in the Company's depreciation and amortization expense.

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 being 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 - SFAS No. 121,"Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" requires that long-lived assets and certain identifiable intangibles 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 (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.

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, cash equivalents, other 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.

Loss per share- Basic earnings per share is computed by dividing earnings (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, 2001.

Reclassification- Certain 2000 and 1999 amounts have been reclassified to conform to the presentation used in 2001.

2. Inventories:

Inventories consist of the following:

	2001	2000
Raw materials	$ 145,013	$ 105,552
Work in process	200,192	107,317
Finished goods	297,906	118,437
	643,111	331,306
Less valuation allowance	(58,000)	(26,400)
	$ 585,111	$ 304,906

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 $28,926, $38,450, and $40,990 in 2001, 2000, and 1999, respectively. The loans bear interest at 8 percent per annum and are due in annual installments of interest plus principal payments of $50,000 due on December 31 of each year until maturity. The balance is due on January 1, 2002.

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 balance of the loans remained below $390,000. As of June 30, 2001, $4,339 of interest accrued on the loans was unrecorded.

(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 (8.25 percent at June 30, 2001) 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. The Company recorded interest income from this note of $104,286 in 1999.

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 $620,007 as of June 30, 2001 ($359,797 as of June 30, 2000).

4. Undeveloped land:

(a) In August 1984, the Company acquired approximately 500 acres of undeveloped land in Lake of Ozarks, Missouri from an entity controlled by Harold S. Elkan (Elkan). The purchase price approximated the affiliate's original purchase price. On September 7, 1999, the Company sold the land for cash of $215,000, less selling expenses of $24,638. As a result of the sale, the Company recorded a provision for impairment loss as of June 30, 1999 of $90,629 to reduce the carrying value to the net sales proceeds realized.

(b) RCSA Holdings, Inc. (RCSA), a wholly owned subsidiary of the Company, owns a 50 percent managing general partnership interest in Old Vail Partners, a general partnership (OVPGP), which owned 33 acres of undeveloped land in Temecula, California. On September 23, 1999, the other partner assigned his partnership interest to Downtown Properties, Inc., a wholly owned subsidiary of the Company (see Note 6c). This land was sold on June 1, 2001.

The carrying value of the property consisted of the following as of June 30, 2000:

Acres	33
Acquisition cost	$ 2,142,789
Capitalized assessment district costs	1,434,315
Other development planning costs	333,214
	3,910,318
Provision for impairment loss	(2,409,000)
	$ 1,501,318

The 33 acres of land owned by OVPGP was located within a special assessment district of the County of Riverside, California (the County) which was created to fund and develop roadways, sewers, and other required infrastructure improvements in the area necessary for the owners to develop their properties. Property within the assessment district is collateral for an allocated portion of the bonded debt that was issued by the assessment district to fund the improvements. The annual payments (required in semiannual installments) due related to the

bonded debt are approximately $144,000. The payments continue through the year 2014 and include interest at approximately 7-3/4 percent. OVPGP had been delinquent in the payment of property taxes and assessments for over the last eight years. As of June 30, 2000 the property had been subject to default judgments to the County of Riverside, California totaling approximately $2,132,421 regarding delinquent assessment district payments ($1,776,243) and property taxes ($356,178).

The County had scheduled the 33 acres for public sale for the defaulted property taxes on September 27, 1999. OVPGP had unsuccessfully attempted to negotiate a payment plan with the County subject to the successful

