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SPORTS ARENAS INC
Form 10-Q
November 14, 2001

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2001

OR

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

For the transition period from _____ to _____

Commission File Number 0-2380

SPORTS ARENAS, INC.

(Exact name of registrant as specified in its charter)

Delaware 13-1944249

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

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

(Address of principal executive offices) (Zip Code)

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

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

The number of shares outstanding of the issuer's only class of common stock (\$.01 par value) as of October 31, 2001 was 27,250,000 shares.

SPORTS ARENAS, INC.

FORM 10-Q

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QUARTER ENDED SEPTEMBER 30, 2001

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SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS
(Unaudited)

	September 30, 2001	June 30, 2001
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 163,334	\$ 515,204
Receivables	212,920	324,912
Inventories	564,105	585,111
Prepaid expenses	80,203	61,365
	-----	-----
Total current assets	1,020,562	1,486,592
	-----	-----
Receivables due after one year:		
Note receivable- affiliate, net	--	--

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	-----	-----
Property and equipment, at cost:		
Equipment and leasehold improvements	2,345,406	2,345,406
Less accumulated depreciation and amortization	(1,118,460)	(1,060,626)
	-----	-----
Net property and equipment	1,226,946	1,284,780
	-----	-----
Other assets:		
Intangible assets, net	140,862	150,657
Investments	352,446	405,446
Other	120,999	120,999
	-----	-----
	614,307	677,102
	-----	-----
	\$ 2,861,815	\$ 3,448,474
	=====	=====

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

LIABILITIES AND SHAREHOLDERS' DEFICIT
(Unaudited)

	September 30,	June 30,
	2001	2001
	-----	-----
Current liabilities:		
Notes payable-short term	\$ 1,250,000	\$ 1,250,000
Current portion of long-term debt	22,000	32,000
Accounts payable	640,183	708,307
Accrued payroll and related expenses	225,908	195,367
Accrued interest	227,439	203,578
Other liabilities	204,851	183,466
	-----	-----
Total current liabilities	2,570,381	2,572,718
	-----	-----
Long-term debt, excluding current portion	11,182	13,942
	-----	-----
Distributions received in excess of basis in investment	15,931,529	15,792,373
	-----	-----
Other liabilities	156,000	144,000
	-----	-----

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Minority interest in consolidated subsidiary	827,677	852,677
	-----	-----
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	(16,346,011)	(15,638,293)
	-----	-----
	(14,343,462)	(13,635,744)
Less note receivable from shareholder	(2,291,492)	(2,291,492)
	-----	-----
Total shareholders' deficit	(16,634,954)	(15,927,236)
	-----	-----
Commitments and contingencies (Note 5)		
	\$ 2,861,815	\$ 3,448,474
	=====	=====

See accompanying notes to consolidated condensed financial statements.

SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(Unaudited)

	2001	2000
	-----	-----
Revenues:		
Bowling	\$ 383,821	\$ 608,911
Rental	58,859	168,833
Golf	444,223	287,009
Other	38,139	34,282
Other-related party	46,069	44,351
	-----	-----
	971,111	1,143,386
	-----	-----
Costs and expenses:		
Bowling	346,919	533,377
Rental	58,710	69,283
Golf	499,069	552,597
Development	--	41,280
Selling, general, and administrative	652,763	748,238
Depreciation and amortization	71,663	99,116
	-----	-----
	1,629,124	2,043,891

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	-----	-----
Loss from operations	(658,013)	(900,505)
	-----	-----
Other income (charges):		
Investment income:		
Related party	6,771	--
Other	1,807	--
Interest expense:		
Development activities	--	(83,394)
Other and amortization of finance costs	(24,982)	(129,990)
Equity in income (loss) of investees	(33,301)	55,162
	-----	-----
	(49,705)	(158,222)
	-----	-----
Net loss	\$ (707,718)	\$ (1,058,727)
	=====	=====
Basic and diluted net loss per common share (based on 27,250,000 weighted average common shares outstanding)	\$ (0.03)	\$ (0.04)
	=====	=====

See accompanying notes to consolidated condensed financial statements.

