ORLANDO PREDATORS ENTERTAINMENT INC
Form 10QSB
August 19, 2003

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 June 30, 2003

[ ] 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)

302 South Graham Avenue
Orlando, Florida 32803
(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 August 18, 2003, 10,169,425 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]

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FORM 10-QSB

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THE ORLANDO PREDATORS ENTERTAINMENT, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 2003 (Unaudited)	September 30, 2002
CURRENT ASSETS:		
Cash	$ 104,601	$ 337,224
Accounts receivable, sponsorships	133,286	774,241
Accounts receivable, af2	9,584	23,065
AFL receivable, current portion	--	308,000
af2 expansion fees receivable	109,697	109,697
Assets available for sale	--	25,000
Inventory	31,200	37,335
Prepaid expenses	405,083	869,891

Other current assets	6,102	28,493
Total Current Assets	799,553	2,512,946
PROPERTY AND EQUIPMENT, at cost, net	43,636	482,174
INVESTMENT IN AFL	4,032,650	4,032,650
AFL RECEIVABLE, net of current portion	522,182	576,136
NOTE RECEIVABLE, related party	300,000	--
MEMBERSHIP COST, net of accumulated amortization of $32,083 and $276,672	400,000	1,157,917
af2 TEAM INVESTMENTS	400,000	1,135,411
OTHER ASSETS	85,468	167,309
TOTAL ASSETS	$ 6,583,489	$10,064,543

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2003 (Unaudited)	September 30, 2002
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 435,164	$ 1,055,956
Accounts payable and accrued expenses, related party	131,620	--
Note payable-acquisition, current portion	--	150,000
af2 expansion fees payable	200,000	200,000
Deferred revenue	288,085	1,189,594
Due to AFL	--	50,000
Total Current Liabilities	1,054,869	2,645,550
NOTE PAYABLE-ACQUISITION, net of current portion	--	450,000
BRIDGE LOANS PAYABLE	1,991,372	3,145,372
LINE OF CREDIT, related party	450,761	--
NOTE PAYABLE, related party	417,000	--
DEFERRED REVENUE, long term	--	71,936
DUE TO AFL, net of current portion	--	150,000

	3,914,002	6,462,858
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST	--	243,742
STOCKHOLDERS' EQUITY:		
Preferred stock, 1,500,000 shares authorized; none issued or outstanding	--	--
Class A Common Stock, 15,000,000 shares authorized; 10,169,425 and 7,394,840 issued and outstanding, respectively	16,032,283	13,910,031
Class B Common Stock, 1,000 shares authorized; 1,000 issued and outstanding	5,000	5,000
Additional paid-in capital	4,839,729	4,499,354
Accumulated (deficit)	(18,207,525)	(15,056,442)
Total Stockholders' Equity	2,669,487	3,357,943
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 6,583,489	$ 10,064,543

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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THE ORLANDO PREDATORS ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended June 30, 2003	For the Three Months Ended June 30, 2002	For th Months June 3
	(Unaudited)	(Unaudited)	(Unau
REVENUES:			
Ticket	$ 221,697	$ 426,173	$
Advertising and promotions	75,224	184,262	
Sponsorship trade revenue	150,737	270,761	
Other	6,348	12,438	
Total Revenue	454,006	893,634	
COSTS AND EXPENSES:			
Operations	387,458	342,848	
Selling and promotional	121,878	121,955	
Trade expenses	195,227	255,608	
General and administrative	166,521	206,064	
Amortization	--	--	
Depreciation	17,703	14,927	
Write-down of assets available for sale	--	133,634	
Impairment of af2 memberships	285,622	--	

Total Costs and Expenses	1,174,409	1,075,036	1,
OPERATING (LOSS)	(720,403)	(181,402)	(1,
OTHER INCOME (EXPENSES):			
Interest expense	(47,938)	(10,382)	(
Interest expense, related party	(29,290)	(21,316)	
Interest income	6,263	243	
Interest income, AFL	32,615	60,145	
Loan fees	(36,860)	(61,686)	(
Gain on sale of af2 membership	--	--	
Net Other Income (Expense)	(75,210)	(32,996)	(
(LOSS) FROM CONTINUING OPERATIONS	(795,613)	(214,398)	(1,
DISCONTINUED OPERATIONS (Note 7)			
(Loss) from operations of discontinued subsidiaries	(152,280)	(499,525)	(1,
Gain (Loss) on disposal of subsidiaries	572,500	--	(
Total (Loss) From Discontinued Operations	420,220	(499,525)	(1,
NET (LOSS)	$ (375,393)	$ (713,923)	$ (3,
NET (LOSS) PER SHARE-BASIC AND DILUTED			
Continuing operations	$ (0.08)	$ (0.03)	$
Discontinued operations:			
Loss from operations	(0.02)	(0.07)	
Loss on disposal	0.06	--	
	$ (0.04)	$ (0.10)	$
Weighted Average Number of Common Shares Outstanding, basic and diluted	10,129,425	7,393,211	8,

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	For the Nine Months Ended June 30, 2003	For the Months E June 30,

