

GOLF ENTERTAINMENT INC
Form 10-Q
May 24, 2001

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2001

OR

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

Commission File No. 0-18303

GOLF ENTERTAINMENT, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

11-2990598
(I.R.S. Employer Identification No.)

9925 Haynes Bridge Road, Suite 200
PMB# 226
Alpharetta, Georgia 30022
(Address of principal executive offices)
(Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

There were 5,293,044 shares of Common Stock (\$0.01 par value) outstanding as of May 9, 2001.

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GOLF ENTERTAINMENT, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Independent Accountants' Report

The Board of Directors and Stockholders
Golf Entertainment, Inc.

We have reviewed the accompanying consolidated balance sheet of Golf Entertainment, Inc. (formerly LEC Technologies, Inc.) and Subsidiaries as of March 31, 2001, and the related consolidated statements of operations, and cash flows for the three-month period then ended. These financial statements are the responsibility of the company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial statements consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly,

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we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred losses from operations, has a working capital deficiency and a stockholders' deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters is also described in Note 1. The financial statements do not include any adjustments that may result from this uncertainty.

/s/ Goldstein Golub Kessler LLP

New York, New York
May 18, 2001

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GOLF ENTERTAINMENT, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	March 31, 2001 ----- (Unaudited)	December 31, 2000 ----- (Audited)
ASSETS		
CURRENT ASSETS		
Cash	\$ 227	\$ 1,914
Prepaid expenses	18,197	25,352
	-----	-----
Total Current Assets	18,424	27,266
	-----	-----
OTHER ASSETS		
Assets related to discontinued operations	109,563	173,990
	-----	-----
Total Other Assets	109,563	173,990
	-----	-----
TOTAL ASSETS	\$127,987	\$201,256
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

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GOLF ENTERTAINMENT, INC. AND SUBSIDIARIES

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CONSOLIDATED BALANCE SHEETS

	March 31, 2001	December 31, 2000
	----- (Unaudited)	----- (Audited)
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 159,317	\$ 149,768
Accrued expenses	30,577	29,196
Notes payable	157,000	105,000
Current maturities of long-term debt	14,628	22,252
	-----	-----
Total Current Liabilities	361,522	306,216
	-----	-----
LONG-TERM DEBT	9,242	10,017
	-----	-----
OTHER LIABILITIES		
Liabilities related to discontinued operations	39,750	39,750
Other liabilities	57,254	57,254
	-----	-----
Total Other Liabilities	97,004	97,004
	-----	-----
TOTAL LIABILITIES	467,768	413,237
	-----	-----
STOCKHOLDERS' DEFICIT		
Series A preferred stock, \$0.01 par value, 1,000,000 shares authorized, 380,000 shares issued, 228,516 shares outstanding	2,285	2,285
Common stock, \$0.01 par value, 25,000,000 shares authorized, 5,293,044 shares issued and outstanding at March 31, 2001 and December 31, 2000, respectively	52,930	52,930
Additional paid-in capital	11,535,349	11,535,349
Accumulated deficit	(11,930,345)	(11,802,545)
	-----	-----
TOTAL STOCKHOLDERS' DEFICIT	(339,781)	(211,981)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 127,987	\$ 201,256
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

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	Three Months Ended	
	March 31, 2001	March 31, 2000
Revenue	\$ --	\$ --
Selling, general and administrative	127,203	320,678
Settlement of legal proceedings	--	274,933
Depreciation and amortization	--	15,339
Interest expense/(income), net	3,949	(1,859)
	131,152	609,091
Loss from continuing operations	(131,152)	(609,091)
Income/(loss) from discontinued operations	3,352	(107,535)
Net loss	\$ (127,800)	\$ (716,626)
Loss per share from continuing operations	\$ (0.02)	\$ (0.16)
Income/(loss) from discontinued operations	\$ --	\$ (0.03)
Loss per common share - basic and diluted	\$ (0.02)	\$ (0.19)
Weighted average shares outstanding	5,293,044	3,755,245

The accompanying notes are an integral part of these consolidated financial statements.

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GOLF ENTERTAINMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended	
	March 31, 2001	March 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (127,800)	\$ (716,626)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation and amortization	--	32,714