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SPORTS ARENAS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(Unaudited)

	2001	2000
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (707,718)	\$ (1,058,727)
Adjustments to reconcile net loss to the net cash used by operating activities:		
Amortization of deferred financing costs	--	2,280
Depreciation and amortization	71,663	99,116
Equity in (income) loss of investees	33,301	(55,162)
Deferred income	12,000	12,000
Interest accrued on assessment district obligations	--	83,394
Changes in assets and liabilities:		
Decrease in receivables	111,992	81,315
Decrease in inventories	21,006	27,973
Increase in prepaid expenses	(18,838)	(41,169)

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Increase (decrease) in accounts payable	(68,124)	141,018
Increase in accrued expenses	75,787	97,257
Other	9,321	8,997
	-----	-----
Net cash used by operating activities	(459,610)	(601,708)
	-----	-----
 Cash flows from investing activities:		
Decrease in notes receivable	--	71,079
Capital expenditures	--	(167,767)
Increase in development costs on undeveloped land	--	(5,734)
Distribution to holders of minority interest	(25,000)	--
Distributions from investees	145,500	84,000
	-----	-----
Net cash provided (used) by investing activities	120,500	(18,422)
	-----	-----
 Cash flows from financing activities:		
Scheduled principal payments on long-term debt ...	(12,760)	(70,804)
Proceeds from note payable	--	700,000
	-----	-----
Net cash provided (used) by financing activities	(12,760)	629,196
	-----	-----
 Net increase (decrease) in cash and cash equivalents		
	(351,870)	9,066
Cash and cash equivalents, beginning of period	515,204	13,961
	-----	-----
Cash and cash equivalents, end of period	\$ 163,334	\$ 23,027
	=====	=====

See accompanying notes to consolidated condensed financial statements.

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SPORTS ARENAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 AND 2000 (Unaudited)

1. The information furnished reflects all adjustments which management believes are necessary to a fair statement of the Company's financial position, results of operations and cash flows for the interim periods.
2. Certain prior period amounts have been reclassified to conform to the presentation used in the current period.
3. Due to the seasonal fluctuations of the bowling and golf club shaft manufacturing operations, the financial results for the interim periods ended September 30, 2001 and 2000, are not necessarily indicative of operations for the entire year.
4. Investments:

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(a) Investments consist of the following:

	September 30, 2001	June 30, 2001
	-----	-----
Vail Ranch Limited Partnership (equity method)	\$ 352,446	\$ 405,446
	=====	=====
Investment in UCV, L.P. classified as liability- Distributions received in excess of basis in investment	\$15,931,529	\$15,792,373
	=====	=====

The following is a summary of the equity in income (loss) of the investments accounted for by the equity method:

	2001	2000
	-----	-----
UCV, L.P.	\$ 19,699	\$ 70,162
Vail Ranch Limited Partnership	(53,000)	(15,000)
	-----	-----
	\$ (33,301)	\$ 55,162
	=====	=====

The following is a summary of distributions received from investees:

	2001	2000
	-----	-----
UCV, L.P.	\$145,500	\$ 84,000
Vail Ranch Limited Partnership	--	--
	-----	-----
	\$145,500	\$ 84,000
	=====	=====

(b) Investment in UCV, L.P.

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

	2001	2000
	-----	-----
Revenues	\$1,329,000	\$1,235,000
Operating and general and administrative costs	418,000	407,000
Depreciation	3,000	5,000
Interest expense	868,000	683,000
Net income	40,000	140,000

5. Contingencies:

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

6. Business segment information:

The Company operates principally in four business segments: bowling centers, commercial real estate rental, real estate development, and golf club shaft

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manufacturing. Other revenues, which are not part of an identified segment, consist of property management and development fees (earned from both a property 50 percent owned by the Company and a property in which the Company has no ownership) and commercial brokerage.

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

	Bowling	Real Estate Rental	Real Estate Development	Golf	Unal An
THREE MONTHS ENDED SEPTEMBER 30, 2001:					
Revenues	\$ 383,821	\$ 58,859	\$ --	\$ 444,223	\$
Depreciation and amortization...	2,490	13,829	--	42,774	
Interest expense	--	--	--	--	
Equity in income of investees ..	--	19,699	(53,000)	--	
Segment profit (loss)	(53,573)	6,019	(58,000)	(465,254)	
Investment income					
Loss from operations					
THREE MONTHS ENDED SEPTEMBER 30, 2000:					
Revenues	\$ 608,911	\$ 185,081	\$ --	\$ 287,009	\$
Depreciation and amortization...	25,842	29,612	--	33,585	
Interest expense	37,417	41,423	83,394	2,019	
Equity in income of investees ..	--	70,162	(15,000)	--	
Loss on sale	--	--	--	--	
Segment profit (loss)	(155,380)	108,925	(144,674)	(742,411)	
Investment income					
Loss from operations					
	2001	2000			
Revenues per segment schedule ..	\$ 971,111	\$ 1,159,634			
Intercompany rent eliminated ...	--	(16,248)			
Consolidated revenues	\$ 971,111	\$ 1,143,386			
	=====	=====			