	(Unaudited)	(Unaudi
CASH FLOWS FROM (TO) OPERATING ACTIVITIES:		
Net (loss) from continuing operations:	$(1,351,795)	$(1,193
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	19,761	146
Stock based compensation	491,429	1,396
Gain on sale of af2 team	(413,225)	
Loss on retirement of assets	--	2
Loss on assets available for sale	25,000	133
Impairment of af2 memberships	285,622	
Changes in assets and liabilities:		
Accounts receivable	(510,503)	(510
Accounts receivable, af2	13,481	
Inventory	158	12
Prepaid expenses	(554,214)	(769
Other assets	27,076	16
Accounts payable and accrued expenses	(189,033)	(198
Due to AFL	--	(117
Accounts payable and accrued expenses, related party	131,620	(36
Deferred revenue	1,484,100	(47
Net cash flows (to) continuing operations	(540,523)	(1,164
Net cash flows (to) discontinued operations	(1,293,507)	(928
Net Cash Provided (Used in) Operating Activities	(1,834,030)	(2,093
CASH FLOWS FROM (TO) INVESTING ACTIVITIES:		
Purchase of equipment	(1,219)	(32
Proceeds from the sale of assets available for sale	--	3
Collection of AFL receivable	98,331	201
Net Cash Provided by Investing Activities	97,112	172
CASH FLOWS FROM (TO) FINANCING ACTIVITIES:		
Proceeds from issuance of Class A common stock	--	495
Proceeds from note payable-related party	750,000	
Proceeds from line of credit-related party	708,295	
Repayment of note payable-acquisition	--	(400
Repayment of note payable-bank	--	(700
Proceeds from bridge loans	46,000	2,375
Net Cash Provided by Financing Activities	1,504,295	1,771
INCREASE (DECREASE) IN CASH	(232,623)	(149
Cash and Cash Equivalents at Beginning of Period	337,224	281
Cash and Cash Equivalents at End of Period	$ 104,601	$ 132
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ --	$ 18

Taxes	$ --	$

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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THE ORLANDO PREDATORS ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of the Company include 100% of the assets, liabilites, equity and operations of the subsidiaries including Peoria Professional Football, Inc. ("Peoria), and Louisiana Sports, LLC ("LA Sports"). The 10% membership interest in LA Sports owned by a member of the Company's board of directors/significant stockholder had been recorded as a minority interest. All significant intercompany balances and transactions have been eliminated in consolidation. The operations of the Orlando Predators ("Predators") and the Louisiana IceGators Professional Hockey, LLC ("IceGators") have been presented as discontinued operations because the Predators were sold in February 2003 and the IceGators were sold in May 2003.

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 nine months ended June 30, 2003 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 nine months ended June 30, 2003 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, 2002.

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 division and assigned the football operations to Predators. In 2000, the Company formed Peoria and acquired the right to operate an arenafootball2 ("af2") (a minor league system of the AFL) team in Peoria, Illinois. The accounting policies of Predators 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 were classified as available for sale.

In July 2002, the Company formed LA Sports, a wholly owned subsidiary of the Company. LA Sports formed IceGators Professional Hockey, LLC ("IceGators") and Acadiana Bayou Bears Professional Football, LLC ("Bears"). LA Sports acquired certain assets of the Louisiana IceGators, a professional hockey team that is a member of the East Coast Hockey League ("ECHL"), which plays its home games in Lafayette, Louisiana and assigned those assets to the IceGators. The Company assigned the rights to an af2 membership to LA Sports, which then assigned those rights to the Bears. In August 2002 the Company sold a 10% interest in LA Sports to a member of its board of directors / significant stockholder for $250,000.

The Company selected Green Bay, Wisconsin and Lafayette, Louisiana as the home territories for its two additional af2 teams. In October 2002, the Company reached an agreement to sell Bismarck Professional Football, Inc. ("Bismarck"), its wholly owned subsidiary, which owned the rights to the Green Bay af2 team to a member of its board of directors / significant stockholder for $1,000,000, paid by the cancellation of a $750,000 note payable and the return of the minority interest in LA Sports (see note 6).

In February 2003, the Company sold the assets of the Predators to Orlando Predators Football Team, LLC ("OPF"), a related party entity owned in part by significant stockholders and a member of the board of directors, for $1,200,000 reduction in bridge loans and a $300,000 note receivable (see note 7).

In May 2003, the Company sold the assets of the IceGators to an unaffiliated party in exchange for assumption of the Company's $600,000 note payable and related accrued interest through the date of the sale (see note 8).

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THE ORLANDO PREDATORS ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - GOING CONCERN

The Company's unaudited consolidated financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplate the realization of assets and satisfaction of liabilities in the normal course of business. The Company has incurred net losses from operations since inception, has an accumulated deficit of $18,207,525 through June 30, 2003, a working capital deficit of $255,316 and continues to use significant amounts of cash in its operations. Management and the Board of Directors have determined that it is in the best interest of the Company to pursue the sales of its teams and its league membership rights.

During the nine months ended June 30, 2003, the Company sold Bismarck to a member of its board of directors / significant stockholder. The Company also sold the assets of the Predators to an entity owned in part by significant stockholders and a member of the board of directors and sold the assets of the IceGators to an unrelated party for reduction of a $600,000 note payable plus accrued interest through the date of the sale. The Company is also negotiating with other unrelated parties for the sale of Peoria.

NOTE 3 - 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 4 - COMMON STOCK

The Company issued 59,585 shares of its Class A Common Stock to various individuals in connection with private placements. The shares were issued as an offering cost since the Company was unable to register the original shares offered by a specified date.

The Company issued 2,560,000 shares of the its Class A Common Stock in connection with the sale of the Predators. The stock has been valued at $1,971,200, the fair market value on the date the Predators sale closed.

The Company issued155,000 shares of its Class A Common Stock to its Chief Executive Officer as compensation for services rendered. The stock has been valued at $93,850, the fair market value of the stock on the dates issuable.

NOTE 5 - NOTES PAYABLE

In October 2002 the Company received an additional $46,000 in bridge loan funding bearing interest at 9.5% per year. The note holder received warrants to purchase 11,500 shares of the Company's Class A Common Stock, exercisable at $2.75 per share, plus warrants to purchase 4,600 shares of the Company Class A Common Stock, exercisable at $2.50 per share, if the loan was not paid by February 15, 2003. The Company computed the fair market value of the warrants utilizing the Black-Scholes model and amortized the cost over the note period. The warrants have been valued at $4,400 and the significant assumptions used in the calculation of the warrants were a risk free interest rate of 2.07%, volatility of 81.53% and a life of 3.3 years.