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Issuances of stock for services and settlements	--	117,580
Gain on disposals	--	(6,605)
Change in assets and liabilities due to operating activities:		
Decrease in accounts receivable	--	3,621)
Decrease in inventory	--	3,000
Decrease/(increase) in prepaid expenses	7,155	(6,537)
Increase in accounts payable	9,549	16,744
Increase in accrued liabilities	1,381	19,812
	-----	-----
Total adjustments	18,085	173,087
	-----	-----
Net cash used in operating activities	(109,715)	(543,539)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales and disposals of off-lease inventory	--	6,605
Purchases of furniture and equipment	--	(310)
Payments received on notes receivable	--	41,731
Decrease (increase) in notes receivable	--	199,833
Sales-type and direct financing lease rentals received	64,427	105,892
	-----	-----
Net cash provided by investing activities	64,427	353,751
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on nonrecourse and recourse discounted lease rentals	--	(107,408)
Proceeds from notes payable	52,000	2,516
Principal payments on long-term debt	(8,399)	(1,981)
Proceeds from sale of stock	--	265,000
	-----	-----
Net cash provided by financing activities	43,601	158,127
	-----	-----
Net decrease in cash	(1,687)	(31,661)
Cash at beginning of period	1,914	40,619
	-----	-----
Cash at end of period	\$ 227	\$ 8,958
	=====	=====
 Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 645	\$ 711
Income taxes	\$ --	\$ --

The accompanying notes are an integral part of these consolidated financial statements.

GOLF ENTERTAINMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements are condensed and do not include all information required by generally accepted accounting principles to be included in a full set of financial statements. The unaudited condensed consolidated financial statements include the accounts of Golf

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Entertainment, Inc. and its wholly owned subsidiaries, collectively referred to as the "Company".

All material intercompany accounts and transactions have been eliminated. Certain reclassifications have been made to prior periods' amounts to conform to current period presentation. The information furnished reflects all adjustments, which are, in the opinion of the Company, necessary to present fairly its financial position, the results of its operations and its cash flows for the three months ended March 31, 2001 and 2000. It is suggested that this report be read in conjunction with the Company's audited financial statements included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2000. The operating results and cash flows for the three-month period presented are not necessarily indicative of the results that will be achieved for the full fiscal year or for future periods.

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 at the date of the financial reporting period and the reported amount of revenue and expenses. Actual results could differ from those estimates.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As shown in the accompanying consolidated financial statements, the Company has incurred a net loss for the three months ended March 31, 2001 of \$127,800. In addition, the Company has a stockholders' deficiency of \$339,781 at March 31, 2001. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and the attainment of an adequate level of profitable operations. Management believes that the action it is taking will provide the opportunity for the company to Continue as a going concern.

Note 2. Earnings per Common Share

Earnings per common share are based on the weighted average number of common shares outstanding during each period presented. Weighted average basic and diluted common shares outstanding for the three months ended March 31, 2001 and 2000 were 5,293,044 and 3,755,245, respectively. Vested and unvested options, warrants and convertible preferred stock were not included in the computation of dilutive EPS because the effect of doing so would be antidilutive.

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Note 3. Notes Payable and Long-term Debt

Notes payable and long-term debt consist of the following at:

	March 31, 2001	December 31, 2000
	-----	-----
Term note payable to Northwinds Center, LP, payments of \$340 including interest at 10%, due October 31, 2004	12,228	12,929
Term note payable to Imperial Premium Finance Company, payments of \$1,842 Including interest		

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at 17.8%, due June 25, 2001	5,392	10,590
Term note payable to Scott Printing Corporation, due in monthly installments Beginning December 1, 2000 of \$1,250 For 4 months, \$2,500 for 2 months with Interest at 0.0%	6,250	8,750
Demand convertible note payable to Ronald G. Farrell, interest accruing at Prime plus 2.0%, due upon demand	157,000	105,000
	-----	-----
	\$108,870	\$137,269
	=====	=====

Note 4. Assets and Liabilities Related to Discontinued Operations

Excluded from the sale of the leasing portfolio on December 31, 1999, the Company retained certain assets and liabilities related to its former line of business. The assets and liabilities related to discontinued operations are as follows:

	March 31, 2001	December 31, 2000
	-----	-----
Investment in leased assets, sales-type	\$109,563	\$173,990
	=====	=====
Notes payable	\$ 39,750	\$ 39,750
	=====	=====

Note 5. Supplemental Disclosures of Noncash Investing and Financing Activities

Not applicable

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

General

In April 2001, Golf Entertainment, Inc. ceased doing business. Golf Entertainment, Inc. and its subsidiaries (GolfBZ.com, Inc. or "GolfBZ"; Traditions Acquisition Corporation or "TAC"; LEC Leasing, Inc. or "LEC"; Superior Computer Systems, Inc. or "SCS"; Pacific Mountain Computer Products, Inc. or "PMCPI"; Atlantic Digital International, Inc. or "ADI"; LEC Distribution, Inc; TJ Computer Services, Inc) (collectively, the "Company" or "Golf") most currently was in the business of brokering businesses within the golf industry via the Internet. Due to certain economic factors, the Company ceased all active operations on April 6, 2001 and is currently seeking to acquire or merge with a company that desires to establish a public trading market for its securities while avoiding what it may deem to be adverse consequences of undertaking a public offering itself, such as time delays, significant expense, loss of control and other burdens related to compliance

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with various federal and state securities laws. This business combination may be with a financially stable mature company or with a financially unstable company or with a company in its early stages of development of growth.

