

Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

CHAMPIONS SPORTS INC  
Form 10KSB  
July 29, 2002

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-KSB

Mark One

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

For the fiscal year ended April 30, 2002  
-----

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-17263

CHAMPIONS SPORTS, INC.  
(Exact name of registrant as specified in its charter)

Delaware 52-1401755  
-----

(State or other jurisdiction of (I.R.S. Employer  
organization) Identification No.)

2420 Wilson Blvd., Suite 214, Arlington, VA 22201  
(Address of principal executive offices)  
(Zip code)

(703) 526-0400  
(Registrant's telephone number, including area code)

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, par value \$.001 per share  
(Title of Class)

Preferred Stock, par value \$10.00 per share  
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all report required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 \_\_\_

## Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in a definitive proxy or information statements incorporated by reference in Part III of this Form10-KSB.  
[X]

For the year ended April 30, 2002, the revenues of the registrant were \$2,147,995.

The aggregate market value of the Common Stock of the Registrant held by non-affiliates of the Registrant based on the average bid and asked price on July 12, 2002, was approximately \$255,000.

As of July 12, 2002, the Registrant had a total of 8,514,459 shares of common stock outstanding.

### DOCUMENTS INCORPORATED BY REFERENCE

None

### PART I

Item 1. Business

(a) Development of Business.

CHAMPIONS Sports, Inc. (the "Company" or "CSI") was incorporated under the laws of the State of Delaware on June 4, 1985 under the name "International Group, Inc." In September 1985, the Company completed a public offering of 40,000,000 Units, each Unit consisting of one share of Common Stock and warrants to purchase three shares of Common Stock, at a price of \$0.01 per Unit. The net proceeds of the offering to the Company were approximately \$357,000.

On January 16, 1986, the Company acquired 100% of the outstanding shares of CHAMPIONS Sports International, Inc. ("CSII"), in exchange for 195,555,555 shares of the Company's Common Stock. In February, 1986, International Group, Inc. changed its name to CHAMPIONS Sports, Inc. Between 1987 and 1988, most of the original warrants issued in September 1985 were exercised by stockholders and consequently the Company received additional capital of \$2,356,268. On September 12, 1989, CSII was merged with and into the Company, with the Company as the surviving corporation. In November 1991, the Company effected a reverse split of its outstanding shares on a 1 for 100 basis. In November 1992, the Company completed a public offering of 350,000 Shares of Series A 12% Cumulative Convertible Preferred Stock. In March 1993, the Company completed an exchange offer converting all, except 64,575 preferred shares, into 2,171,657 shares of common stock. Subsequently, an additional 11,450 preferred shares have been converted into 53,930 shares of common stock.

The Company is a licensee of one CHAMPIONS Sports Bar Restaurant and the exclusive supplier of sports memorabilia and consultant to Marriott

## Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

International, Inc. (Marriott). Effective November, 1997, the Company sold the rights to the CHAMPIONS brand to Marriott and became a licensee of CHAMPIONS Sports Bar Restaurants and an exclusive supplier of sports memorabilia and a consultant to all new managed Marriott and Renaissance Hotel sports bar restaurants worldwide. At April 30, 2002, the Company owns the one CHAMPIONS Sports Bar Restaurant in San Antonio, Texas.

### (b) Description of Business.

#### 1. Concept

The Company operates a restaurant in San Antonio, Texas by the name of CHAMPIONS which has a sports theme concept that combines casual dining, sports viewing with strategic marketing and promotions. The CHAMPIONS popularity is defined in the CHAMPIONS motto: "Good Food, Good Times, Good Sports." This concept is based, in large measure, on the format implemented in the first CHAMPIONS location that opened in the Georgetown section of Washington, D.C. in 1983. The Company does not own, operate or manage this property. A strong food component was added to the original concept so that the CHAMPIONS in San Antonio, Texas is a full-fledged restaurant as well as bar. The sports theme of CHAMPIONS is based upon management's belief that sports appeals to most socio-economic, age and gender groups worldwide. The sports atmosphere at CHAMPIONS is created by the presence of hundreds of items of original sports memorabilia such as uniforms, sports equipment, posters, advertising, signs, magazine covers, official programs, film posters, and photographs from local, national and international celebrities and sporting events, past and present. The sports decor seeks to establish a feeling of comfort and belonging for all customers. In addition, CHAMPIONS atmosphere is enhanced by sports programming and viewing which is accomplished through a network of strategically placed TV monitors designed to continuously show local, national and international sporting events without taking away from the casual dining experience. Although sports is a theme in CHAMPIONS restaurants it is not the dominant factor. At the heart of the CHAMPIONS concept is the food. The menu, which attracts guests for lunch and dinner, appeals to those interested in dining at a moderate price. It incorporates traditional American cuisine as well as popular regional items. CHAMPIONS average check is about \$14.25 per person, placing it within the "casual dining" segment of the restaurant industry. This segment seeks to attract customers who want a higher quality of food and service than that commonly provided at "fast food" or "family style" restaurants. Although no element of the CHAMPIONS concept is unique, the combination of food, atmosphere, sports memorabilia, sports viewing, marketing and promotions defines the concept.

