ORLANDO PREDATORS ENTERTAINMENT INC
Form 10QSB
May 15, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-QSB

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

For the Quarterly Period Ended March 31, 2002

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

For the Transition Period from: ______________

Commission File Number: 001-13217

THE ORLANDO PREDATORS ENTERTAINMENT, INC.
(Exact name of small business issuer as specified in its charter)

Florida	91-1796903
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Identification Number)

4901 Vineland Rd., Suite 150
Orlando, FL 32811
(Address of Principal Executive Offices)

Issuer's Telephone Number: (407) 648-4444

Check whether the Registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by court.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date: As of May 14, 2002 7,393,174 shares of the Registrant's no par value Class A Common Stock and 1,000 shares of no par value Class B Common Stock were outstanding.

Transitional Small Business Disclosure format: Yes[ ] No [X]

ORLANDO PREDATORS ENTERTAINMENT, INC.
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THE ORLANDO PREDATORS ENTERTAINMENT, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 2002 (Unaudited)	September 30, 2001
CURRENT ASSETS:		
Cash	$ 1,095,686	$ 281,492
Accounts receivable, sponsorships	1,872,873	148,971
Accrued interest receivable, AFL	108,669	--

AFL receivable, current portion	--	121,324
af2 expansion fees receivable	109,697	--
Assets Available for sale	158,634	162,134
Inventory	56,397	42,443
Prepaid expenses	2,167,087	249,600
Other current assets	26,024	24,922
Total Current Assets	5,595,067	1,030,886
PROPERTY AND EQUIPMENT, at cost, net	571,069	558,918
EQUITY INVESTMENT IN AFL	4,032,650	4,032,650
AFL RECEIVABLE, net of current portion	1,116,171	1,116,171
MEMBERSHIP COST, net	2,263,188	2,282,500
AF2 TEAM INVESTMENTS	1,110,026	1,110,026
PURCHASE PRICE IN EXCESS OF ASSETS ACQUIRED	--	1,556,000
OTHER ASSETS	159,934	158,134
TOTAL ASSETS	$14,848,105	$11,845,285

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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THE ORLANDO PREDATORS ENTERTAINMENT, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 2002 (Unaudited)	Se
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 338,370	
Note payable-acquisition, current portion	--	
Note payable-bank	--	
af2 expansion fees payable	200,000	
Note payable-related party	--	
Deferred revenue	3,856,546	
Accounts payable, related party	--	
Due to AFL/AF2	50,000	
Total Current Liabilities	4,444,916	
NOTE PAYABLE-ACQUISITION, net of current portion	--	

BRIDGE LOANS PAYABLE	2,500,372
DUE TO AFL, net of current portion	200,000
	7,145,288
COMMITMENTS AND CONTINGENCIES	
REDEEMABLE CLASS A COMMON STOCK	--
STOCKHOLDERS' EQUITY:	
Preferred stock, 1,500,000 shares authorized; none issued or outstanding	--
Class A Common Stock, 15,000,000 shares authorized; 7,393,174 and 6,720,710 issued and outstanding, respectively	13,907,532
Class B Common Stock, 1,000 shares authorized; 1,000 issued and outstanding	5,000
Additional paid-in capital	4,256,512
Accumulated (deficit)	(10,466,227)
Total Stockholders' Equity	7,702,817
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 14,848,105

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

THE ORLANDO PREDATORS ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31, 2002	For the Three Months Ended March 31, 2001	For the Months E March 31,
	(Unaudited)	(Unaudited)	(Unaudit
REVENUES:			
Advertising and promotion	$ 1,658	$ 143,047	$ 2,
Ticket	--	184,831	-
Concession	--	13,542	-
League	--	60,000	44,
Telemarketing	--	11,383	-
Other	--	60,765	-
Total Revenue	1,658	473,568	46,
COSTS AND EXPENSES:			
Selling and promotional	--	28,205	