As part of the sale of the Predators (see Note 7), the bridge loans were modified in January 2003 to extend the due date from August 14, 2003 to August 31, 2005 and the interest rate increased to 12% from 9.5%. Certain loan holders agreed to reduce the debt by an aggregate of $1,200,000, decreasing the outstanding debt to $1,991,372. The debt has been reclassified as long-term and the Company is required to prepay principal from cash proceeds, if any, received from the sale of the teams. Previously issued warrants were cancelled and note holders received warrants to purchase 35,000 shares of the Company's Class A Common Stock for each $100,000 of original principal amount under the bridge loans, exercisable at $0.80 per share. The Company granted warrants to purchase a total of 1,116,980 shares of the Company's Class A Common Stock valued at $393,177 and will amortize the cost over the note period. The Company computed the fair market value of warrants utilizing the Black-Scholes model Significant assumptions used in the calculation of the warrants were a risk free interest rate of 2.24%, volatility of 82.44% and a life of 3.1 years.

In October 2002, the Company borrowed $750,000 in the form of a 9.5% note payable to a member of its board of directors / significant stockholder. The note was due January 21, 2003 but was cancelled in October 2002 upon purchase of Bismarck Professional Football, Inc. by the member of the board of directors / significant stockholder. (See Note 6)

NOTE 6 - SALE OF af2 TEAM

In October 2002 the Company sold Bismarck Professional Football, Inc., its wholly owned subsidiary, which owned the rights to the Green Bay af2 team to a member of its board of directors/significant stockholder for $1,000,000 paid by the cancellation of the $750,000 note payable entered into during October 2002 and the return of the 10% membership ("minority interest") in LA Sports sold in August 2002 for $250,000. The Company recognized a gain of $413,225 on the sale of Green Bay.

NOTE 7 - SALE OF THE PREDATORS - DISCONTINUED OPERATIONS

On February 25, 2003, the Company sold the assets of the Predators to Orlando

Predators Football Team, LLC ("OPF"), a related party entity owned in part by significant stockholders and a member of the board of directors. OPF purchased substantially all of the assets of the Predators, excluding cash balances, including accounts receivable, inventory, prepaid expenses, fixed assets, and the AFL membership and assumed certain liabilities including certain trade payables, trade and cash sponsorship deferred revenues, season ticket deferred revenues, amounts due to the AFL, and liabilities arising as a result of certain contracts. As consideration, the Company received a $1,200,000 reduction in the bridge loans and a $300,000 note receivable from OPF due August 2005, which accrues interest at 7% per year. The bridge loan holders have agreed to extend the due date of the loans to August 31, 2005 in connection with the sale of the Predators and in exchange for an increase in the interest rate from 9.5% to 12% per annum and the cancellation of previously issued warrants and issuance of new warrants at a reduced exercise price. The Company issued a promissory note in the amount of $1,131,000 bearing interest at 7% per year to OPF to repay certain 2003 revenues received by the Company prior to sale of the Predators and issued 2,560,000 shares of the Company's Class A Common Stock to OPF valued at $1,971,200, the fair market value of the common stock on the date of closing. The Company will receive contingent payments if OPF receives non-expansion distributions of $1,000,000 or more from the AFL during a given period, was to receive between 25% and 50% of the net operational proceeds of OPF, and was to receive between 25% and 50% of the net proceeds from the sale, merger, or transfer of OPF. In addition, OPF had extended a non-revolving line of credit for the benefit of the Company in an aggregate principal amount of $550,000 accruing interest at 7% per annum and maturing on January 31, 2013. The operations of the Predators have been reported as discontinued operations.

In May 2003, the agreement was amended to provide for an increase in the line of credit to $700,000 and a $650,000 reduction of the promissory note payable to OPF, which will be recorded as a reduction of the loss on the sale of the team. As consideration, the Company has agreed to forego it's right to a percentage sharing of the net operational proceeds of OPF and forfeit its right to a percentage sharing of any net proceeds from a subsequent sale, merger or transfer of OPF. In addition, the Company has agreed to share in up to 25% of the potential net operational losses of OPF resulting from the 2004 and 2005 playing seasons, not to exceed $250,000 in aggregate.

NOTE 8 - SALE OF ICEGATORS

In May 2003, the Company sold the assets of the IceGators to an unaffiliated party. The Company sold the ECHL franchise and fixed assets of the IceGators for the assumption of the Company's $600,000 note payable plus accrued interest through the date of the sale of $22,500. The operations of the IceGators have been reported as discontinued operations.

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PART I. FINANCIAL INFORMATION

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

Introduction

The Orlando Predators Entertainment, Inc. ("OPE", the "Company" or "we") was organized as a Florida corporation in March 1997 and is in the sports and entertainment business. OPE (i) owned and operated the Orlando Predators (the "Predators"), a professional arena football team of the Arena Football League (the "AFL" or the "League"), (ii) owns and operates one minor league team of the arenafootball2 League ("af2"), the Peoria Pirates, which commenced play in the 2001 season, (iii) owns the rights to an additional af2 franchise, (iv) owned and operated the Louisiana IceGators of the East Coast Hockey League ("ECHL"), and (v) owns an additional approximately 9% net revenue interest in the League.

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 ECHL is a minor league ice hockey league. Most of the game rules are similar to other professional hockey game rules

The Predators, Pirates, and IceGators are collectively referred to as the teams.