#### 2. Operations

As of the end of the fiscal year, the Company was engaged in the following types of operations:

##### (i) Company-Owned Operation

The Company currently operates one Company-owned restaurant. This location is licensed from Marriott, royalty free, to use the name CHAMPIONS pursuant to a licensing agreement signed in FY 1998. This CHAMPIONS sports bar restaurant has been in operation since 1989 and is located in the River Center Mall in San Antonio, Texas. The San Antonio restaurant provided approximately 95% of the Company's revenues for FY 2002, as reflected in the consolidated financial statements included herein.

##### (ii) Supplier of Sports Memorabilia and Consulting Services to Marriott

In November 1997, the Company sold the rights to the CHAMPIONS brand to

## Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

Marriott and became a licensee of CHAMPIONS Sports Bar Restaurants and an exclusive supplier of sports memorabilia and a consultant to all new managed Marriott and Renaissance Hotel sports bar restaurants worldwide. Under the terms of this agreement, Marriott is required to purchase sports memorabilia and for the Company to serve as a consultant for each new CHAMPIONS or like sports bar restaurant that opens in a new Marriott or Renaissance Hotel worldwide at the same prescribed prices (with increases pegged to the Consumer Price Index) as paid to the Company by Marriott in its previous agreement, except that Marriott does not pay any annual fees as before. In FY 2002, the Company provided sports memorabilia and consulting services to Champions Sports Bar Restaurant that opened in Marriott hotel in Uniondale, New York Indianapolis, Indiana. Marriott hotel locations accounted for about 5% of the Company's revenues for FY 2002, as reflected in the consolidated financial statements included herein.

### 3. Competition

The food and beverage industry is highly competitive. Food and beverage businesses are affected by changing customer tastes, local and national economic conditions that affect spending habits, population shifts and traffic patterns. Quality of service, attractiveness of facilities and price are also important factors. The popularity of the concept of sports bar restaurants has spawned a number of companies seeking to capitalize on that market. While the Company believes that the Champions concept is superior, there are other "sports" bar restaurants in operation. The sports memorabilia business is also highly competitive.

### 4. Service Mark

The Company sold the federally registered service mark "Champions" to Marriott pursuant to the November, 1997 agreement and transferred to Marriott all of its international service marks that the Company had registered.

### 5. Government Regulation

The Company's CHAMPIONS sports bar restaurant is subject to federal, state and local governmental regulations, including regulations relating to alcoholic beverage control, public health and safety, zoning and fire codes. The failure to retain food, liquor or other licenses would adversely affect the operations of the Company's restaurant. While the Company has not experienced and does not anticipate any problems in retaining required licenses, permits or approvals, any difficulties, delays or failures in retaining such licenses, permits or approvals could adversely affect the restaurant. The license to sell alcoholic beverages must be renewed annually and may be suspended or revoked at any time for cause, including violation by the Company or its employees of any law or regulation pertaining to alcoholic beverage control, such as those regulating the minimum age of patrons or employees, advertising, wholesale purchasing, and inventory control, handling and storage. However, the restaurant is operated in accordance with standardized procedures designed to assure compliance with all applicable codes and regulations.

The Company may be subject to "dram-shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to such person. While the Company carries liquor liability coverage, a judgment against the Company under a dram-shop statute in excess of the Company's liability coverage, or inability to continue to obtain such insurance coverage at reasonable costs, could have a material adverse effect on the Company. The Company is also subject to the Fair Labor Standards Act, the Immigration Reform and Control Act of 1986 and various state laws governing such matters as minimum wages, overtime, tip

## Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

credits and other working conditions. A significant number of the Company's hourly personnel are paid at rates related to the federal minimum wage and, accordingly, increases in the minimum wage or decreases in the allowable tip credit will increase the Company's labor cost.

### 6. Employees

As of April 30, 2002, the Company had 2 full-time employees in its corporate office in Arlington, Virginia and 46 employees (both management and hourly) at its San Antonio restaurant.

### Item 2. Properties.

The Company is leasing, on a month-to-month basis, its corporate office space located at 2420 Wilson Blvd., Suite 214, Arlington, VA 22201. The Company's rental payments are \$450 per month. The Company is leasing 5,289 square feet of space for its restaurant in San Antonio, TX pursuant to a lease, which expires in November 2004 with an option for an additional five years. The lease provides monthly rental payments of \$23,536 including CAM charges and real estate taxes. In addition, the lease requires a percentage of the unit's revenues at the location in excess of \$1,745,000 per year.

### Item 3. Legal Proceedings.

The Company knows of no material pending legal proceedings as to which the Company is a party or of which its properties are the subject, and no such proceedings are known to the Company to be contemplated by governmental authorities.

### Item 4. Submission of Matters to a Vote of Security Holders.

None

## PART II

### Item 5. Markets for Common Equity & Related Stockholder Matters.

#### (a) Principal Market or Markets.

The Common Stock was traded on the NASDAQ SmallCap Market until June 24, 1994. At that time, the Common Stock was delisted from the NASDAQ SmallCap Market for falling below the minimum financial requirements. The Common Stock is presently trading on the OTC Bulletin Board under the symbol CSBR. In October 1993, the series A 12% Cumulative Convertible Preferred Stock was delisted from NASDAQ due to lack of the required two market makers necessary for continued listing and has not been trading since.