7. Liquidity

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

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS:
-----LIQUIDITY AND CAPITAL RESOURCES

The Company has a working capital deficit of \$1,549,819 at September 30, 2001, which is a \$463,693 increase from the working capital deficit of \$1,086,126 at June 30, 2001. The increase in working capital deficit is primarily attributable to the cash used by operating activities for the three months ended September 30, 2001. The following is a schedule of the cash provided (used) before changes in assets and liabilities, segregated by business segments:

	2001	2000	Change
	-----	-----	-----
Bowling	\$ (51,000)	\$ (129,000)	\$ 78,000
Rental	--	70,000	(70,000)
Golf	(423,000)	(709,000)	286,000
Development	(5,000)	(46,000)	41,000
General corporate expense and other	(112,000)	(103,000)	(9,000)
	-----	-----	-----
Cash used by continuing operations	(591,000)	(917,000)	326,000
Capital expenditures, net of financing	--	(174,000)	174,000
Principal payments on long-term debt	(13,000)	(71,000)	58,000
	-----	-----	-----
Cash used	(604,000)	(1,162,000)	558,000
	=====	=====	=====
Distributions received from investees	146,000	84,000	62,000
	=====	=====	=====

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 refinancings and sales of assets to fund these deficits.

Management estimates negative cash flow of \$900,000 to \$1,000,000 in total for the remaining quarters of the year ending June 30, 2002 from operating activities after deducting capital expenditures and principal payments on notes payable. 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 refinancing the long-term debt of UCV or 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

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In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards ("SFAS") SFAS No. 143, Accounting for Asset Retirement Obligations. 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 has not yet assessed the impact of SFAS No. 143.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which supersedes both SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions (Opinion 30), for the disposal of a segment of a business (as previously defined in that Opinion). SFAS 144 retains the fundamental provisions in SFAS 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with SFAS 121. The provisions of SFAS No. 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001.

Management does not expect the adoption of SFAS 144 for long-lived assets held for use to have a material impact on the Company's financial statements because

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the impairment assessment under SFAS 144 is largely unchanged from SFAS 121. The provisions of the Statement for assets held for sale or other disposal generally are required to be applied prospectively after the adoption date to newly initiated disposal activities. Therefore, management cannot determine the potential effects that adoption of SFAS 144 will have on the Company's financial statements.

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

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

RESULTS OF OPERATIONS

The following is a summary of the changes in the results of operations of the three-month period ended September 30, 2001 to the same period in 2000 and a discussion of the significant changes:

Rental Real Estate

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	Bowling	Operation	Development	Golf	And O
	-----	-----	-----	-----	-----
Revenues	\$ (225,090)	\$ (126,222)	\$ --	\$ 157,214	\$ 5
Costs	(186,458)	(10,573)	(41,280)	(53,528)	
SG&A-direct	(57,040)	--	--	(72,585)	17
SG&A-allocated	(22,630)	(6,000)	--	(1,000)	29
Depreciation and amortization ...	(23,352)	(15,783)	--	9,189	2
Interest expense	(37,417)	(41,423)	(83,394)	(2,019)	(24
Equity in investees	--	(50,463)	(38,000)	--	
Segment profit (loss)	101,807	(102,906)	86,674	277,157	(20
Investment income					
Loss from operations					

Note: The change in rental revenues and SG&A expenses do not include the effect of the net change in elimination of intercompany rent of \$16,248.

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		
	Grove	Valley	Combined
	-----	-----	-----
Revenues	\$ (4,802)	\$ (220,288)	\$ (225,090)
Costs	(15,578)	(170,880)	(186,458)
SG&A-direct	(11,578)	(45,462)	(57,040)
SG&A-allocated	(5,930)	(16,700)	(22,630)
Depreciation and amortization	--	(23,352)	(23,352)
Interest expense	--	(37,417)	(37,417)
Segment profit (loss)	28,284	73,523	101,807

The following is a comparison of the operations of the Grove Bowl to the prior year. Bowl revenues decreased by 1% primarily due to a 16% decrease in the number of games bowled. All of this decrease was in the open play. This decrease was offset by a 9% increase in the average price of all games bowled. Bowl costs decrease primarily due to decreases in utility rates. SG&A costs decreased primarily due to decreases in promotion costs.