In October 2000, we entered into an agreement with af2 Enterprises LLC ("af2"), which operates the arenafootball2 League to assist af2 in acquiring substantially all of the assets of the Indoor Football League ("IFL") through IFL Acquisition Company ("IFL Acq."), a wholly-owned subsidiary of af2. Under the terms of our agreement with af2, we contributed (i) $1.1 million in cash less credits of $251,165, (ii) a $1.75 million promissory note and (iii) 214,286 shares of Class A Common Stock (which we agreed to repurchase from the holders at their election for $3.50 per share). In exchange, af2 granted us (i) three af2 memberships in IFL markets, (ii) the first $1 million in expansion fees earned by the af2 in IFL markets and (iii) all of the tangible personal property assets of the IFL such as turf fields, football equipment and the like. In February 2002, the agreement was modified pursuant to which we issued an additional 35,000 shares to eliminate our 214,286 share repurchase requirement and paid $400,000 to cancel the $1.75 million promissory note we had issued. With respect to the three af2 memberships, we operate the Peoria Pirates, own the rights to an additional af2 franchise and sold our rights to the Green Bay, Wisconsin team in October 2002.

NBC Sports and the Arena Football League have reached an agreement to become revenue-sharing partners in a national television contract beginning with the 2003 season. The AFL season began on January 31 and concluded with ArenaBowl XVII on Sunday, June 22, 2003. NBC's regular season broadcasts are shown live on Sunday afternoons with up to four regional telecasts each week. NBC is the exclusive national broadcaster of AFL games. AFL teams' local television agreements will continue on a non-conflicting basis. All Playoff Games were broadcasted 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 had up to 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 66 hours of live programming each year. The Company will share in these revenues through its 9% net revenue interest in the League.

On July 31, 2002, we entered into an agreement to purchase the East Coast Hockey League (ECHL) membership of the Louisiana IceGators (which plays its games in Lafayette, Louisiana) and certain assets for $100,000 cash and a $600,000 promissory note bearing interest 5% per year, payable in four annual installments of $150,000 each. We also assumed certain contracts under the sale agreement. In May 2003, we entered into an asset purchase agreement to sell the assets of the IceGators to an unrelated party for the assumption of the Company's $600,000 note payable plus accrued interest through the date of the sale.

We have incurred substantial and ongoing losses since our inception, aggregating $18,207,525 through June 30, 2003. Moreover, recently our cash resources have been reduced to the point that our ability to continue our operations has been put into jeopardy. In order to generate cash, we decided to offer all of our professional teams for sale, retaining only our aggregate 9% net revenue interest in the League. Consistent with this strategy, we have sold assets of the Predators, excluding cash, to a related party entity that is owned in part by significant stockholders and a member of the Board of Directors and sold the assets of the IceGators to an unrelated party for the assumption of the Company's $600,000 note payable plus accrued interest through the date of the sale.

Due to the urgency of our cash flow difficulties, we believe we may have sold the Predators and IceGators for less than that which we would have received had we the time to properly market the teams. Similarly, we believe we may also be required to sell our other teams at prices below that which we would receive had we the time to properly market the other team and league membership.

There can be no assurance that we will be successful in selling our remaining team and league membership. However, if we are successful in selling our remaining team and league membership, our revenue would be reduced to the distributions, if any, we will receive generated by our 9% net revenue interest in the League. While our operating expenses would also be substantially reduced, we can give no assurance that we would be able to generate sufficient revenue following the team and league membership sales to maintain our operations.

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 our periodic reports filed with the Securities and Exchange Commission. These forward-looking statements speak only as of the date hereof. We disclaim any intent or obligation to update these forward-looking statements.

Summary of Significant Accounting Policies

Consolidation and Minority Interest
The consolidated financial statements of the Company include 100% of the assets, liability, equity and operations of the subsidiaries. The 10% membership interest in LA Sports owned by a member of the Company's board of directors/significant stockholder had been recorded as a minority interest. All significant intercompany balances and transactions have been eliminated in consolidation.

Inventory
Inventory consists of team merchandise available for sale. Inventory is stated at the lower of cost (first-in, first-out) or market.

Property and Equipment
Property and equipment is recorded at cost. Depreciation expense is provided on a straight-line basis using the estimated useful lives of 5-10 years. Maintenance and repairs are charged to expense as incurred. When assets are retired or otherwise disposed of, the property accounts are relieved of costs and accumulated depreciation and any resulting gain or loss is credited or charged to operations

Membership Cost
The AFL membership was recorded at its cost of $1,989,860 and was being amortized on a straight-line basis over 40 years. The Peoria af2 membership cost was recorded at its cost of $550,000 and was being amortized on a straight-line basis over 20 years. The ECHL membership was recorded at its cost of $640,000 and was not being amortized. Pursuant to SFAS 142 ("Goodwill and Other Intangible Assets") and SFAS 144 ("Accounting for the Impairment or Disposal of Long-Lived Assets"), the Company has evaluated its memberships in the AFL, af2 and the ECHL for impairment and had determined as of September 30, 2002, that

the fair value of the AFL membership approximates $-0-. As a result the Company recorded a $1,745,271 impairment charge related to the AFL membership during the year ended September 30, 2002. The Company again evaluated its memberships during the nine months ended June 30, 2003 and believes that the fair value of the af2 memberships approximates $400,000 each. As a result, the Company recorded a $285,662 impairment charge related to its remaining af2 memberships.

In July 2001 the Financial Accounting Standards Board ("FASB") issued SFAS No. 142 goodwill and other intangible assets (SFAS 142). Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company was required to adopt SFAS 142 effective September 30, 2001. The adoption of SFAS 142 caused a decrease of $19,312 in amortization expense for the nine months ended June 30, 2003 as compared to the same period in 2002.