Operations	--	92,336	-
League assessments	--	3,750	-
Trade expenses	67,593	162,705	125,
General and administrative	396,233	325,445	952,
Telemarketing	--	9,434	-
Gain on assets available for sale	--	(25,600)	-
Loss on disposal of equipment	2,288	--	2,
Amortization	--	19,187	19,
Depreciation	7,203	14,898	14,
Total Costs and Expenses	473,317	630,360	1,115,
OPERATING (LOSS)	(471,659)	(156,792)	(1,069,
OTHER INCOME (EXPENSES):			
Interest expense	(45,729)	(47,777)	(82,
Interest income	1,392	6,134	2,
Interest income, AFL	64,705	74,818	132,
Loan fees	(200,866)	(176,250)	(392,
Net Other Income (Expense)	(180,498)	(143,075)	(339,
NET (LOSS)	$ (652,157)	$ (299,867)	$(1,408,
NET (LOSS) PER SHARE-BASIC AND DILUTED	$ (0.09)	$ (0.05)	$ (0
Weighted Average Number of Common Shares Outstanding, basic and diluted	7,221,986	5,730,673	7,000,

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

THE ORLANDO PREDATORS ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended March 31, 2002 (Unaudited)
CASH FLOWS FROM (TO) OPERATING ACTIVITIES:	
Net Income (loss)	$(1,408,637)
Adjustments to reconcile net income (loss) to net cash from operating activities:	
Depreciation and amortization	34,124
Issuance of Class A common stock for loan fees	234,500
Issuance of Class A common stock purchase warrants for services	259,000

Issuance of Class A common stock purchase warrants for loan fees	894,610
Loss on retirement of assets	2,288
Changes in assets and liabilities:	
Accounts receivable	(1,723,902)
AFL, Interest income receivable	(108,669)
Inventory	(13,954)
Prepaid expenses	(1,917,487)
Litigation reimbursement receivable	--
Other assets	(2,902)
Accounts payable and accrued expenses	(376,125)
Due to AFL	(74,000)
Accounts payable and accrued expenses, related party	(36,000)
Deferred revenue	3,236,903
Net Cash Provided (Used) by Operating Activities	(1,000,251)
CASH FLOWS FROM (TO) INVESTING ACTIVITIES:	
Purchase of equipment	(29,251)
Acquisition of af2 teams and assets available for sale	--
Due from af2 for IFL expansion markets	--
Proceeds from the sale of assest available for sale	3,500
Payments received-AFL note receivable	121,324
Acquisition costs utilized	--
Net Cash Provided (Used) by Investing Activities	95,573
CASH FLOWS FROM (TO) FINANCING ACTIVITIES:	
Proceeds from issuance of Class A common stock	493,500
Proceeds from note payable-bank	--
Proceeds from note payable-acquisition	--
Repayment of note payable-acquisition	(400,000)
Repayment of note payable-bank	(700,000)
Proceeds from bridge loans	2,325,372
Payment of offering costs	--
Net Cash Provided (Used) by Financing Activities	1,718,872
INCREASE (DECREASE) IN CASH	814,194
Cash and Cash Equivalents at Beginning of Period	281,492
Cash and Cash Equivalents at End of Period	$ 1,095,686
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the period for:	
Interest	$ 18,907
Taxes	$ --

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

THE ORLANDO PREDATORS ENTERTAINMENT, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of The Orlando Predators Entertainment, Inc. (the "Company") and its wholly owned subsidiaries; Orlando Predators Arena Football, Inc. ("Predators") and Peoria Professional Football, Inc. ("Peoria"). The financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions for Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles.

In the opinion of management, the unaudited interim financial statements for the three and six months ended March 31, 2002 are presented on a basis consistent with the audited financial statements and reflect all adjustments, consisting only of normal recurring accruals, necessary for fair presentation of the results of such period. The results for the three and six months ended March 31, 2002 are not necessarily indicative of the results of operations for the full year. These financial statements and related footnotes should be read in conjunction with the financial statements and footnotes thereto included in the Company's Form 10-KSB filed with the Securities and Exchange Commission for the year ended September 30, 2001.