resolution of the zoning problems with the property described below. On September 23, 1999 OVPGP filed a petition for relief under Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court. The primary claim affected by this action was the County's secured claim for delinquent taxes and assessment district payments. OVPGP's plan was to use the relief from stay to continue its efforts to negotiate a settlement of the zoning issues described below, and restore the economic value of the property. The bankruptcy proceeding was dismissed on February 15, 2000 with the concurrence of OVPGP. This dismissal allowed the County of Riverside to proceed with a public sale of the property within 45 days after giving notice. On June 23, 2000, the County of Riverside agreed to remove the property from the planned public sale originally scheduled for June 26, 2000 in exchange for an immediate payment of $330,000 with the balance of property taxes due on December 29, 2000. Separately, the County of Riverside stated that a foreclosure sale related to the default judgement for assessment district payments would not be scheduled until some time after January 1, 2001. On January 19, 2001, the County of Riverside agreed to extend the due date to March 30, 2001 with three options to extend the due date to August 1, 2001. Each extension option requires a payment of $25,000. Payments were made to extend the agreement to May 31, 2001.

As a result of the County's judgements for defaulted taxes the Company recorded a $2,409,000 provision for impairment loss during the year ended June 30, 1997 to reduce the carrying value on the 33-acre parcel to its estimated fair market value related to the City of Temecula's effective down-zoning of the property. The estimated fair market value was determined based on cash flow projections and comparable sales.

The following is summarized balance sheet information of OVPGP included in the Company's consolidated balance sheet as of June 30, 2001 and 2000:

	2001	2000
Assets:		
Undeveloped land........................	--	$1,501,318
Liabilities:		
Assessment district obligation-in default	--	2,831,180
Accrued property taxes	--	356,178

The delinquent principal, interest and penalties ($1,776,243) and the remaining principal balance of the allocated portion of the assessment district bonds ($1,054,937) were classified as "Assessment district obligation- in default" in the consolidated balance sheet at June 30, 2000. In addition, accrued property taxes in the balance sheet at June 30, 2000 includes $356,178 of delinquent property taxes and late fees related to the 33-acre parcel.

In November 1993, the City of Temecula adopted a general development plan that designated the property owned by OVPGP as suitable for "professional office" use, which is contrary to its zoning as "commercial" use. As part of the adoption of its general development plan, the City of Temecula adopted a provision that, until the zoning is changed on properties affected by the general plan, the general plan shall prevail when a use designated by the general plan conflicts with the existing zoning on the property. The result was that the City of Temecula had effectively down-zoned OVPGP's property from a "commercial" to "professional office" use. The property was subject to assessment district obligations that were allocated in 1989 based on a higher "commercial" use. Since the assessment district obligations were not subject to reapportionment as a result of re-zoning, a "professional office" use was not economically feasible due to the disproportionately high allocation of assessment district costs. OVPGP filed suit against the City of Temecula claiming that, if the effective re-zoning was valid, the action was a taking and damaging of OVPGP's property without payment of just compensation. OVPGP was seeking to have the effective re-zoning invalidated and an unspecified amount of damages. A stipulation was entered that dismissed this suit without prejudice and agreed to toll all applicable statute of limitations while OVPGP and the City of Temecula attempted to informally resolve this litigation. On October 23, 2000, the City of Temecula's city council granted preliminary approval of OVPGP's request for re-zoning and general plan amendment related to a development plan which includes a combination of multi-family and commercial uses. On November 28, 2000 the re-zoning and general plan amendment requested by OVPGP were adopted by the City of Temecula and OVPGP abandoned its legal claims against the City of Temecula.

On June 1, 2001, the Company sold the 33 acres to an unrelated developer for $6,375,000 cash plus assumption of the non-delinquent balance of the assessment district obligation ($1,001,274) and 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 following is a summary of the results from operations of the development activities related to this undeveloped land included in the financial statements:

	2001	2000
Development costs	157,000	226,000
Allocated SG&A	20,000	20,000
Loss from operations	(177,000)	(246,000)
Interest expense- development .	235,000	266,000
Loss from continuing operations	(412,000)	(512,000)

5. Intangible assets:

Intangible assets consisted of the following as of June 30, 2001 and 2000:

	2001	2000

Deferred lease costs:		
Subleasehold interest	$ 111,674	$ 111,674
Less accumulated amortization	(35,585)	(33,689)
Lease inception fee	232,995	232,995
Less accumulated amortization	(158,427)	(121,143)
	150,657	189,837
Deferred loan costs	--	82,598
Less accumulated amortization	--	(26,312)
	--	56,286
	$ 150,657	$ 246,123

(a) The Company is 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. The Company is amortizing the capitalized carrying costs over the period of the subleases on the straight-line method. The future minimum rental payments payable by the Company to the lessor on the lease are approximately $162,000 per year for the remaining term of 42 years (aggregate of $6,804,000). The Company is obligated to pay the greater of a base rent (currently $162,000), adjusted every five years based on an increase in a consumer price index, or 85 percent of the minimum rent due from the sublessees. The minimum rent had been $81,000 annually until October 1, 1998. The future minimum rents due to the Company from the sublessees are approximately $164,000 per year for the remaining term of 42 years (aggregate of approximately $6,888,000). The subleases provide for increases every five years based on increases in a consumer price index.

(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 is being amortized over the then remaining lease term of 75 months.

6. Investments:

(a) Investments consist of the following:

	2001	2000
Accounted for on the equity method:		
Investment in UCV, L.P.	$(15,792,373)	$(14,498,208)
Vail Ranch Limited Partnership	405,446	564,446
	(15,386,927)	(13,933,762)
Less Investment in UCV, L.P. .... classified as liability- Distributions received in excess of basis in investment	15,792,373	14,498,208
	405,446	564,446
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	$ 405,446	$ 564,446

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The following is a summary of the equity in income (loss) (before extraordinary losses of $200,722 and $98,500 related to UCV, L.P. during the years ended June 30, 2001 and 1999, respectively):

	2001	2000	1999
UCV, L.P.	$ 318,977	$ 437,420	$516,713
Vail Ranch Limited Partnership	(159,000)	(59,800)	55,080
	$ 159,977	$ 377,620	$571,793

(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 owns University City Village, a 542 unit apartment project in San Diego, California. The following is summarized financial information of UCV as of and for the years ended March 31 (UCV's fiscal year end):

	2001	2000	1999
Total assets	5,109,000	$ 3,013,000	$ 2,556,000
Total liabilities	33,480,000	29,630,000	25,511,000
Revenues	5,085,000	4,824,000	4,622,000
Operating and general and administrative costs	1,611,000	1,658,000	1,510,000
Depreciation	19,000	26,000	29,000
Interest and amortization of loan costs	2,797,000	2,265,000	2,049,000
Other expenses	20,000	--	--
Extraordinary loss from early debt extinguishment	401,000	--	197,000
Net income	237,000	875,000	837,000

The apartment project is managed by the Company, which recognized management fee income of $130,957, $123,966, and $117,253 in the twelve-month periods ended June 30, 2001, 2000, and 1999, respectively. In addition, pursuant to a development fee agreement with UCV dated July 1, 1998, the Company received development fees totaling $96,000 each in the years ended June 30, 2001, 2000 and 1999, of which $48,000 in each year was recorded as deferred income.

A reconciliation of distributions received in excess of basis in UCV as of June 30 is as follows:

	2001	2000
Balance, beginning	$ 14,498,208	$ 12,688,808
Equity in income, net ...	(118,255)	(437,420)
Cash distributions	1,559,000	2,193,400
Cash contributions	(200,000)	--
Amortization of purchase price in excess of equity in net assets	53,420	53,420
Balance, ending	$ 15,792,373	$ 14,498,208

(c) Investment in Old Vail Partners and Vail Ranch Limited Partnership (real estate development segment):

RCSA and OVGP, Inc. (OVGP), 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). 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 $1,360,000 has been paid through June 30, 2001 ($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 in Note 4b 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.

VRLP is a partnership formed in September 1994 between OVP 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.

The Company recorded a provision for impairment loss of $480,000 in June 1998 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 as of June 30, 1998.