Advertising Expenses
The Company utilizes direct-response advertising, eliciting sales to customers who can be shown to have responded specifically to the advertising and resulting in future economic benefits. Expenditures for advertising are capitalized and then amortized over the course of the playing season. Advertising costs totaled $82,630 and $-0- for the nine months ended June 30, 2003 and 2002, respectively.

Revenue Recognition
The Company recognizes ticket, concession, play-off, and advertising and promotions revenues as its home preseason, regular season and play-off (if any) games are played. Generally, prior to each team's season, the Company begins selling season tickets and sponsorship packages (advertising and promotions), which are recorded as deferred revenues until each game is played. The Company recognizes these revenues ratably over the course of the home games played. Single game tickets are sold generally during each team's playing season. These revenues are recognized as the applicable games are played. The Company receives all ticket and advertising and promotion revenues for home play-off games (if any) and receives play-off revenue sharing from other teams for away play-off games (if any). The Company does not share in ticket or other revenues from any preseason or regular season away games.

The Company recognizes its share of revenues from the leagues, when amounts are deemed distributable by the leagues. The Company receives one share of league revenues based upon the number of shares outstanding at the time the revenues were earned by the leagues. League revenues (if any) generally consist of gross expansion fees received by the league, any national sponsorship revenues and any national television contract revenues. The Company may share in other league revenues generated.

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Football and Hockey Operations
Team, selling and promotional expenses (principally player and coaches salaries, fringe benefits, insurance, game expenses, arena rentals and travel) are recorded as expenses ratably over the course of the season. Accordingly, expenses not yet incurred are recorded as prepaid expenses and are amortized ratably as games are played. General and administrative expenses are charged to operations as incurred.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of

contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company sells sponsorships for cash, goods and services. In exchange, the sponsor receives advertising and various benefits to games. The value of the services has been estimated in the accompanying financial statements. Management believes these estimates reasonably disclose the value of goods and services received.

Income Taxes
The Company accounts for income taxes under the asset and liability method. Under this method, deferred income taxes are recorded to reflect the tax consequences in future years of temporary differences between the tax basis of assets and liabilities and their financial statement amounts at the end of each reporting period. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense represents the tax payable for the current period and the change during the period in deferred tax assets and liabilities. Deferred tax assets and liabilities have been netted to reflect the tax impact of temporary differences.

Deferred tax assets arise primarily from the net operating loss carryforward and amortization of the membership costs which are not deductible for tax purposes until the membership is sold.

Deferred tax liabilities result when depreciation for tax purposes exceeds depreciation for book purposes. A valuation allowance equal to the net deferred tax asset has been recorded at June 30, 2003 since management of the Company has determined that it is more likely than not that the tax asset will not be realized.

Concentrations of Risk
Concentrations of credit risk associated with accounts receivable is limited due to accounts receivable transactions arising from sponsorship contracts, which have a history of performance.

The supply of talented players is limited due to the competitive nature with other professional football and hockey leagues.

The Company maintains all cash in deposit accounts, which at times may exceed federally insured limits. The Company has not experienced a loss in such accounts.

Fair Value of Financial Instruments
The carrying value of cash, accounts receivable, notes payable, accounts payable, and accrued expenses approximate fair value because of the short maturity of these items. The carrying value of non-current liabilities approximates fair value based on references to interest rates on similar instruments.

Earnings Per Common Share
The Company computes earnings per common share in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share (SFAS No. 128). This Statement simplifies the standards for computing earnings per share (EPS) previously found in Accounting Principles Board Opinion No. 15, Earnings Per Share, and makes them more comparable to international EPS standards. SFAS No. 128 replaces the presentation of primary EPS with a presentation of basic EPS. In addition, the Statement requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation.

Stock-Based Compensation
The Company accounts for stock based compensation in accordance with the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" (SFAS No. 123). Under the provisions of SFAS No. 123, companies can either measure the compensation cost of equity instruments issued under employee compensation plans using a fair value based method, or can continue to recognize compensation cost using the intrinsic value method under the provisions of APB No. 25. However, if the provisions of APB No. 25 are continued, proforma disclosures of net income or loss and earnings or loss per share must be presented in the financial statements as if the fair value method had been applied. The Company recognizes compensation costs under the provisions of APB No. 25 and provides the expanded disclosure required by SFAS No. 123.

Recently Issued Accounting Pronouncements

In July 2001 the Financial Accounting Standards Board ("FASB") issued No. SFAS 141, Business Combinations. SFAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. The Company has implemented SFAS 141 and its adoption did not have a material effect on its consolidated financial statements.

In July 2001 the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, which addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002 and early adoption is encouraged. SFAS No. 143 requires that the fair value of a liability for an asset's retirement obligation be recorded in the period in which it is incurred and the corresponding cost capitalized by increasing the carrying amount of the related long-lived asset. The Company estimates that the new standard will not have a material impact on its consolidated financial statements.

In August 2001 the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. SFAS No. 144 addresses accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of and APB Opinion No. 30, Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business. SFAS No. 144 retains the fundamental provisions of SFAS No. 121 and expands the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The Company has implemented SFAS 144 and has determined that the fair value of its AFL membership approximates $-0-. As a result, the Company recorded a $1,745,271 impairment charge related to the AFL membership during the year ended September 30, 2002.

In April 2002 the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of SFAS Statement No. 13, and Technical Corrections ("SFAS 145"). This statement rescinds the requirement in SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt, that material gains and losses on the extinguishment of debt be treated as extraordinary items. The statement also amends SFAS No. 13, Accounting for Leases, to eliminate an inconsistency between the accounting for sale-leaseback transactions and the accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Finally the standard makes a number of consequential and other technical corrections to other standards. The provisions of the statement relating to the rescission of SFAS 4 are effective for fiscal years beginning after May 15, 2002. Provisions of the statement relating to the amendment of SFAS 13 are effective for transactions occurring after May 15, 2002 and the other provisions of the statement are effective for financial statements issued on or after May 15, 2002. The Company has reviewed SFAS 145 and its adoption is not expected to have a material effect on its consolidated financial statements.