	Common Stock	
	High	Low
	\$	\$
Fiscal 2002		
First Quarter	0.14	0.07

## Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

Second Quarter	0.09	0.06
Third Quarter	0.10	0.05
Fourth Quarter	0.09	0.05

Fiscal 2001

First Quarter	0.16	0.10
Second Quarter	0.53	0.11
Third Quarter	0.29	0.17
Fourth Quarter	0.20	0.125

### (b) Approximate Number of Holders of Common Stock and the Preferred Stock.

The number of holders of record of the Company's common stock as of July 12, 2002 was 2,140 and the Company estimates that there are approximately 3,000 additional beneficial shareholders. There are about 30 beneficial holders of the Company's preferred stock as of July 12, 2002.

### (c) Dividends.

Holders of common stock are entitled to receive such dividends as may be declared by the Company's Board of Directors. No dividends have been paid with respect to the Company's common stock and no dividends are anticipated to be paid in the foreseeable future. Since November 1994, the Company's Board of Directors voted each year to defer payment of the annual dividend on the Series A, 12%, Cumulative Preferred Stock, in order to preserve the Company's cash reserves.

## Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### (a) Results of Operations for Fiscal Years 2002 and 2001.

#### 1. Revenues

For the fiscal year ended April 30, 2002, the Company's revenues decreased 2.8% to \$2,147,995 from \$2,210,348 in FY 2001.

By component, food and beverage sales increased 2.9% to \$1,995,226 for FY 2002 compared to \$1,939,841 in FY 2001. The Company's management attributes the increase in food and beverage sales to an increase in customer volume, as there was no significant price increase during the last year. The food to beverage ratio for the San Antonio location was approximately 62% to 38% for both comparable years. Food and beverage sales accounted for 92.9% and 87.8% of the Company's total revenue in the comparable periods.

Revenues from merchandise and memorabilia sales and consulting fees accounted for 6.2% of the Company's total revenue in FY 2002 compared to 10.7% in FY 2001. Sales of memorabilia are directly tied to the number of new Champions locations that open during the fiscal year. In FY 2002, the Company provided sports memorabilia to one Champions location compared to two locations in FY 2001. During FY 2002 and FY 2001, the Company other revenues accounted for less than 1% of its total revenues. Interest income represented approximately 0.5% of the Company's total revenues in FY 2002 and 1.2% in FY 2001.

#### 2. Expenses

The Company's cost of food and beverage remained constant at 26.0% and 25.6% of related sales for the comparable periods.

## Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

Restaurant payroll and related costs also remained constant during both comparable years at 34.2% of food and beverage sales in FY 2002 and 34.7% of related sales in FY 2001. Restaurant occupancy costs for FY 2002 were 12.3% of food and beverage sales compared to 14.7% in FY 2001.

Other restaurant costs decreased as a percentage of food and beverage sales at 18.2% for FY 2002 compared to 19.4% for FY 2001. General and administrative costs incurred in FY 2002 were \$309,892 and \$353,882 in FY 2001. The primary components of G&A expenses are operating the Company's corporate office, including salaries. Interest expense in both FY 2002 and 2001 was immaterial.

### 3. Profits / Losses

For FY 2002, the Company's loss was \$147,312 from its operations before dividends accrued on the outstanding preferred stock of \$63,750, producing a net loss for common shareholders of \$211,062, or \$0.02 per common share. The San Antonio Champions location produced a net profit of \$163,536. During FY 2002, the Company wrote off an equity investment in a non publicly traded company of \$50,000.

For FY 2001, the Company's net loss was \$468,931 from its operations before dividends accrued on the outstanding preferred stock of \$63,752, and took a non-cash charge of \$207,952 for a change in valuation for a deferred tax asset, producing a net loss available to common shareholders of \$740,635, or \$0.09 per common share. The San Antonio Champions location produced a profit of \$74,623. During FY 2001, the Company wrote off investments in a subsidiary of \$242,101 and \$50,000 in an equity investment on a non-publicly traded company.

#### (b) Liquidity and Capital Resources for Fiscal Years 2002 and 2001

The Company's cash position on April 30, 2002 was \$449,282 compared to \$451,650 on April 30, 2001, a decrease of \$2,368.

During FY 2002, The Company's operating activities used cash of \$32,684. The Company used cash of \$14,390 to purchase replacement equipment for its San Antonio Champions location and repaid a capital lease of \$10,294. In January 2002, the Company entered into an agreement with a private investor, to purchase from the Company 4,000,000 shares of the Company's common restricted stock at a purchase price of \$0.125 per share in the aggregate amount of \$500,000 payable in monthly installments to be used by the Company to provide general working capital. The purchaser has paid a total of \$55,000 at April 30, 2002 and has not met the payment terms of the agreement. The Company believes that the agreement may not be fulfilled. The Company's operating activities coupled with its cash reserves provided sufficient cash flow for the Company to meet its cash needs in FY 2002.

In FY 2001, The Company's operating activities provided cash of \$144,678. The Company decreased its accounts receivable and other current assets by \$120,083 and increased its accounts payable and other current liabilities by \$145,060. The Company wrote down its deferred tax asset totaling \$207,952. The Company used \$33,723 in cash to purchase equipment for its restaurant in San Antonio and invested \$242,101 in Champions Tech Ventures, Inc. Cash paid for interest expense in FY2001 was \$3,518. The Company's operating activities coupled with its cash reserves provided sufficient cash flow for the Company to meet its cash needs in FY 2001.

The Company's working capital as of April 30, 2002 was a negative \$294,573 contrasted to \$216,239 on April 30, 2001.

The Company continues to review and evaluate its operations and priorities.

## Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

The Company is pursuing merger or acquisition candidates and other opportunities to meet its longer-term liquidity needs. There is no assurance that the Company will be able to structure a merger or acquisition on terms satisfactory to the Company.

### (c) Miscellaneous

Stockholders' equity on April 30, 2002 was a negative \$5,005 compared to \$157,057 on April 30, 2001. In FY 2002 and 2001, the Company's Board of Directors voted to defer payment of the 12% annual dividend of the Company's preferred stock, in order to preserve the Company's cash reserves. This dividend is cumulative and has been recorded on the Company's balance sheet as a current liability. In addition, in FY 2002 and 2001, the Board of Directors voted to defer the annual meeting of security holders in order to preserve the Company's cash reserves.

This document contains "forward-looking statements" (within the meaning of the Private Securities Litigation Act of 1995) that inherently involve risk and uncertainties. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of unforeseen external factors. These factors may include, but are not limited to, changes in general economic conditions, the ongoing threat of terrorism, customer acceptance of products offered and other general competitive factors, and the ability to have access to financing sources on reasonable terms. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as of the date hereof.

### Item 7. Financial Statements and Supplementary Data.

The Report of Independent Accountants appears at page F-1 and the Consolidated Financial Statements and Notes to the Consolidated Financial Statements appear at pages F-2 through F-14 hereof.

### Item 8. Changes In and Disagreements with Accountants on Accounting & Financial Disclosure.

During the two most recent fiscal years, there have been no changes in the Company's independent accountants and there have been no disagreements between the Company and its independent accountants on any matter of accounting principles or practices or financial statement disclosure.

### Item 9. Directors and Executive Officers.

The Executive Officers and Directors of the Company are as follows:

NAME	POSITION(S) PRESENTLY HELD
James M. Martell	Chairman, President, Chief Executive Officer and Director
James E. McCollam	Controller, Chief Accounting Officer, Corporate Secretary



## Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

Durwood C. Settles                      Director  
Michael M. Tomic                        Director

James M. Martell, age 55, has served as President from May 1990 to June 1992 and from January 1993 to September 1993 and from March 1994 to the present and as Chief Executive Officer from May 1990 to June 1992 and from January 1993 to September 1993 and from March 1994 to August 2000 and from June 2001 to the present and as Chairman from November 1991 to August, 2000 and from June 2001 to the present. Mr. Martell served as Director of the Company since its inception on June 4, 1985. Additionally, he served the Company as Vice President from October 1988 to May 1990, as Treasurer from June 1985 to January 1989, and as Secretary from June 1985 to January 1986. Mr. Martell is a director and officer of all of the Company's wholly owned subsidiaries, except for the Been Corporation. From 1983 to 1987, Mr. Martell was a partner along with Mr. Tomic in Tomar Associates, a consulting company specializing in European-American joint ventures, venture capital financing, technology transfer, and corporate finance. From 1981 to 1983, Mr. Martell was a partner in International Group, a partnership involved in promoting national and international business development. From 1973 to 1981, he served in various administrative positions at the U.S. Department of Energy. Mr. Martell received a Bachelor of Science degree in Chemistry in 1968 and a Master of Science degree in Geochemistry in 1973, from George Washington University.

James E. McCollam, age 55, has served as Chief Accounting Officer of the Company since July 1992 and Controller since May 1988. From 1984 to 1987 he was Controller of the Winston Group, Inc., a five-unit food service organization in the Washington D.C. metropolitan area. From 1977 to 1983, he was the Controller of Capitol Hill Cabaret, Inc., an organization that owned and operated two restaurants and nightclubs in the Washington D.C. area. From 1973 to 1977, he was employed by Marriott Corporation in various positions in the corporate accounting department. He earned a Bachelor of Science degree in Finance from the University of Maryland 1970.

Durwood C. Settles, age 59, has served as Director of the Company since March 2001. Mr. Settles is a Certified Public Accountant in individual practice since 1983. From 1973 to 1982, Mr. Settles was with Coopers & Lybrand in Washington, D.C. as a member of the audit staff and as Manager-Special Projects. During the period 1974 to 1986, Mr. Settles served as Controller or Treasurer of the various political campaign organizations of Congressman Richard A. Gephardt of Missouri, Governor Charles S. Robb of Virginia, and Congressman Joseph L. Fisher of Virginia. From 1970 to 1973, Mr. Settles was an owner and executive of a company that manufactured and sold Plexiglas furniture located in Kensington, Maryland. From 1966 to 1969, Mr. Settles was a promoter of popular music concerts in various cities in the Eastern and Southern United States. From 1964 to 1966, Mr. Settles was a Group Pension Management Assistant and Computer Files Service Supervisor with the Mutual of New York Life Insurance Company (MONY) in New York, New York. Mr. Settles received a Bachelor of Arts degree in Economics in 1964 from Davidson College, Davidson, North Carolina and completed accounting studies in 1973 at George Washington University, Washington, D.C.

Michael M. Tomic, age 56, has served as a Director of the Company since its inception on June 4, 1985. From June 1985 to January 1986, he also served as Vice President of the Company. From 1983 to 1987, Mr. Tomic was a partner along with Mr. Martell in Tomar Associates, a consulting company specializing in European-American joint ventures, venture capital financing, technology transfer, and corporate finance. He received a Bachelor of Science degree in International Marketing and Economics in 1969 from the University of Maryland.

The term of office of each Director is until the next annual election of Directors and until a successor is elected and qualified or until the Director's earlier death, resignation or removal.

## Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

### Item 10. Executive Compensation.

The following table sets forth cash compensation for services rendered during FY 2002, and 2001 which was paid by the Company to, or accrued by the Company for, each of the Company's most highly compensated executive officers whose cash compensation in such year equaled or exceeded \$100,000:

Name and Principal Position	FY Year	Annual Salary (\$)	Other Compensation (\$)
James M. Martell, President	2002	148,022	0
	2001	148,022	0

In FY 2002, all officers of the Company as a group (2 in number) received cash compensation of \$221,023. The Board of Directors has the right to change and increase the compensation of executive officers at any time. The Company has no arrangement by which any of its directors are compensated for services solely as directors, and these individuals will not receive any additional remuneration for their services as directors. The Company may from time to time pay consulting fees to its officers and directors.

Except as described below, the Company has no compensatory plan or arrangement which would result in executive officers receiving compensation as a result of their resignation, retirement or any other termination of employment with the Company or its affiliates, or from a change in control of the Company or a change in responsibilities following a change in control of the Company.

The Company entered into an employment agreement with Mr. Martell in September 1993, under which Mr. Martell received options to purchase 200,000 shares of the Company's Common Stock at \$1.00 per share at any time prior to September 6, 2001, whether or not Mr. Martell is an employee at such time. If there is a change in the management of the Company and such management acts contrary to the policy of the current Board, or if Mr. Martell's position as an officer or director is terminated, Mr. Martell may resign and become entitled to liquidated damages determined pursuant to a formula prescribed in the contract. .. This agreement was extended for two years in FY 2000 at an annual salary of \$148,000 and further extended for another three years in FY 2002. In FY 2001, the Board of Directors reissued the options to purchase the 200,000 shares of Company's Common stock at \$0.11 per share instead of \$1.00 per share as previously granted and extended the expiration of those options to August 22, 2003.

In FY 1996, the Board of Directors granted to Mr. Martell an option to purchase 1,200,000 restricted shares of the Company's Common Stock at \$0.05 per share. Mr. Martell in FY 1996 exercised this option for 1,200,000 restricted shares for \$60,000.

In FY 2001, the Board of Directors, as part of its efforts to diversify into high technology, granted the following options to the Company's Officers, Directors and Advisory Board Members: a three year option to purchase 575,000 restricted shares of the Company's Common Stock at \$0.11 per share to James J. Heigl, then Chairman and CEO in FY 2001; a three year option to purchase 550,000 restricted shares of the Company's Common Stock at \$0.11 per share to Harry Alton Lee, then COO and Director in FY 2001; a three year option to purchase 900,000 restricted shares of the Company's Common Stock at \$0.11 per share to Michael Tomic, Director; a three year option to purchase 100,000 restricted shares of the Company's Common Stock at \$0.11 per share to Durwood Settles, Director; a three year option to purchase 50,000 restricted shares of the Company's Common Stock at \$0.11 per share to James McCollam, Chief Accounting Officer and Controller; and three year options to purchase 5,000 restricted

## Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

shares of the Company's Common Stock at \$0.28 per share to each of its Advisory Board Members.

The Company has a Stock Option Plan intended to assist the Company in securing and retaining key employees and consultants by allowing them to participate in the ownership and growth of the Company through the grant of incentive and non-qualified options. Incentive stock options granted under the Plan are intended to be "Incentive Stock Options" as defined by Section 422 of the Internal Revenue Code. An aggregate of 840,000 shares of Common Stock has been reserved for issuance under the Plan. As of April 30, 2001, all 840,000 shares were reserved and available for issuance. The plan expires on August 2, 2002.

### Item 11. Security Ownership of Certain Beneficial Owners and Management.

As of July 12, 2002, the following were persons known to the Company to own beneficially more than 5% of the Company's outstanding Common Stock:

Name and Address of Beneficial Owner	Common Stock Beneficially Owned (1)	Percentage
James M. Martell 2420 Wilson, Blvd., Suite 214 Arlington, VA 22201	1,548,000	18.2

(1) Beneficial Ownership includes shares for which an individual, directly or indirectly, has or shares, or has the right within 60 days to have or share, voting or investment power or both. Beneficial ownership as reported in the above table has been determined in accordance with Rule 13d-3 of the Exchange Act.

The stock ownership by officers and directors of the Company and all officers and directors as a group are as follows:

Name	Title	Common Stock Beneficially Owned as of July 12, 2002 (1)	Percentage
James M. Martell	President & Director	1,548,000	18.2
Michael M. Tomic	Director	225,000	2.6
James E. McCollam	Controller, Chief Accounting Officer & Corporate Secretary	2,000	*
All officers & directors as a group		1,765,000	20.8

\*Less than 1.0%

(1) Beneficial Ownership includes shares for which an individual, directly or indirectly, has or shares, or has the right within 60 days to have or share, voting or investment power or both. Beneficial ownership as reported in the above table has been determined in accordance with Rule 13d-3 of the Exchange Act.

### Item 12. Certain Relationships and Related Transactions.

During FY 2002 and FY 2001, there were no related party transactions.

Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

Item 13. Exhibits and Reports on Form 8-K.

