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GOLF ENTERTAINMENT INC
Form 10-Q
November 15, 2001

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 September 30, 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.)

100 North Point Center East
Suite 320
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 October 15, 2001.

GOLF ENTERTAINMENT, INC. AND SUBSIDIARIES

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For the Quarter ended September 30, 2001

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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 September 30, 2001, and the related consolidated statements of operations for the three-month and nine-month periods ended September 30, 2001 and 2000 and the consolidated statements of cash flows for the nine-months ended September 30, 2001 and 2000. These financial statements are the responsibility of the company's management.

We conducted our reviews 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, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in

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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
November 13, 2001

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GOLF ENTERTAINMENT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | September 30, 2001 | December 2000 |
|---|-----------------------|--------------------|
| | ----- (Unaudited) | ----- (Audited) |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 1,291 | \$ 1, |
| Prepaid expenses | -- | 25, |
| Total Current Assets | ----- 1,291 | ----- 27, |
| OTHER ASSETS | | |
| Assets related to discontinued operations | 52,222 | 173, |
| Total Other Assets | ----- 52,222 | ----- 173, |
| TOTAL ASSETS | \$ 53,513 ===== | \$ 201, ===== |

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

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GOLF ENTERTAINMENT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

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| | September 30, 2001 ----- (Unaudited) | Decem 2 ----- (Au |
|--|---|----------------------------|
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 133,109 | \$ |
| Accrued expenses | 4,981 | |
| Notes payable | 180,863 | |
| Current maturities of long-term debt | 6,250 | |
| | ----- | ----- |
| Total Current Liabilities | 325,203 | ----- |
| | ----- | ----- |
| LONG-TERM DEBT | | |
| | -- | ----- |
| | ----- | ----- |
| OTHER LIABILITIES | | |
| Liabilities related to discontinued operations | -- | ----- |
| Other liabilities | -- | ----- |
| | ----- | ----- |
| Total Other Liabilities | -- | ----- |
| | ----- | ----- |
| TOTAL LIABILITIES | 325,203 | ----- |
| | ----- | ----- |
| 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 | |
| Common stock, \$0.01 par value, 25,000,000 shares authorized, 5,293,044 shares issued and outstanding at September 30, 2001 and December 31, 2000, respectively | 52,930 | |
| Additional paid-in capital | 11,535,349 | 11, |
| Accumulated deficit | (11,862,254) | (11, |
| | ----- | ----- |
| TOTAL STOCKHOLDERS' DEFICIT | (271,690) | (|
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | \$ 53,513 | \$ |
| | ===== | ===== |

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

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| | Three Months Ended | | Nine Months |
|---|--------------------|-------------------|-------------------|
| | Sept. 30, 2001 | Sept. 30, 2000 | Sept. 30, 2001 |
| Selling, general and administrative | 1,139 | 232,083 | 128,246 |
| Settlement of legal proceedings | -- | -- | -- |
| Depreciation and amortization | -- | 12,776 | -- |
| Interest expense/(income), net | 3,891 | 156 | 12,019 |
| | 5,030 | 245,015 | 140,265 |
| Loss from continuing operations | (5,030) | (245,015) | (140,265) |
| Income/(loss) from discontinued operations | 1,245 | (128,924) | (33,200) |
| Gain/(loss) on discontinued operations | -- | (107) | -- |
| Net loss before extraordinary item | (3,785) | (374,046) | (173,465) |
| Extraordinary income -- gain on forgiveness of debt | 11,751 | -- | 56,501 |
| Net income/(loss) | \$ 7,966 | \$ (374,046) | \$ (116,964) |
| Loss per share from continuing operations | \$ -- | \$ (0.04) | \$ (0.03) |
| Income/(loss) from discontinued Operations | \$ -- | \$ (0.02) | \$ -- |
| Extraordinary gain per share | \$ -- | \$ -- | \$ 0.01 |
| Loss per common share -- basic and diluted | \$ -- | \$ (0.06) | \$ (0.02) |
| Weighted average shares outstanding | 5,293,044 | 5,991,457 | 5,293,044 |