Certain amounts in the prior period's financial statements have been reclassified for comparative purposes to conform to the current year.

Prior to October 18, 2000, the operations of the Company included only the operations of Predators. Subsequently, the Company formed Predators as a separate corporation and assigned the football operations to Predators. In 2000, the Company formed Peoria Professional Football, Inc. (Peoria) and acquired the right to operate an af2 (a minor league system of the AFL) team in Peoria, Illinois. The accounting policies of Predator and Peoria are identical to the prior policies of the Company. In addition to the rights to Peoria, the Company acquired the rights to operate two additional teams in af2 markets formerly controlled by the Indoor Football League, Inc. (IFL), a competing indoor football league. The Company also acquired assets of the IFL, including indoor playing fields and office equipment. These assets have been classified as available for sale.

NOTE 2 - CONTINGENCIES

The AFL is party to a number of lawsuits arising in the normal course of business. The Company is contingently liable for its share of the outcomes.

NOTE 3 - COMMON STOCK

In December 2001and January 2002, the Company completed private placements for the sale of 338,400 shares of Class A Common Stock for proceeds of $493,500 and paid offering costs in the form of 56,400 shares of Class A Common Stock.

NOTE 4 - LOAN FEES

The Company has issued 84,778 shares of Class A Common Stock valued at the fair market value on the date they were issued of $234,500. The stock issued for loan fees were issued to the Company's Chief Executive Officer, a former director of the Company and an employee/significant stockholder who is a former officer and director of the Company for pledging collateral for the Company's $700,000 bank note.

THE ORLANDO PREDATORS ENTERTAINMENT, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5-IFL TRANSACTION

The Company negotiated a reduced purchase price of the assets acquired from IFL Acquisition Co. (IFLA), a wholly owned subsidiary of Arenafootball 2 (af2). The following is the reallocation of the purchase based upon the negotiated reduced purchase price:

Three af2 memberships	$ 1,500,000
Tangible property	469,000
Receivable from IFL Acquisition Co for af2 expansion revenue	184,697
Forgiveness of accrued interest expense	144,375
	2,298,072
Less:	
Class A Common Stock	(598,072)
Cash payment	(400,000)
af2 expansion fees payable	(200,000)
Credit to buyer for territory release payment	(25,000)
Credit to buyer for season ticket prepayments	(226,165)
Cash paid at original closing	$ 848,835

The reduced purchase price reflects a cash payment of $400,000 on February 15, 2002 in exchange for the cancellation of a $1,750,000 note payable to the former owners of the Indoor Football League (IFL), which bore interest at 6% per year and the forgiveness of accrued interest payable under the note of $144,375. The IFL also relinquished its option to return the 214,286 shares of the Company's Class A Common Stock at a rate of $3.50 per share in exchange for an additional 35,000 shares of the Company's Class A Common Stock. The 214,286 and 35,000 shares have been valued at their fair market values on the dates that they were issuable. The Company has agreed to pay the IFL the first $200,000 it receives in expansion fees distributed by af2 for expansion in former IFL territories and the first $100,000 it might have received from an AFL/NFL transaction. The NFL did not exercise its option to purchase up to 49.9% of the AFL and therefore, no adjustment has been made to the purchase price. The Company has allocated the revised purchase price to reflect $184,697 of expansion fees receivable from af2 for expansion in former IFL territories rather than purchase price in excess of assets acquired.