As a result of the sale of the property in January 1998, OVP received distributions totaling $1,772,511 in the year ended June 30, 1998. OVP received additional distributions totaling $646,171 in 1999 related to the distribution VRLP received from the limited liability company and miscellaneous property tax refunds. Hereafter, VRLP's partnership agreement provides for OVP to receive 60 percent of future distributions, income and loss.

The following is summarized financial information of VRLP as of June 30, 2001 and 2000 and for the years then ended:

	2001	2000
Assets:		
Investment in Temecula Creek .	$ 558,000	$ 822,000
Other assets	10,000	14,000
Total assets	568,000	836,000
Total liabilities	14,000	17,000
Partners' capital	554,000	819,000
Revenues	--	10,000

Equity in loss of Temecula Creek	(264,000)	(39,000)
Net income (loss)	(265,000)	(86,000)

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

	2000	2000
Balance, beginning	$ 564,446	$ 580,927
Contributions	--	43,319
Equity in net income (loss)	(159,000)	(59,800)
Balance, ending	$ 405,446	$ 564,446

(d) Other investment:

The Company owns 6 percent limited partnership interests 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 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.

7. Long-term and short-term debt:

(a) Long-term debt consists of the following:

	2001	2000
8.15% note payable collateralized by first trust deed on land and office building. Loan assumed by buyer of office building in December 2000.....................	$ --	$1,957,592
10-3/4% note payable collateralized by partnership interest in Old Vail Partners (OVP), principal is due in monthly payments of $6,458 plus interest at a variable rate (prime plus 1-1/2 points) adjusted monthly. The loan is guaranteed by Harold S. Elkan. The balance is due July 2001..............................	6,458	83,960
8% note payable collateralized by real estate and equipment at Valley Bowling Center. Paid in December 2000 upon sale of bowling center building......................	--	1,680,920
10-1/2% note payable collateralized by of		

manufacturing equipment, due in monthly installments of $8,225, including principal and interest. Balance paid May 2001..........	--	79,138
Other..	39,484	39,559
	45,942	3,841,169
Less current maturities	(32,000)	(1,874,000)
	$ 13,942	$1,967,169

Property and equipment held as collateral for the notes are carried at historical cost less valuation adjustments.

On May 11, 1999 the Company used the proceeds of a $1,975,000 loan to payoff an existing note payable of $1,147,560. The prepayment of the existing note resulted in a prepayment penalty of $45,977 and the write-off of unamortized loan fees of $33,020, both of which were charged to extraordinary loss from early extinguishment of debt.

The principal payments due on notes payable during the next five fiscal years are as follows: $32,000 in 2002, $8,000 in 2003, and $6,000 in 2004.

(b) In November 1997, the Company entered into a short-term loan agreement with Loma Palisades, Ltd. (Loma), an affiliate of the Company's partner in UCV, whereby Loma would lend the Company up to $800,000. The loan bore interest at "Wall Street" prime rate plus 1 percent on the amounts

drawn. Interest was payable monthly, the principal was due within 30 days of demand and the agreement expired in May 1998. During the year ended June 30, 1998, the Company borrowed $400,000, which was paid in January and May 1998. The Company's borrowings from this short term loan averaged $115,000 during the year ended June 30, 1998.

(c) On August 24, 1999 and September 25, 1999 the Company borrowed a total of $550,000 from the Company's partner in UCV on an unsecured note payable. Payments of interest only were due monthly at a base rate plus 1 percent (9-1/4% at September 25, 1999). The loan plus interest of $4,562 was paid on October 14, 1999.

(d) The Company borrowed a total of $2,550,000 ($1,350,000 and $1,200,000 in the years ended June 30, 2000 and 2001, respectively) from the Company's partner in UCV (Lender) of which $1,300,000 was paid during 2001. The loans are unsecured, due on demand and bear interest at monthly at a base rate plus 1 percent (7.75% at June 30, 2001). 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's also agreed to provide the Lender with an ownership interest in Penley Sports that would provide the Lender with a 10 percent interest in profits and distributions.