(a) Index to Financial Statements	PAGE
Independent Auditor's Report	F-1
Consolidated Balance Sheets as of April 30, 2002 and 2001	F-2
Consolidated Statements of Operations for the Years Ended April 30, 2002 and 2001	F-3
Consolidated Statements of Stockholder's Equity for the Years ended April 30, 2002 and 2001	F-4
Consolidated Statements of Cash Flows for the Years ended April 30, 2002 and 2001	F-5
Notes to the Consolidated Financial Statements	F-6/F-14

(b) There were no Form 8-K's filed during the last quarter of the period covered by this report.

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES

Consolidated Financial Statements  
For The Year Ended April 30, 2002

Table of Contents

	Page
Independent Auditors' Report	1
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Changes in Stockholders' (Deficiency) Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6

PKF  
worldwide  
[graphic omitted]

PANNELL  
KERR  
FORESTER PC  
CERTIFIED PUBLIC ACCOUNTANTS

10304 Eaton Place  
Suite 400  
Fairfax, VA 22030

Telephone (703)385-8809  
Telefax (703)385-8890  
pkfcpa@pkfwash.com

Independent Auditors' Report

To the Stockholders and Board of Directors  
Champions Sports, Inc.  
Arlington, Virginia

We have audited the accompanying consolidated balance sheets of Champions Sports, Inc. and its subsidiaries as of April 30, 2002 and 2001, and the related consolidated statements of operations, changes in stockholders' (deficiency) equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

# Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Champions Sports, Inc. and subsidiaries at April 30, 2002 and 2001, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Pannel Kerr Foster PC

June 21, 2002

F-2

## CHAMPIONS SPORTS, INC. AND SUBSIDIARIES Consolidated Balance Sheets

### Assets

	April
	----- 2002 -----
Current assets	
Cash and cash equivalents	\$ 449,282
Accounts receivable - trade	54
Inventories	25,555
Prepaid expenses	14,035
Total current assets	488,926 -----
Property and equipment	

Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

Furniture and equipment	577,371	
Leasehold improvements	584,772	
	-----	
	1,162,143	
Accumulated depreciation and amortization	(876,432)	
	-----	
	285,711	
	-----	
Other assets		
Available for sale investments, at cost (note 8)	-	
Deposits	11,052	
	-----	
Total assets	\$ 785,689	\$
	=====	
Liabilities and Stockholders' (Deficiency) Equity		
Current liabilities		
Accounts payable	\$ 88,104	\$
Dividend payable on preferred stock (note 6)	511,442	
Other accrued expenses	52,790	
Deferred revenue	124,871	
Current portion of deferred lease concession	4,363	
Current portion of capital lease obligation (note 4)	1,929	
	-----	
Total current liabilities	783,499	
	-----	
Capital lease obligation, net of current portion (note 4)	-	
Deferred lease concession, net of current portion	7,195	
	-----	
Total liabilities	790,694	
	-----	
Commitments and contingencies (notes 3, 4, 5, and 9)		
Stockholders' (deficiency) equity (notes 6, 7, and 9)		
Preferred stock		
Series A, 12% Convertible Cumulative; \$10 par value; preferred as to dividends and liquidation; 56,075 shares authorized and 53,125 shares issued and outstanding for 2002 and 2001, respectively	531,252	
Common stock, par value \$.001 per share, 50,000,000 shares authorized and 8,514,459 shares issued and outstanding for 2002 and 2001, respectively	8,514	
Additional paid-in capital	5,392,599	
Accumulated deficit	(5,937,370)	
	-----	
Total stockholders' (deficiency) equity	(5,005)	
	-----	
Total liabilities and stockholders' (deficiency) equity	\$ 785,689	\$
	=====	

See notes to consolidated financial statements

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES  
Consolidated Statements of Operations

	Years Ended	
	----- 2002 -----	
Revenue		
Food and beverage	\$	1,995,226
Merchandise, memorabilia, and consulting fees		132,995
Interest income		7,814
Other income		11,960
		----- 2,147,995 -----
Costs and expenses		
Cost of food and beverage sales		518,367
Cost of merchandise and memorabilia		76,919
Restaurant payroll and related costs		681,806
Restaurant occupancy costs		245,038
Other restaurant costs		363,264
General and administrative		309,892
Depreciation and amortization		48,419
Interest		1,602
Impairment of investments (note 8)		50,000
		----- 2,295,307 -----
Operating (loss) before income tax expense		(147,312)
Income tax expense (note 2)		-
		----- (147,312) -----
Net (loss)		(147,312) #
Preferred stock dividends		(63,750)
		----- (211,062) -----
Net (loss) available to common stockholders	\$	(211,062) \$
Basic (loss) per common share (note 1)	\$	(0.02) \$ =====
(Loss) per common share - assuming dilution (note 1)	\$	(0.02) \$ =====

See notes to consolidated financial statements



Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES  
Consolidated Statements of Changes in Stockholders'

For The Years Ended April 30, 2002 and 2001

	Common Stock		Series A, 12% Convertible Cumulative Preferred Stock		Addition Paid-in Capit
	Shares	Amount at Par	Shares	Amount at Par	
Balance, April 30, 2000	8,514,459	\$ 8,844	53,125	\$ 531,252	5,337,
For the year ended April 30, 2001					
Dividend on preferred stock accrued and unpaid	-	-	-	-	
Net (loss)	-	-	-	-	
Balance, April 30, 2001	8,514,459	8,514	53,125	531,252	5,337,
For the year ended April 30, 2002					
Dividend on preferred stock accrued and unpaid	-	-	-	-	
Subscriptions received, stock unissued (note 9)	-	-	-	-	55
Net (loss)	-	-	-	-	
Balance, April 30, 2002	8,514,459	\$ 8,514	53,125	\$ 531,252	\$ 5,392