NOTE 6-NOTES PAYABLE

The Company completed a private placement of $2,500,372 in notes payable in March 2002. The notes bear interest at 9.5% and principal and interest are due 18 months after the note date. The Company granted warrants to the note holders to purchase a total of 500,074 shares of the Company's Class A Common Stock for

$2.75 based upon 30,000 shares for each $100,000 in principal balance, which are exercisable until February 1, 2006. As part of the private placement, an employee/significant stockholder and former officer and director of the Company, converted a note payable of $175,000 to a note payable in the private placement. If the Company repays the loans within one year, warrants to purchase 10,000 shares (for each $100,000 of principal balance) of the Company's Class A Common Stock will be cancelled. The Company computed the fair market value of the warrants utilizing the Black-Scholes model and will amortize the cost over the note period. The warrants have been valued at $894,610 and the significant assumptions used in the calculation of the warrants were a risk free interest rate of 4.03% an average volatility of 82% and an average life of four years. The notes are collateralized by the Company's two non-voting equity interests in the Arena Football League and the Company's af2 memberships for Peoria, Illinois and Green Bay, Wisconsin. During the six months ended March 31, 2002, the Company has expensed $102,586 as loan fees and has recorded $792,023 as prepaid loan fees.

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PART I. FINANCIAL INFORMATION

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

Introduction

The Company is in the sports and entertainment business and (i) owns and operates the Orlando Predators (the Predators), a professional arena football team of the Arena Football League (the AFL or the League), (ii) owns an additional 8% revenue interest in the League (in addition to its 4% League ownership through the Predators) and (iii) owns and operates the Peoria Pirates (Pirates), a minor league professional arena football team of the arenafootball2 League (af2). Arena football is played in an indoor arena on a padded 50-yard long football field using eight players on the field for each team. Most of the game rules are similar to college or other professional football game rules with certain exceptions intended to make the game faster and more exciting.

The Company's strategy is to participate through the operation of the Predators and Pirates and through its league ownership in what the Company believes will be continued significant growth of the AFL which in turn is expected to result in increased revenue to the Company generated from (i) national (League) and regional (team) broadcast contracts, (ii) national league sponsorship contracts, (iii) the sale of additional League Membership fees, and (iv) increased fan attendance at AFL and af2 games including Predators' and Pirates' games, together with appreciation in the value of the Predators as an AFL team and the Pirates as an af2 team. The trend toward ongoing League growth was evidenced by a February 1999 announcement by the National Football League (NFL) that it had obtained an option to purchase up to 49.9% of the League.

At the team levels, the Company's strategy is to increase fan attendance at Predators' and Pirates' home games, expand the Predators' and Pirates' advertising and sponsorship base, and contract with additional local and regional broadcasters to broadcast Predators' and Pirates' games.

The Company currently derives substantially all of its revenue from the arena football operations of the Predators and Pirates. This revenue is primarily generated from (i) the sale of tickets to the Predators' and Pirates' home games, (ii) the sale of advertising and promotions to Predator and Pirate sponsors, (iii) the sale of local and regional broadcast rights to Predators' games, (iv) the Predators' share of League contracts with national broadcast organizations and expansion team fees paid through the AFL, (v) the sale of merchandise carrying the Predators' and Pirates' logos and (vi) concession sales at Predators' home games. A large portion of the Company's annual revenue is determinable at the commencement of each football season based on season ticket sales and contracts with broadcast organizations and team sponsors.

The operations of the team are year-round; however, the majority of revenues and expenses are recognized during the AFL and af2 playing seasons, from March through August of each year. The teams begin to receive deposits in late August for season tickets during the upcoming season. From August through April, the teams sell season tickets and collect revenue from all such sales. Selling, advertising and promotions also take place from August through April, although these revenues are not realized until after the season begins. Single game tickets and partial advertising sponsorships are also sold during the season, primarily from April to July. Additional revenues and expenses are recognized in August from playoff games, if any.

In August 1998, the Company purchased an additional two equity interests in the Arena Football League for $6,000,000 (Nth Agreement). The $6 million will be repaid to the Company by distributions from the League related to these two equity interests or Nths. The League currently owes the Company $1.1 million in note payments.