Results of Operations

For the three months ended March 31, 2001, the Company had no significant revenues (other than interest and financing income) since discontinuance of the Traditions Golf Club operation in May 2000. The Company will not achieve any significant revenues until, at the earliest, the completion of a business combination.

For the three months ended March 31, 2001, the selling, general and administrative costs of the corporate headquarters were \$127,203. Interest expense, net of interest income of \$177, related to corporate operations was \$3,949. Management has put a cost control plan into place which will reduce even further overhead expenses.

For the three months ended March 31, 2001, the Company received financing income from payments made by the lessor of its remaining sales-type leases. The Company reported income of \$3,352 from the results of these transactions.

As a result of the foregoing, the Company recorded a net loss of \$127,800 for the three months ended March 31, 2001 as compared to a net loss of \$716,626 for the three months ended March 31, 2000.

Liquidity and Capital Resources

The Company has very little cash and has had no substantial access to cash except for borrowings from insiders since the fourth quarter of 2000. The lack of liquidity has caused the Company to cease operations.

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The Company's cash requirements for operations and capital expenditures during the three months ended March 31, 2001 were financed through the proceeds from the sale of demand convertible debentures and lease rental payments.

On November 30, 2000, the Company agreed to sell up to \$500,000 of Convertible Notes to the Company's Chairman/CEO, Ronald G. Farrell. The balance of the Convertible Notes was \$105,000 as of December 31, 2000. Through May 9, 2001, the Company has been able to sell additional Convertible Notes of \$77,000. The Company has been unable to sell any of its Convertible Notes since May 9, 2001 and it will not be able to continue operations.

Future Plans

On April 6, 2000, the Board of Directors decided to cease operations of the Company. The Company's primary remaining objective is to respond to any inquires regarding a business combination with a potential purchaser or locate a target business that the Company believes will have significant growth potential and effect a business combination with that target. A business combination may involve the acquisition of, or merger with, a financially stable, mature company that desires to establish a public trading market for its securities while avoiding what it may deem to be adverse consequences of undertaking a public offering itself, such as time delays, significant expense, loss of voting control and other burdens (including significant professional fees) related to compliance with various federal and state securities laws. In the alternative, a business combination may involve a company that may be financially unstable or

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in its early stages of development or growth.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

Certain statements herein and in the future filings by the Company with the Securities and Exchange Commission and in the Company's written and oral statements made by or with the approval of an authorized executive officer constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and the Company intends that such forward-looking statements be subject to the safe-harbors created thereby. The words and phrases "looking ahead", "we are confident", "should be", "will be", "predicted", "believe", "expect" and "anticipate" and similar expressions identify forward-looking statements. These and other similar forward-looking statements reflect the Company's current views with respect to future events and financial performance, but are subject to many uncertainties and factors relating to the Company's operations and business environment which may cause the actual results of the Company to be materially different from any future results expressed or implied by such forward-looking statements. Examples of such uncertainties include, but are not limited to, changes in customer demand and requirements, the availability and timing of external capital, interest rate fluctuations, changes in federal income tax laws and regulations, competition, unanticipated expenses and delays in the integration of newly-acquired businesses, industry specific factors and

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worldwide economic and business conditions. With respect to economic conditions, a recession can cause customers to put off leisure time activities and adversely affect the Company's revenue. The Company undertakes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company has been involved in legal proceedings from time to time arising out of the ordinary course of its prior business. There are no such currently pending proceedings, which are expected to have a material adverse effect on the Company.

Item 2. Submission of Matters to a Vote of Securities Holders

None.

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Item 5. Other Information

On August 17, 1999, the Company was notified by the Nasdaq SmallCap Market that the Company did not comply with the bid price requirement, as set forth in Nasdaq Marketplace Rule 4310 (c) (04). On January 28, 2000, the Company's common stock was delisted and became immediately eligible to trade on the OTC Bulletin Board.

On April 23, 2001, the Company's ticker symbol was modified by having an `E' appended to the end, indicting non-compliance with required SEC filings. The Company expects that this should be removed upon acceptance of the filing of the Company's Forms 10-K and 10-Q.

Item 6. Exhibits and Reports on Form 8-K

(a) Reports on Form 8-K

Form 8-K filed on April 9, 2001.

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Signatures

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

GOLF ENTERTAINMENT, INC.
(Registrant)

Date: May 23, 2001

/s/ Ronald G. Farrell

Ronald G. Farrell
Chief Executive Officer
(Principal Executive Officer)

Date: May 23, 2001

/s/ Scott A. Lane

Scott A. Lane
Chief Financial Officer
(Principal Financial and Accounting Officer)

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