See notes to consolidated financial statements

F-5

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES  
Consolidated Statements of Cash Flows

Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

Increase (Decrease) in Cash and Cash Equivalents

	Years Ended Ap	
	----- 2002 -----	
Cash flows from operating activities:		
Net (loss)	\$	(147,312) \$
Adjustments to reconcile net (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization		48,419
Impairment of investments		50,000
Deferred income taxes		-
Changes in assets and liabilities:		
Accounts receivable		1,272
Inventories		(499)
Prepaid expenses		3,376
Accounts payable		(38,136)
Other accrued expenses		(5,689)
Deferred revenue		60,246
Deferred lease concessions		(4,361)
		-----
Net cash provided (used) by operating activities		(32,684)
		-----
Cash flows from investing activities:		
Purchases of property and equipment		(14,390)
Investment in Champions Tech Ventures, Inc.		-
		-----
Net cash (used) by investing activities		(14,390)
		-----
Cash flows from financing activities:		
Subscriptions received, stock unissued (note 9)		55,000
Principal payments on capital lease		(10,294)
		-----
Net cash provided (used) by financing activities		44,706
		-----
Net (decrease) in cash and cash equivalents		(2,368)
Cash and cash equivalents at beginning of year		451,650
		-----
Cash and cash equivalents at end of year	\$	449,282 \$
		=====
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$	1,602 \$
		=====
Supplemental disclosure of non-cash investing and financing activities:		
Accrued dividend on preferred stock	\$	63,750 \$
		=====

# Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

See notes to consolidated financial statements

F-6

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
April 30, 2002

## Note 1 - Organization and summary of significant accounting policies

### Organization

Champions Sports, Inc., (Company) a Delaware corporation, promoted a sports theme restaurant bar concept through Company owned and licensed operations. The Company sold the rights to the Champions brand to Marriott International, Inc. (Marriott) and became a licensee of Champions Sports Bar Restaurants (note 5). Substantially all memorabilia sales are to Marriott. At April 30, 2002 and 2001, respectively, the Company, through its subsidiaries, owns and licenses, without any royalty fee, one Champions Sports Bar Restaurant.

C.S.B.R., Inc., (CSBR) and The Been Corporation (Been) were organized on June 16, 1989 and October 11, 1989, respectively, for the purpose of owning and operating a Champions Sports Bar Restaurant in San Antonio, Texas.

### Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material inter-company transactions have been eliminated in consolidation.

### Property and equipment

Property and equipment are stated at cost. Depreciation and amortization is computed from the date property is placed in service using the straight-line method over estimated useful lives as follows:

	Life
	-----
Furniture and equipment	5-15 years
Leasehold improvements	Remaining term of the lease

Depreciation expense was \$11,150 and \$19,096 for the years ended April 30, 2002 and 2001, respectively. Amortization expense was \$37,269 for both years ended April 30, 2002 and 2001. Fully depreciated assets in the amount of \$109,688 and \$109,186 are included in property and equipment at April 30, 2002 and 2001, respectively.

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES  
 Notes to Consolidated Financial Statements (continued)  
 April 30, 2002

Note 1 - Organization and summary of significant accounting policies (continued)

Inventories

Inventories consist of goods and supplies held for sale in the ordinary course of business and are stated at the lower of cost, determined on the first-in first-out basis, or market. The components of inventories at April 30, 2002 and 2001, were as follows:

	2002	2001
	-----	-----
Resrestaurant food and beverage	\$17,535	\$ 15,669
Promotional merchandise for sale to restaurant customers	8,020	9,387
	-----	-----
	\$25,555	\$ 25,056
	=====	=====

Net (loss) per share

Basic earnings per common share is computed by dividing the net (loss), adjusted for preferred stock dividends, by the weighted average number of common shares outstanding during the period.

The weighted average number of common shares used to compute earnings per share is:

	At April 30, 2002		
	(Loss) Available To Common Common Stockholders	Per Shares	Share
Basic (loss) per Common Share	\$(211,062)	8,514,459	\$ (.02)
	=====	=====	
	At April 30, 2001		
	(Loss) Available To Common Common Stockholders	Per Shares	Share
Basic (loss) per Common Share	\$(740,635)	8,514,459	\$ (.09)
	=====	=====	

The effect of including the options in diluted (loss) per share would be antidilutive, and, therefore, are not included in the calculation of diluted

## Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

(loss) per share.

### Cash and cash equivalents

The statements of cash flows are prepared on the basis of cash and equivalents. For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less, unless restricted as to use, to be cash equivalents. At April 30, 2002 and 2001, respectively, and at various times throughout the year, the Company had amounts on deposit at financial institutions in excess of federally insured limits.

8

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (continued)  
April 30, 2002

Note 1 - Organization and summary of significant accounting policies (continued)  
-----

### Investments

Investments consisted of equity holdings in companies which are not publicly traded. There was no readily determinable fair market value for the securities and, as such, they were stated at cost. To the extent that the cost of these investments is greater than expected future earnings from these investments, they are considered to be impaired and are written off.

### Income taxes

To the extent that taxable income differs from financial reporting net income due to temporary differences, deferred taxes are recognized. The Company accounts for general business tax credits, if any, by the flow-through method.