In May 1999, the Company entered into a non-binding letter of intent to acquire United Sports Ventures, Inc. (USV). USV wholly or partially owns and operates the Quad City Mallards, the Rockford Ice Hogs and the Missouri River Otters of the United Hockey League and the Mobile Bay Bears (AA) professional baseball club. The Company terminated the letter of intent with USV in June 2000, but retained the Company's senior management to oversee the operations of OPE in a management agreement.

In mid-February 2000, the AFL announced it was going to cancel the 2000 season due to its ongoing labor dispute with the players. In late February 2000, the AFL was notified by the Arena Football League Players' Organizing Committee that they received authorization cards from an overwhelming majority of AFL players to act as the exclusive collective bargaining representative for all AFL players. Subsequently, the 2000 season was re-opened and negotiations began on an interim collective bargaining agreement.

In April 2000, the Company settled a dispute with the League regarding the payment terms of the Nth Agreement. As a result the Company will receive a guaranteed amount of $480,000 per year and all additional monies received from the League will go to the repayment of the remaining approximate $1.1 million owed to the Company. Subsequently, the Company will continue to receive their pro rata share of League revenues. When the entire debt is repaid to the Company, only then will the Company begin to recognize the additional 2 Nths' distributions as revenue.

In October 2000, the Company entered into an agreement with IFL Acquisition Co., LLC (IFLA), a wholly owned subsidiary of af2 Enterprises, LLC (af2). The Company acquired the rights to three af2 memberships, all of the tangible assets of the Indoor Football League (which were acquired by IFLA under a separate agreement), the first $1,000,000 in expansion revenues received by af2 for memberships in former Indoor Football League markets. The Company filed af2 applications for Peoria, IL, Bismarck, ND and Green Bay, WI. In 2001, the Company began play in Peoria (Pirates), and will begin play in 2003 in Green Bay and in 2004 in Bismarck. The Company expects all af2 operations to be profitable. In June 2000, the Company changed its fiscal year end from December 31 to September 30 for financial statement purposes only. In September 2001, the Company changed its tax year-end to conform.

NBC Sports and the Arena Football League have reached an agreement to become revenue-sharing partners in an historic national television contract beginning with the 2003 season. The AFL season will begin on February 2 and conclude with ArenaBowl XVII on Sunday, June 22, 2003. NBC's regular season broadcasts will be shown live on Sunday afternoons with up to four regional telecasts each week. While NBC will be the exclusive national broadcaster of AFL games and there is no national cable partner in the deal, AFL teams' local television agreements will continue on a non-conflicting basis. All Playoff Games will be broadcast live on Saturdays and Sundays beginning with the AFL's Wild Card games on the weekend of May 24-25, 2003 and culminating with ArenaBowl XVII on June 22, 2003. The AFL will have a total of 22 broadcasts (15 regular season games with up to four regional exposures, plus seven postseason games) on NBC encompassing a total of 71 games (including all playoff games and ArenaBowl), resulting in over 55 hours of live programming each year.

Except for the historical information contained herein, certain matters set forth in this report are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks are detailed from time to time in the Company's periodic reports filed with the Securities and Exchange Commission. These forward-looking statements speak only as of the date hereof. The Company disclaims any intent or obligation to update these forward-looking statements.

Results of Operations

Three Months Ended March 31, 2002 Compared To The Three Months Ended March 31, 2001

Revenues

The Company recognizes game revenues and expenses over the course of the season (generally April through August). During the three months ended March 31, 2001, the Predators played one home game and the Pirates played one away game.

Revenues for the three months ended March 31, 2002 were $1,658 compared to $473,568 for the three months ended March 31, 2001. The reduction was principally due to the teams not playing any games in 2002 as compared to one home game for the Predators and one away game for the Pirates which generated revenues of $341,420, distributions related to AFL expansion memberships sold during the three months ended March 31, 2002 of $60,000 and other miscellaneous income of $60,765. In addition the telemarketing department generated $11,383 of revenues during the three months ended March 31, 2001 compared to $0 during the three months ended March 31, 2002. Management anticipates increasing revenues in the telemarketing department by contracting to sell season tickets for other sports teams.