In July 2002 the FASB issued SFAS No. 146, Accounting for Exit or Disposal Activities ("SFAS 146"). SFAS 146 applies to costs associated with an exit activity (including restructuring) or with a disposal of long-lived assets. Those activities can include eliminating or reducing product lines, terminating employees and contracts, and relocating plant facilities or personnel. SFAS 146 will require a Company to disclose information about its exit and disposal activities, the related costs, and changes in those costs in the notes to the interim and annual financial statements that include the period in which an exit activity is initiated and in any subsequent period until the activity is completed. SFAS 146 supersedes Emerging Issues Task Force Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring), and requires liabilities associated with exit and disposal activities to be expensed as incurred and can be measured at fair value. SFAS 146 is effective prospectively for exit or disposal activities initiated after December 31, 2002, with earlier adoption encouraged. The Company has reviewed SFAS 146 and its adoption may have a material effect on its consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of SFAS No. 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation from the intrinsic value based method of accounting. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Under the provisions of SFAS No. 148, companies that choose to adopt the accounting provisions of SFAS No. 123 will be permitted to select from three transition methods: Prospective method, Modified Prospective method and Retroactive Restatement method. The transition and annual disclosure provisions of SFAS No. 148 are effective for the fiscal years ending after December 15, 2002. We are currently evaluating SFAS No. 148 to determine if we will adopt SFAS No. 123 to account for employee stock options using the fair value method.

Results of Operations

Three Months Ended June 30, 2003 Compared To The Three Months Ended June 30, 2002

The following discussion does not include the discontinued operations of the Predators or the IceGators, which are discussed later in this section.

Revenues

We recognize game revenues and expenses over the course of the season. The af2 season is from March through August. During the three months ended June 30, 2003 the Pirates played four home games and seven away games as compared to seven home games and six away games during the same period in 2002.

Revenues for the three months ended June 30, 2003 were $454,006 compared to $893,634 for the three months ended June 30, 2002. The decrease in revenues is primarily attributed to the Pirates' game revenues being recognized as the home games are played. Only four home games were played for the three months ended June 30, 2003 compared to seven home games for the three months ended June 30, 2002. In addition, the Pirates' sponsorship revenues decreased in 2003 as compared to the 2002 season.

Selling and Promotional Expenses

Selling and promotional expenses were $121,878 for the three months ended June 30, 2003, consistent with $121,955 for the three months ended June 30, 2002.

Operations

Operating expenses were $387,458 for the three months ended June 30, 2003 compared to $342,848 for the three months ended June 30, 2002. Operating expenses consist primarily of player and coaching staff salaries and benefits and game production costs. The increase in operating expenses is a result primarily of the increase in the Pirates' player travel costs due to increased travel to the western United States and an increase in Pirates' players workers' compensation insurance.

Trade Expenses

Trade expenses were $195,227 for the three months ended June 30, 2003 compared to $255,608 for the three months ended June 30, 2002. 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 June 30, 2003 and 2002 consisted primarily of team meals, player medical costs, wireless phone service, website and computer maintenance, advertising, office furniture rental, and hotel accommodations. . The decrease in trade expenses is a result of decrease in the amount of expense related to wireless phone service, telecommunications and hotel accommodations.

General and Administrative Expenses

General and administrative expenses of $166,521 decreased by $39,543 or 19% for the three months ended June 30, 2003 compared to $206,064 for the three months ended June 30, 2002. The decrease was primarily due to a decrease in salaries and benefits. 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 $6,263 and $32,615, respectively during the three months ended June 30, 2003 as compared to $243 and $60,145, respectively for the three months ended June 30, 2002. The decrease in interest income, AFL is due to the reduction of the principal balance of the note receivable from the AFL.

Interest expense, including interest expense owed to related parties, during the three months ended June 30, 2003 was $77,228 as compared to $31,698 for the three months ended June 30, 2002. The increased interest expense is attributable to the bridge loans, which closed in March of 2002.

Loan Fees

We have granted warrants to purchase 797,843 shares of our Class A Common Stock in connection with the bridge loan financing which were valued utilizing the Black-Scholes model totaling $1,141,852. In connection with the sale of the Predators, the bridge loans were extended and the related warrants were exchanged for warrants to purchase 1,116,980 shares of our Class A Common Stock for a reduced price of $0.80 per share. The warrants were valued utilizing the Black-Scholes model totaling $393,177 and are being amortized over the term of the amended bridge loans. During the three months ended June 30, 2003, we recorded $36,860 of related expense.

Operations of the Predators - Discontinued Operations

We have reported the operations of the Predators as discontinued operations. We sold the assets of the Predators on February 25, 2003. The Predators had assets of approximately $2,752,000 and liabilities of approximately $3,174,000 as of January 31, 2003, the effective date of the sale. We recognized a loss of approximately $428,000 on the sale of the Predators

Operations of the IceGators - Discontinued Operations

We have reported the operations of the IceGators as discontinued operations. We sold certain assets of the IceGators on May 7, 2003. The IceGators had assets of approximately $748,000 and liabilities of approximately $797,000 as of May 7, 2003, the effective date of the sale. We recognized a loss of approximately $77,500 on the sale of the IceGators.

Nine Months Ended June 30, 2003 Compared To The Nine Months Ended June 30, 2002

The following discussion does not include the discontinued operations of the Predators, which are discussed later in this section.