8. Commitments and contingencies:

(a) The Company leases its bowling center (Grove) under an operating lease.

The lease agreement for the Grove bowling center provides for approximate annual minimum rentals in addition to taxes, insurance, and maintenance as follows: $360,000 for each of the years 2002 through 2003 and $720,000 in the aggregate. This lease expires in June 2003 and contains three 5-year options at rates increased by 10-15 percent over the last rate in the expiring term of the lease. This lease also provides for additional rent based on a percentage of gross revenues, however, Grove has not yet exceeded the minimum amount of gross revenue. Rental expense for Grove bowling center was $360,000 in 2001, 2000 and 1999.

The Company also 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: 2002- $227,000, 2003- $234,000, 2004- $241,000, 2005- $247,000, 2006- $247,000, thereafter- $924,000. 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. The Company had previously leased facilities for its golf club shaft manufacturing plant pursuant to an operating lease that expired June 30, 2000. Rental expense for the manufacturing facilities was $220,688 in 2001, $112,252 in 2000, of which $66,760 related to the old plant, and $53,834 in 1999.

The Company has subleased a portion of the golf club shaft manufacturing plant. The sublease commenced November 1, 2000 and continues through October 31, 2002. Rental income from this sublease was $46,400 in the year ended June 30, 2001. The sublease calls for fixed annual minimum rentals in addition to taxes, insurance and maintenance for each of the years ending June 30 as follows: 2002- $59,000 and 2003- $20,000.

(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 time of termination plus $50,000. As of June 30, 2001, his annual salary was $350,000.

(c) 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 will have a material adverse affect on the Company's financial position.

9. Income taxes

During the years ended June 30, 2001, 2000 and 1999, the Company has not recorded any income tax expense or benefit due to its utilization of prior loss carryforward and the uncertainty of the future realizability of deferred tax assets.

At June 30, 2001, the Company had net operating loss carry-forwards of

$10,866,000 for federal income tax purposes. The carryforwards expire from years 2002 to 2020. Deferred tax assets are primarily related to these net operating loss carryforwards and certain other temporary differences. Due to the uncertainty of the future realizability of deferred tax assets, a valuation allowance has been recorded for deferred tax assets to the extent they will not be offset by the reversal of future taxable differences. Accordingly, there are no net deferred taxes at June 30, 2001 and 2000.

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

	2001	2000	1999
Expected federal income tax expense (benefit)	$ 1,157,000	$(1,233,000)	$(1,251,000)
Increase (decrease) in valuation allowance	(1,312,000)	(121,000)	1,199,000
Expiration of net operating loss carryforward	150,000	1,340,000	--
Other	5,000	14,000	52,000
Provision for income tax expense	$ --	$ --	$ --

The following is a schedule of the significant components of the Company's deferred tax assets and deferred tax liabilities as of June 30, 2001 and 2000:

	2001	2000
Federal deferred tax assets (liabilities):		
Net operating loss carryforwards	$ 3,694,000	$ 3,653,000
Accumulated depreciation and amortization	222,000	468,000
Valuation allowance for impairment losses	683,000	1,366,000
Other	31,000	455,000
Total net federal deferred tax assets	4,630,000	5,942,000
Less valuation allowance	(4,630,000)	(5,942,000)
Net federal deferred tax assets	$ --	$ --

10. 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 is 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 (see Note 5).

The following is a schedule of the Company's rental property included in property and equipment as of June 30, 2000:

Land	$ 258,000
Building	773,393
Tenant improvements	140,306
	1,171,699
Accumulated depreciation	(424,821)

$ 746,878
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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 has 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: $68,000- 2002; $70,000- 2003; $72,000- 2004; $75,000- 2005; $77,000- 2006; $443,000 thereafter and $805,000 in the aggregate.