Selling and Promotional Expenses

Selling and promotional expenses were $0 for the three months ended March 31, 2002 compared to $28,205 for the three months ended March 31, 2001. The Predators have agreed to have the sales of team merchandise managed by an outside party. The Company anticipates a reduction in inventory costs from this agreement. The reduction in selling and promotional expenses is a result of no games played during the three months ended March 31, 2002.

Operations

Operating expenses were $0 for the three months ended March 31, 2002 compared to $92,336 for the three months ended March 31, 2001. Operating expenses consist primarily of player and coaching staff salaries and benefits and game production costs. The reduction in operating expenses is a result of no games played during the three months ended March 31, 2002.

Trade Expenses

Trade expenses were $67,593 for the three months ended March 31, 2002 compared to $162,705 for the three months ended March 31, 2001. The teams trade sponsorship opportunities at home games in exchange for goods or services. The value of trade expenses are expensed as incurred, while trade revenues are recognized when home games are played. The expenses during the three months ended March 31, 2002 consisted primarily of wireless phone services, web site and computer maintenance and furniture rentals. Trade expenses during the three months ended March 31, 2001 also included medical services, player housing, team meals, and selling and promotional item production. The reduction in trade expenses is a result of no games played during the three months ended March 31, 2002.

General and Administrative Expenses

General and administrative expenses of $396,233 increased by $70,788 or 22% for the three months ended March 31, 2002 compared to $325,445 for the three months ended March 31, 2001. The increase was primarily due to legal fees associated with the Company's successful defense of a law suit by a former sponsor of the Predators, increased accounting and other professional fees and increased rent expense. Management believes that general and administrative expenses will be lower in future periods due to decreased staffing and other cost cutting procedures.

Interest Income/Expense

Interest income and interest income AFL were $1,392 and $64,705, respectively during the three months ended March 31, 2002 as compared to $6,134 and $74,818, respectively for the three months ended March 31, 2001. The decrease in interest income is due to reduced cash balances during the three months ended March 31, 2002 and payments on the principle balance of the note receivable from the AFL during 2001.

Interest expense during the three months ended March 31, 2002 was $45,729 as compared to $47,777 for the prior period. The interest expense is attributable to the notes payable assumed under the acquisition agreement with IFLA during the year ended September 30, 2001 and the bridge loans that closed in March 2002.

Loan Fees

The Company had loan fees that were paid in 84,778 shares of Class A Common Stock valued at the fair market value on the date they were issuable of $234,500. The loan fees were paid to the Company's Chief Executive Officer, a former director of the Company and an employee/significant stockholder who is a former officer and director of the Company for pledging collateral for the Company's $700,000 bank note. In addition, the Company granted warrants to purchase 500,074 shares of the Company's Class A Common Stock in connection with its bridge loan financing which were valued utilizing the Black-Scholes model totaling $894,610. During the three months ended March 31, 2002, the Company expensed $102,586 and is amortizing the loan fees over the 18 month period of the loan.

Six Months Ended March 31, 2002 Compared To The Six Months Ended March 31, 2001

Revenues

The Company recognizes game revenues and expenses over the course of the season (generally April through August). During the six months ended March 31, 2001, the Predators played one home game and the Pirates played one away game.

Revenues for the six months ended March 31, 2002 were $46,578 compared to $586,870 for the six months ended March 31, 2001. The reduction was principally due to the teams not playing any games in 2002 as compared to one home game for the Predators and one away game for the Pirates which generated revenues of $341,420, distributions related to AFL expansion memberships sold during the six months ended March 31, 2002 of $164,167 compared to $44,093 and other miscellaneous income of $64,541. In addition the telemarketing department generated $11,383 of revenues during the six months ended March 31, 2001 compared to $0 during the six months ended March 31, 2002. Management anticipates increasing revenues in the telemarketing department by contracting to sell season tickets for other sports teams.