Revenues

The Company recognizes game revenues and expenses over the course of the season. The af2 season is from March through August. During the nine months ended June 30, 2003 the Pirates played five home games and seven away games as compared to six home games and seven away games during the same period in 2002.

Revenues for the nine months ended June 30, 2003 were $577,813 compared to $895,011 for the nine months ended June 30, 2002. The decrease was principally due to in part by the Pirates' recognition of game revenues as the home games are played. Less home games were played in the nine months ended June 30, 2003 as compared to the nine months ended June 30, 2002. In addition, the Pirates' sponsorship revenues decrease from 2003 as compared to the 2002 season.

Selling and Promotional Expenses

Selling and promotional expenses were $150,799 for the nine months ended June 30, 2003 compared to $121,955 for the nine months ended June 30, 2002. The increase in selling and promotional expenses is a result primarily of radio and television advertising, sponsorship costs and merchandise give-aways.

Operations

Operating expenses were $412,642 for the nine months ended June 30, 2003 compared to $342,848 for the nine months ended June 30, 2002. Operating expenses consist primarily of player and coaching staff salaries and benefits and game production costs. The increase in operating expenses is a result primarily of the increase in player travel costs due to increased travel to the western United States and an increase in Pirates' players workers' compensation insurance.

Trade Expenses

Trade expenses were $221,201 for the nine months ended June 30, 2003 compared to $271,985 for the nine months ended June 30, 2002. 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 nine months ended June 30, 2003 and 2002 consisted primarily of team meals, player medical costs, wireless phone service, website and computer maintenance, advertising, office furniture rental, and hotel accommodations. The decrease in trade expenses is a result of decrease in the amount of expense related to wireless phone service, telecommunications and hotel accommodations .

General and Administrative Expenses

General and administrative expenses of $704,336 decreased by $180,931 or 20% for the nine months ended June 30, 2003 compared to $885,267 for the nine months ended June 30, 2002. The decrease was primarily due to the recording of the fair market value of options granted to USV during the quarter ended December 31, 2001. In addition, salaries and benefits decreased for the nine months ended June 30, 2003 as compared to the nine months ended June 20, 2002. 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 $16,800 and $120,102, respectively during the nine months ended June 30, 2003 as compared to $1,541 and $193,044, respectively for the nine months ended June 30, 2002. The decrease in interest income, AFL is due to the reduction of the principal balance of the note receivable from the AFL.

Interest expense, including interest owed to related parties, during the nine months ended June 30, 2003 was $196,006 as compared to $101,029 for the prior period. The increased interest expense is attributable to the bridge loans, which closed in March of 2002.

Loan Fees

We have granted warrants to purchase 797,843 shares of our Class A Common Stock in connection with the bridge loan financing which were valued utilizing the Black-Scholes model totaling $1,141,852. During the nine months ended June 30, 2003, we expensed $321,629 of related loan fees, which were amortized over the initial term of the loan. The Company also paid a $285,000 finders fee related to the bridge loans. The fee was amortized as a loan fee over the term of the loan. $68,819 of the finders fee was expensed during the nine months ended June 30, 2003.

In connection with the sale of the Predators, the bridge loans were extended and the related warrants were exchanged for warrants to purchase 1,116,980 shares of our Class A Common Stock for a reduced price of $0.80 per share. The warrants were valued utilizing the Black-Scholes model totaling $393,177 and are being amortized over the term of the amended bridge loans. During the nine months ended June 30, 2003, we recorded $73,720 of related expense.

Operations of the Predators - Discontinued Operations

We have reported the operations of the Predators as discontinued operations. We sold the assets of the Predators on February 25, 2003. The Predators had assets of approximately $2,752,000 and liabilities of approximately $3,174,000 as of January 31, 2003, the effective date of the sale. We recognized a loss of approximately $428,000 on the sale of the Predators.

Operations of the IceGators - Discontinued Operations

We have reported the operations of the IceGators as discontinued operations. We sold certain assets of the IceGators on May 7, 2003. The IceGators had assets of approximately $748,000 and liabilities of approximately $797,000 as of May 7, 2003, the effective date of the sale. We recognized a loss of approximately $77,500 on the sale of the IceGators.

Liquidity and Capital Resources

Historically, we have financed net operating losses primarily with expansion proceeds and note receivable and interest payments from the AFL, the sale of our securities and third party and related party loans.

In October 2000, we entered into an agreement with af2 Enterprises LLC ("af2"), which operates the arenafootball2 League to assist af2 in acquiring substantially all of the assets of the Indoor Football League ("IFL") through IFL Acquisition Company ("IFL Acq."), a wholly-owned subsidiary of af2. Under the terms of our agreement with af2, we contributed (i) $1.1 million in cash less credits of $251,165, (ii) a $1.75 million promissory note and (iii) 214,286 shares of Class A Common Stock (which we agreed to repurchase from the holders at their election for $3.50 per share). In exchange, af2 granted us (i) three af2 memberships in IFL markets, (ii) the first $1 million in expansion fees earned by the af2 in IFL markets and (iii) all of the tangible personal property assets of the IFL such as turf fields, football equipment and the like. In February 2002, the agreement was modified pursuant to which we issued an additional 35,000 shares to eliminate our 214,286 share repurchase requirement and paid $400,000 to cancel the $1.75 million promissory note we had issued. With respect to the three af2 memberships, we operate the Peoria Pirates and maintain the rights to an additional af2 franchise and sold our rights to the Green Bay, Wisconsin team in October 2002.