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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		
	Office	Other	Combined
	-----	-----	-----
Revenues	\$ (126,708)	\$ 486	\$ (126,222)
Costs	(27,973)	17,400	(10,573)
SG&A-allocated	(6,000)	--	(6,000)
Depreciation and amortization	(15,783)	--	(15,783)

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Interest expense	(41,423)	--	(41,423)
Equity in income of UCV ...	--	(50,463)	(50,463)
Segment profit (loss)	(35,529)	(67,377)	(102,906)

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. Other rental revenues decreased by \$17,000 in 2001 related to this easement.

Other rental revenues and other rental costs increased in 2001 by \$17,000 and \$18,000 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.

The equity in income of UCV decreased by \$50,000 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 compared to the prior period:

Revenues	\$	94,000
Costs		11,000
Depreciation		(2,000)
Interest and amortization of loan costs		185,000
Net income		(100,000)

Rental income of UCV increased primarily due to a 6% increase in the average rental rate plus a decrease in the vacancy rate from 2.7% to 1.4%. UCV's interest expense increased primarily due to an increase in long-term debt in March 2001. UCV increased its long-term debt in March 2001 by \$3,960,510.

REAL ESTATE DEVELOPMENT OPERATIONS:

Development costs primarily consisted of legal costs incurred to contest the City of Temecula's attempts to down-zone the undeveloped land owned by Old Vail Partners and property taxes on the undeveloped land. Interest expense related to development activities primarily related to interest accrued on assessment district obligations of Old Vail Partners. The undeveloped land was sold in June 2001.

The increase in the equity in loss of Vail Ranch Limited Partners (VRLP), relates to the increase in the loss from the operation of the partially completed shopping center for which the first store commenced operations in July 2000.

GOLF OPERATIONS:

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.

Operating expenses of the golf segment consisted of the following in 2001 and 2000:

	2001	2000	Decrease
	-----	-----	-----

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Costs of sales and			
manufacturing overhead .	\$ 440,000	\$ 485,000	\$ (45,000)
Research and development ..	59,000	68,000	(9,000)
	-----	-----	-----
Total golf costs	499,000	553,000	(54,000)
	=====	=====	=====
Marketing and promotion ...	266,000	319,000	(53,000)
Administrative costs- direct	41,000	60,000	(19,000)
	-----	-----	-----
Total SG&A-direct	307,000	379,000	(72,000)
	=====	=====	=====

Total golf costs decreased in 2001 primarily due to cost cutting measures to reduce manufacturing overhead. Marketing and promotion expenses decreased primarily due to decreases in player sponsorship fees (\$18,000), trade show expenses (\$22,000) and tour program expenses (\$9,000). The Company changed its approach to sponsorship fees to fewer but higher profile players for calendar 2001. The decrease in trade show expenses related to the Company not presenting a trade booth at the Las Vegas golf industry trade show in September 2001, which was cancelled. Administrative expenses decreased primarily due to \$11,000 decrease in professional fees related to trade mark and patent filings.

ITEM 3 - 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 principal maturities and related weighted average interest rates of the Company's long-term fixed rate and variable rate debt for the fiscal years ended June 30.

	2002	2003	2004	Total	Fair Value
	-----	-----	-----	-----	-----
					(1)
Fixed rate debt ..	\$ 22,000	\$ 7,000	\$ 4,000	\$ 33,000	\$ 33,000
Weighted average interest rate .	11.9%	13.4%	13.6%	12.7%	
Variable rate debt	\$1,250,000	--	--	\$1,250,000	\$1,250,000
Weighted average interest rate .	7.8%	--	--	7.8%	

The amounts for 2002 relate to the nine months ending June 30, 2002.

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

The variable rate debt includes a \$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 June 30, 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.

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

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PART II
OTHER INFORMATION

ITEM 1. Legal Proceedings

As of September 30, 2001, there were no changes in legal proceedings from those set forth in Item 3 of the Form 10-K filed for the year ended June 30, 2001.

ITEM 2. Changes in Securities

NONE

ITEM 3. Defaults upon Senior Securities

N/A

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

NONE

ITEM 5. Other Information

NONE

ITEM 6. Exhibits & Reports on Form 8-K

(a) Exhibits: NONE

(b) Reports on Form 8-K: NONE

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SIGNATURES

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

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SPORTS ARENAS, INC.

By: /s/ Harold S. Elkan

Harold S. Elkan, President and Director

Date: November 14, 2001

By:/s/ Steven R. Whitman

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

Date: November 14, 2001