Selling and Promotional Expenses

Selling and promotional expenses were $728 for the six months ended March 31, 2002 compared to $30,163 for the six months ended March 31, 2001. During 2002, the Predators agreed to have the sales of team merchandise managed by an outside party. The Company anticipates a reduction in inventory costs from this agreement. The reduction in selling and promotional expenses is a result of no games played during the six months ended March 31, 2002.

Operations

Operating expenses were $0 for the six months ended March 31, 2002 compared to $92,336 for the six months ended March 31, 2001. Operating expenses consist primarily of player and coaching staff salaries and benefits and game production costs. The reduction in operating expenses is a result of no games played during the six months ended March 31, 2002.

Trade Expenses

Trade expenses were $125,526 for the six months ended March 31, 2002 compared to $189,905 for the six months ended March 31, 2001. The teams trade sponsorship opportunities at home games in exchange for goods or services. The value of trade expenses are expensed as incurred, while trade revenues are recognized when home games are played. The expenses during the six months ended March 31, 2002 consisted primarily of wireless phone services, web site and computer maintenance and furniture rentals. Trade expenses during the six months ended March 31, 2001 also included medical services, player housing, team meals, and selling and promotional item production. The reduction in trade expenses is a result of no games played during the six months ended March 31, 2002.

General and Administrative Expenses

General and administrative expenses of $952,991 increased by $70,788 or 27% for the six months ended March 31, 2002 compared to $751,431 for the six months ended March 31, 2001. The increase was primarily due to legal fees associated with the Company's successful defense of a law suit by a former sponsor of the Predators, increased accounting and other professional fees and increased rent expense. The increase was also due to the recording of the fair market value of options granted to USV for the termination of its management contract with the Company of $259,000. Management believes that general and administrative expenses will be lower in future periods due to decreased staffing and other cost cutting procedures.

Interest Income/Expense

Interest income and interest income AFL were $2,339 and $132,899, respectively during the six months ended March 31, 2002 as compared to $7,050 and $164,460, respectively for the six months ended March 31, 2001. The decrease in interest income is due to reduced cash balances during the six months ended March 31, 2002 and payments on the principle balance of the note receivable from the AFL during 2001

Interest expense during the six months ended March 31, 2002 was $82,480 as compared to $79,601 for the prior period. The interest expense is attributable to the notes payable assumed under the acquisition agreement with IFLA during the year ended September 30, 2001 and the bridge loans that closed in March 2002.

Loan Fees

The Company had loan fees that were paid in 84,778 shares of Class A Common Stock valued at the fair market value on the date they were issuable of $234,500. The loan fees were paid to the Company's Chief Executive Officer, a former director of the Company and an employee/significant stockholder who is a former officer and director of the Company for pledging collateral for the Company's $700,000 bank note. In addition, the Company granted warrants to purchase 500,074 shares of the Company's Class A Common Stock in connection with its bridge loan financing which were valued utilizing the Black-Scholes model totaling $894,610. During the six months ended March 31, 2002, the Company expensed $102,586 and is amortizing the loan fees over the 18 month period of the loan.

Liquidity and Capital Resources

Historically, the Company has financed net operating losses primarily with expansion and note receivable and interest payments from the AFL, the sale of its securities and related party loans.

From January 2000 through September 2000, the Company received net payments from the League in the amount of $186,743. This represented expansion revenue related to the Detroit Fury, Dallas, New Orleans and Washington, DC expansion teams that will begin play in 2001, 2002, 2002 and 2003, respectively. The Company also received approximately $1.4 million for principle and interest payments related to its note receivable from the League.