We completed a private placement of $2,500,372 in notes payable in March 2002. During the third quarter 2002, we received an additional $50,000. The notes bear interest at 9.5% and principal and interest are due 18 months after the note date. We granted warrants to the note holders to purchase a total of 510,074 shares of the Company's Class A Common Stock for $2.75 based upon 20,000 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 we repay 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. We 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 $902,950 and the significant assumptions used in the calculation of the warrants were risk free interest rates of 3.74% to 4.03% an average volatility of 82% and an average life of four years. The notes are collateralized by our two non-voting interests in the Arena Football League.

In July 2002, our Board of Directors voted to increase the maximum offering in the private placement to a total of $3,850,000 under the same terms as the original agreement. In addition, we have agreed to grant warrants to purchase an additional 5,000 shares of the Company's Class A Common Stock for $2.50 for each $100,000 loaned to the existing note holders as an incentive to increase the maximum offering size. All original note holders signed a settlement agreement changing the loan date to February 15, 2002, with a due date of August 14, 2003. An additional $595,000 was received as of September 30, 2002, bringing the total outstanding bridge loans to $3,145,372. In October 2002 the Company received an additional $46,000 in bridge loan funding. The note holder received warrants to purchase 11,500 shares of the Company's Class A Common Stock, exercisable at $2.75 per share, plus warrants to purchase 4,600 shares of the Company Class A Common Stock, exercisable at $2.50 per share, if the loan is not paid by February 15, 2003. 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 $4,400 and the significant assumptions used in the calculation of the warrants were a risk free interest rate of 2.07%, volatility of 81.53% and a life of 3.3 years.

As part of the sale of the Predators, the bridge loans were modified in January 2003 to extend the due date from August 14, 2003 to August 31, 2005 and the interest rate increased to 12% from 9.5%. Certain loan holders agreed to reduce the debt by an aggregate of $1,200,000, decreasing the outstanding debt to $1,991,372. The debt has been reclassified as long-term and the Company is required to prepay principal from cash proceeds, if any, received from the sale of the teams. Previously issued warrants were cancelled and note holders received warrants to purchase 35,000 shares of the Company's Class A Common Stock for each $100,000 of original principal amount under the bridge loans, exercisable at $0.80 per share. The Company granted warrants to purchase a total of 1,116,980 shares of the Company's Class A Common Stock valued at $393,177 and will amortize the cost over the note period. The Company computed the fair market value of warrants utilizing the Black-Scholes model Significant assumptions used in the calculation of the warrants were a risk free interest rate of 2.24%, volatility of 82.44% and a life of 3.1 years.

We have incurred substantial and ongoing losses since our inception, aggregating $18,207,525 through June 30, 2003. Moreover, recently our cash resources have been reduced to the point that our ability to continue our operations has been put into jeopardy. In order to generate cash, we decided to offer all of our professional teams for sale, retaining only our aggregate 9% net revenue interest in the League. Consistent with this strategy, we have sold the assets of the Predators, excluding cash, to a related party entity that is owned in part by significant stockholders and a member of the Board of Directors for $1,200,000 reduction in bridge loans and a $300,000 note receivable and the assumption of debt and issuance of 2,560,000 shares of the Company's Class A Common Stock.. We have also sold the assets of the IceGators to an unrelated party for assumption of the Company's $600,000 note payable and related accrued interest through the date of the sale.

Due to the urgency of our cash flow difficulties, we believe we may have sold the Predators and IceGators for less than that which we would have received had we the time to properly market the teams. Similarly, we believe we may also be required to sell our other teams at prices below that which we would receive had we the time to properly market the other team and league membership.

There can be no assurance that we will be successful in selling our remaining team and league membership. However, if we are successful in selling our remaining team and league membership, our revenue would be reduced to the distributions, if any, we will receive generated by our 9% net revenue interest in the League. While our operating expenses would also be substantially reduced, we can give no assurance that we would be able to generate sufficient revenue following the team and league membership sales to maintain our operations.

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PART I. FINANCIAL INFORMATION
ITEM 4. CONTROLS AND PROCEDURES

Within 90 days prior to the filing date of our quarterly report on Form 10-QSB, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC reports.

In accordance with SEC requirements, our chief executive officer and chief financial officer note that, since the date of the most recent evaluation of our disclosure controls and procedures to the date of our Quarterly Report on Form 10-QSB, there have been no significant changes in our internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

Our management, including the chief executive officer and our chief financial officer, does not expect that our disclosure controls or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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PART II. OTHER INFORMATION AND SIGNATURES

ITEM 1. LEGAL PROCEEDINGS
None

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

The Company issued 59,585 shares of its Class A Common Stock to various individuals in connection with private placements. The shares were issued as an offering cost since the Company was unable to register the original shares offered by a specified date.

The Company issued 2,560,000 shares of the its Class A Common Stock in connection with the sale of the Predators. The stock has been valued at $1,971,200, the fair market value on the date the Predators sale closed.

The Company issued 155,000 shares of its Class A Common Stock to its Chief Executive Officer as compensation for services rendered. The stock has been valued at $93,850, the fair market value of the stock on the dates issuable.

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

Current report on Form 8-K/A filed October 15, 2002, items 5 and 7.

Current report on Form 8-K filed November 5, 2002, item 5.

Current report on Form 8-K filed February 18, 2003, item 5.

Current report on Form 8-K filed March 12, 2003, item 7.

Current report on Form 8-K filed May 15, 2003, item 5.

Current report on Form 8-K filed May 22, 2003, item 7.

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/ Keli Davis

Keli Davis
Chief Financial Officer

Date: August 19, 2003

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Certification of Periodic Report

I, Keli Davis, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of The Orlando Predators Entertainment, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 19, 2003

/s/ Keli Davis

Keli Davis,
Chief Financial Officer

Certification of Periodic Report

I, Eric Margenau, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of The Orlando Predators Entertainment, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 19, 2003

/s/ Eric Margenau

Eric Margenau,

Chief Executive Officer