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

	2001	2000	1999
Rents	$243,000	$477,000	$424,000
Costs	54,000	112,000	138,000
Allocated SG&A	13,000	26,000	21,000
Depreciation	16,000	80,000	79,000
Income from operations	160,000	259,000	186,000
Interest expense	81,000	167,000	137,000
Income from continuing operations	79,000	92,000	49,000

11. Business segment information:

The Company operates principally in four business segments: bowling centers, commercial real estate rental, real estate development, and golf club shaft manufacturing. The golf club shaft manufacturing segment commenced in January 1997 when the Company acquired a small golf club shaft manufacturer. 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.

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

	Bowling	Real Estate Operation	Real Estate Development	Golf
YEAR ENDED JUNE 30, 2001				
Revenues	$ 2,209,585	$ 477,620	$ --	$ 1,527,117
Depreciation and amortization	37,108	71,099	--	149,558
Interest expense	91,117	98,750	235,208	4,048
Equity in income of investees	--	318,977	(159,000)	--
Gain on sale of assets	482,487	2,764,483	5,544,743	--
Segment profit (loss)	140,519	3,113,796	4,973,847	(2,753,777)
Investment income	--	--	--	--
Income (loss) -continuing .... operations	--	--	--	--
Segment assets	217,610	118,785	840,867	2,106,825
Expenditures for segment assets	30,839	--	30,755	433,043
YEAR ENDED JUNE 30, 2000				
Revenues	$ 2,578,455	$ 709,182	$ --	$ 1,119,457
Depreciation and amortization	104,211	135,405	--	97,452
Impairment losses	--	--	--	--
Interest expense	141,777	166,528	267,022	13,473
Equity in income of investees	--	437,420	(59,800)	--
Segment profit (loss)	(463,375)	514,327	(572,501)	(2,750,612)
Investment income	--	--	--	--
Loss from continuing operations	--	--	--	--
Segment assets	1,846,575	986,767	2,066,888	1,448,947
Expenditures for segment assets	20,146	1,948	109,850	294,386
YEAR ENDED JUNE 30, 1999				
Revenues	$2,663,865	$ 632,705	$ --	$ 383,803
Depreciation and amortization	108,708	134,570	--	86,103
Impairment losses	--	--	90,629	--
Interest expense	148,106	137,091	251,973	22,013
Equity in income of investees	--	516,713	55,080	--
Segment profit (loss)	(268,730)	582,747	(495,540)	(2,673,049)
Investment income	--	--	--	--
Loss from continuing operations	--	--	--	--
Segment assets	1,997,376	1,054,729	2,644,111	1,157,089
Expenditures for segment assets	38,960	2,383	7,454	96,271

	2001	2000	1999
Revenues per segment schedule	$ 4,525,721	$ 4,788,731	$ 4,018,622

Intercompany rent eliminated	(32,985)	(64,296)	(61,611)
Consolidated revenues	$ 4,492,736	$ 4,724,435	$ 3,957,011

12. Significant Event:

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 center included in the financial statements:

	2001	2000	1999
Revenues	$ 439,000	$ 1,064,000	$ 1,155,000
Costs	320,000	701,000	724,000
Direct SG&A	77,000	188,000	199,000
Allocated SG&A	33,000	89,000	94,000
Depreciation	26,000	93,000	92,000
	(17,000)	(7,000)	46,000
Interest expense	91,000	142,000	148,000
Income (loss) from continuing operations	(108,000)	(149,000)	(102,000)

13. 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:

	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)	--	--

14. Liquidity:

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has suffered recurring losses, has a working capital deficiency, and is forecasting negative cash flows for the next twelve months. These items raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent

on either refinancing or selling certain real estate assets or increases in the sales volume of Penley.