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

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| | Ni |
|---|--------------|
| | ----- |
| | September 3 |
| | 2001 |
| | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net loss | \$ (116,964) |
| Adjustments to reconcile net loss to cash | |
| used in operating activities: | |
| Depreciation and amortization | -- |
| Increase in deferred compensation | -- |
| Issuances of stock for services and settlements | -- |
| Inventory obsolescence reserve | -- |
| Write-off notes receivable | -- |
| Change in assets and liabilities due to operating activities: | |
| Decrease/(increase) in prepaid expenses | 25,352 |
| Increase/(decrease) in accounts payable | (16,659) |
| Decrease in accrued liabilities | (19,215) |
| Decrease in assets disposed of | -- |
| Decrease in liabilities disposed of | -- |
| Forgiveness of debt | (56,501) |
| | ----- |
| Total adjustments | (67,023) |
| | ----- |
| Net cash used in operating activities | (183,987) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Proceeds from sales of furniture and equipment | -- |
| Purchases of furniture and equipment | -- |
| Decrease in notes receivable | -- |
| Sales-type and direct financing lease rentals received | 121,768 |
| | ----- |
| Net cash provided by investing activities | 121,768 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Proceeds from notes payable | 91,739 |
| Principal payments on long-term debt | (30,143) |
| Proceeds from sale of stock | -- |
| | ----- |
| Net cash provided by financing activities | 61,596 |
| | ----- |
| Net decrease in cash | (623) |
| Cash at beginning of period | 1,914 |
| | ----- |
| Cash at end of period | \$ 1,291 |
| | ===== |
| Supplemental Disclosure of Cash Flow Information: | |
| Cash paid during the period for: | |
| Interest | \$ -- |
| Income taxes | \$ -- |

The accompanying notes are an integral part of these consolidated financial

statements.

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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 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 nine months ended September 30, 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 nine-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 nine months ended September 30, 2001 of \$116,979. In addition, the Company has a stockholders' deficiency of \$271,690 at September 30, 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 September 30, 2001 and 2000 were 5,293,044 and 5,991,457, respectively. Vested and unvested options, warrants and

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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:

| | September 30, 2001 ----- | Decem 20 ----- |
|---|--------------------------------|-------------------------|
| Term note payable to Northwinds Center, LP, payments of \$340 including interest at 10%, due October 31, 2004 | -- | 1 |
| Term note payable to Imperial Premium Finance Company, payments of \$1,842 Including interest at 17.8%, due June 25, 2001 | -- | 1 |
| 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 | |
| Demand convertible note payable to Ronald G. Farrell, interest accruing at Prime plus 2.0%, due upon demand | 180,863 | 10 |
| | ----- \$ 187,113 ===== | ----- \$ 13 ===== |

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:

| | September 30, 2001 ----- | Decem 20 ----- |
|---|--------------------------------|----------------------|
| Investment in leased assets, sales-type | \$ 52,222 ===== | \$ ===== |
| Notes payable | \$ -- ===== | \$ ===== |

Note 5. Supplemental Disclosures of Noncash Investing and Financing Activities

Not applicable

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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 "PMCPPI"; 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 undertakings a public offering itself, such as time delays, significant expense, loss of control and other burdens related to compliance 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 nine months ended September 30, 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 nine months and three months ended September 30, 2001, the selling, general and administrative costs of the corporate headquarters were \$128,246 and \$1,139, respectively. Interest expense, net of interest income of \$316 and \$41, related to corporate operations was \$12,016 and \$2,580, respectively. Management has put a cost control plan into place which will reduce even further overhead expenses.

For the nine months and three months ended September 30, 2001, the Company received financing income from payments made by the lessor of its remaining sales-type leases. The Company reported income of \$6,429 and \$1,246 from the results of these transactions.

On April 30, 2001, the Company sold its interest in GolfBZ.com, Inc. to Ronald G. Farrell, the Company's Chairman and Chief Executive Officer. The overhead expenses of GolfBZ.com, Inc. were \$40,405 for the four months ended April 30, 2001. These

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amounts are included in Discontinued Operations. The Company did not record a gain or loss on the transaction.

As a result of the foregoing, the Company recorded a net loss of \$116,964 and net income of \$7,966 for the nine months and three months ended September 30, 2001, respectively. This is compared to a net loss of \$1,297,828 and \$374,046 for the nine months and three months ended September 30, 2000.

Liquidity and Capital Resources

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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.

The Company's cash requirements for operations and capital expenditures during the nine months ended September 30, 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 September 30, 2001, the Company has been able to sell additional Convertible Notes of \$91,739. The Company has been unable to sell any of its Convertible Notes since September 30, 2001 and it will not be able to continue operations.

Future Plans

On April 6, 2001, the Board of Directors decided to cease operations of the Company. The Company's primary remaining objective is to respond to any inquiries 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 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 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

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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.

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 May 17, 2001, the Company filed its Form 10-K for the fiscal year ended December 31, 2001. On May 23, 2001, the Company filed its Form 10-K for the quarterly period ended March 31, 2001. The 'E', indicating non-compliance with required SEC filings, appended to the Company's ticker symbol on April 23, 2001, was removed upon acceptance of the filings.

Item 6. Exhibits and Reports on Form 8-K

(a) Reports on Form 8-K

None.

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Signatures

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

GOLF ENTERTAINMENT, INC.
(Registrant)

Date: October 31, 2001

/s/ Ronald G. Farrell

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

Date: October 31, 2001

/s/ Scott A. Lane

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