From October 2000 to September 2001, the Company received net payments from the League in the amount of $164,167. This represented expansion revenue related to the Dallas and Long Island expansion teams that will begin play in 2002 and 2001, respectively and the New Jersey team which was sold to a new owner. The Company also received approximately $654,000 for principle and interest payments related to its note receivable from the League.

In October 2000, the Company entered into an agreement with IFL Acquisition Co., LLC (IFLA), a wholly owned subsidiary of af2 Enterprises, LLC (af2). The Company acquired the rights to three af2 memberships, all of the tangible assets of the

Indoor Football League (which were acquired by IFLA under a separate agreement), the first $1,000,000 in expansion revenues received by af2 for memberships in former Indoor Football League markets. In addition, to the extent that af2 licenses intellectual property acquired from the Indoor Football League to third parties within 24 months of the date of the agreement the Company will receive a fee of $10,000. In exchange for the assets and rights acquired, the Company paid

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$1,100,000 cash less a credit of $25,000 for a territory release payment and a credit of $226,165 for cash received prior to the sale to IFLA, issued 214,286 shares of Redeemable Class A Common Stock valued at $750,000 and a promissory note for $1,750,000 bearing interest at 6% per year, payable in three annual installments of $583,333 on October 18, 2000. The Company's two equity interests in the League collateralize the note. The common stock is redeemable at $3.50 per share at the option of the stockholder for a period of six months beginning on April 18, 2002. The Company also paid $25,000 to the owner of the Milwaukee AFL membership and a $50,000 fee for the first af2 team acquired and will be required to pay $5,000 for each additional af2 team to af2.

The agreement was renegotiated in February 2002 and the financial statements reflect a reduced purchase price. The reduced purchase price reflects a cash payment of $400,000 on February 15, 2002 in exchange for the cancellation of a $1,750,000 note payable to the former owners of the Indoor Football League (IFL), which bore interest at 6% per year and the forgiveness of accrued interest payable under the note of $144,375. The IFL also relinquished its option to return the 214,286 shares of the Company's Class A Common Stock at a rate of $3.50 per share in exchange for an additional 35,000 shares of the Company's Class A Common Stock. The 214,286 and 35,000 shares have been valued at their fair market values on the dates that they were issuable. The Company has agreed to pay the IFL the first $200,000 it receives in expansion fees distributed by af2 for expansion in former IFL territories and the first $100,000 it might have received from an AFL/NFL transaction. The NFL did not exercise its option to purchase up to 49.9% of the AFL and therefore, no adjustment has been made to the purchase price. The Company has allocated the revised purchase price to reflect $184,697 of expansion fees receivable from af2 for expansion in former IFL territories rather than purchase price in excess of assets acquired.

In January through September of 2001, the Company completed private placements for the sale of 1,132,044 shares of the Company's Class A Common Stock for net proceeds of $1,532,446.

In October 2001 through January 2002, the Company completed private placements for the sale of 338,400 shares of the Company's Class A Common Stock for net proceeds of $493,500.

The Company believes that cash flows from operations, along with distributions related to the purchase of two equity interests in the AFL will enhance the Company's future cash flows and satisfy the Company's anticipated working capital requirements for at least the next 12 months. This will be accomplished by the requirement that the AFL make a minimum principal and interest payment to the Company in the amount of $480,000 annually in August.

PART II. OTHER INFORMATION AND SIGNATURES

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS FOR WORKING CAPITAL

In January 2002, the Company completed private placements for the sale of 338,400 shares of Class A Common Stock for proceeds of $493,500 and paid offering costs in the form of 56,400 shares of Class A Common Stock for working capital.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES
None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS
None

ITEM 5. OTHER INFORMATION
None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

None

Signatures

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

THE ORLANDO PREDATORS ENTERTAINMENT, INC.
Registrant

/s/ John H. Pearce

John H. Pearce Chief Financial Officer

Date: May 15, 2002