15. Quarterly financial data (unaudited):

The following summarizes the condensed quarterly financial information for the Company:

	QUARTERS ENDED 2001			
	September 30	December 31	March 31	June 30
Revenue	$1,143,386	$1,111,879	$1,075,900	$1,161,5
Total costs and expenses	2,043,891	2,098,885	2,064,240	1,728,9
Gain on sale	--	3,246,970	--	5,544,7
Other income & expense, net	(158,222)	(150,023)	(42,575)	(82,0
Minority interest	--	--	--	(1,312,4
Income (loss) before extraordinary items	(1,058,727)	2,109,941	(1,030,915)	3,582,9
Basic and diluted net income (loss) per common share from:				
Continuing operations	(.04)	.08	(.04)	.13
Net income (loss)	(.04)	.08	(.04)	.12

	QUARTERS ENDED 2000			
	September 30	December 31	March 31	June 3
Revenue	$ 931,613	$1,000,490	$1,418,100	$1,374,2
Total costs and expenses	1,831,993	1,927,187	2,164,766	2,224,9
Other income & expense, net	(819)	(39,306)	(90,353)	(70,0
Income (loss) before extraordinary items	(901,199)	(966,003)	(837,019)	(920,8
Basic and diluted net income (loss) per common share from:				
Continuing operations	(.03)	(.04)	(.03)	(.03)
Net income (loss)	(.03)	(.04)	(.03)	(.03)

Certain 2001 and 2000 amounts have been reclassified to conform to the presentation used in these financial statements.

INDEPENDENT AUDITORS' REPORT

To 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, 2001 and 2000, and the related consolidated statements of operations, shareholders' deficit and cash flows for each of the years in the three-year period ended June 30, 2001. 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, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2001, in conformity with accounting principles generally accepted in the United States of America.

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

KPMG LLP

San Diego, California
September 7, 2001

SPORTS ARENAS, INC.
[A DELAWARE CORPORATION]

CORPORATE INFORMATION

Corporate Offices	7415 Carroll Road, Suite C San Diego, California 92121
Directors	Harold S. Elkan Steven R. Whitman James E. Crowley Robert A. MacNamara Patrick D. Reiley
Officers	Harold S. Elkan, President Steven R. Whitman, Chief Financial Officer; Secretary
Legal Counsel	Olmstead, Cramer and Pizzuto A law corporation 401 West A Street, Suite 2300 San Diego, California 92101
Auditors	KPMG LLP 750 B Street San Diego, California 92101

PROXY FOR 2001 ANNUAL MEETING OF
THE SHAREHOLDERS OF SPORTS ARENAS, INC.

The undersigned shareholder of Sports Arenas, Inc. hereby appoints Harold S. Elkan and Steven R. Whitman or any one of them (with full power to act alone and to designate substitutes) Proxies of the undersigned with authority to vote and otherwise represent all of the shares of the undersigned at the Annual Meeting of Shareholders to be held on December 21, 2001,or an adjourned meeting thereof, with all of the powers the undersigned would possess if personally present, upon matters noted below, and upon such other matters as may properly come before the meeting. All matters intended to be acted upon have been proposed by the Board of Directors. This Proxy confers authority to vote "FOR" each proposition unless otherwise indicated.

(1) To elect as Directors and nominees listed below:
Harold S. Elkan   Patrick Reiley

Steven R. Whitman James E. Crowley
Robert A. MacNamara

[ ] WITHHOLD AUTHORITY to vote for all nominees listed above
[ ] FOR all nominees listed above, except as marked to the contrary

Note: To withhold authority to vote for an individual nominee, strike a line through the nominee's name.

(2) In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

For [ ] Against [ ] Abstain [ ]

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF SPORTS ARENAS, INC. AND MAY BE REVOKED PRIOR TO ITS EXERCISE.

(Continued from other side)

Dated:___________ ______________________________________
Signature

____
Signature

____
Signature

Please sign exactly as your name appears on your stock certificate(s). Joint owners of the shares must each sign. Persons holding shares for the benefit of others (fiduciaries) should indicate their titles. Please sign, date and mail this Proxy in the enclosed envelope.