### Deferred revenue

Deferred revenue consists primarily of payments received in advance of revenue being earned under memorabilia sales agreements.

### Financial statement estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Fair value of financial instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses, approximate fair values because of the short maturities of these instruments.

### Options for Common Stock

Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

The Company uses the intrinsic value method to account for options granted to executive officers, directors and other key employees for the purchase of common stock. No compensation expense is recognized on the grant date, since at that date, the option price equals or is higher than the market price of the underlying common stock. The Company discloses the pro forma effect of accounting for stock options under the fair value method (note 7). The Company uses the fair value method to account for options granted to advisors for the purchase of common stock.

9

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (continued)  
April 30, 2002

Note 2 - Income taxes

Income tax expense consists of the following for the years ended April 30, 2002 and 2001:

	2002		2001
	-----		-----
Current	\$ -	\$	-
Deferred	(52,140)		(179,690)
Increase in valuation allowance	52,140		387,642
	-----		-----
Total income tax expense	\$ -		\$ 207,952
	=====		=====

Temporary differences, which give rise to deferred tax assets are as follows:

	2002		2001
	-----		-----
Deferred tax assets			
Deferred rent concessions	\$ 4,387	\$	6,043
Net operating losses available for carryforward	1,623,515		1,575,201
Depreciation	44,013		38,531
	-----		-----
Total deferred tax assets	1,671,915		1,619,775
Valuation allowance	(1,671,915)		(1,619,775)
	-----		-----
Net deferred tax assets	\$ -	\$	-
	=====		=====

A reconciliation of income taxes computed at Federal statutory rates to income taxes recorded by the Company is as follows:

	Years Ended April 30	
	-----	-----
	2002	2001
	-----	-----

Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

Federal income taxes at statutory rate	\$ (44,606)	\$ (159,437)
State income taxes net of Federal income tax benefit	(5,195)	(18,569)
Effect of non-deductible items	(2,339)	(1,684)
Change in valuation allowance	52,140	387,642
	-----	-----
Total income tax expense	\$ -	\$ 207,952
	=====	=====

10

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (continued)  
April 30, 2002

Note 2 - Income taxes (continued)

At April 30, 2002, the Company has net operating loss carryforwards of approximately \$4,277,000 for tax reporting purposes. The net operating loss carryforwards for income tax purposes expire approximately as follows:

2005	\$ 137,000
2006	9,000
2007	561,000
2008	1,004,000
2009	1,915,000
2011	11,000
2012	28,000
2019	33,000
2020	106,000
2021	392,000
2022	81,000
	-----
	\$4,277,000

During the years ended April 30, 2002 and 2001, the Company did not utilize available net operating losses.

Note 3 - Commitments and contingencies

Operating leases

The Company leases, as lessee, restaurant space under an operating lease which expires initially in 2004 and which has renewal options. The lease escalates for increases in the landlord's expenses or for increases in the Consumer Price Index, and requires additional rentals based on a percentage of restaurant sales over a defined amount. The lease grants the Company certain concessions which are amortized to lease expense over the term of the lease.

Rental expense charged to expense during the years ended April 30, 2002 and 2001 was \$214,096 and \$252,738, respectively. Included in this expense are contingent rentals of \$11,949 and \$14,701 in 2002 and 2001, respectively. Future minimum

## Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

payments under the noncancellable restaurant lease as of April 30, 2002 are as follows:

2003	\$140,158
2004	58,400
	-----
Total	\$198,558
	=====

### Note 4 - Capital lease obligation

The Company is the lessee of equipment under a capital lease. The equipment cost of \$32,286 is amortized over its useful life, and such amortization is included in the depreciation and amortization expense for 2002 and 2001, respectively. This lease expires in 2003 with payments due of \$1,929.

11

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (continued)  
April 30, 2002

### Note 5 - Marriott license

The Company is an exclusive supplier of sports memorabilia and a consultant to all new Champions Sports Bars located in Marriott and Renaissance Hotels worldwide. Total annual license and memorabilia fees under this agreement were \$89,523 and \$187,770 for 2002 and 2001, respectively.

### Note 6 - Preferred stock

The Series A preferred stock requires a dividend of 12 percent per annum, and the dividends are cumulative and are to be accrued on the Company's books if not paid. The dividend may be paid in common stock of the Company at the Company's discretion. The number of shares comprising the dividend paid in common stock shall be determined by dividing \$1.20 by the closing bid price for the common stock on the payment date. The Series A preferred stock is preferred in liquidation or dissolution up to the amount of their par value (\$10 per share). The Series A preferred stock is convertible into 4.71 shares of the Company's common stock. There were no conversions in 2002 and 2001.

For each of the eight fiscal years ended April 30, 2002, the Company's Board of Directors voted to defer payment of the annual dividend on the Series A preferred stock in the amount of \$63,750 and \$63,752, in 2002 and 2001, respectively. Preferred stock dividends in arrears at April 30, 2002 and 2001 aggregated \$511,442 (\$9.63 per share) and \$447,692 (\$8.42 per share), respectively.

### Note 7 - Common stock options

Options to purchase a total of 450,000 shares at \$1.00 per share were granted to two executive officers during fiscal 1994. The options expired, unexercised in September 2001. In fiscal 2001, the exercise price of 200,000 of these shares was reduced from \$1.00 per share to \$0.11 per share.

Options to purchase a total of 1,300,000 shares of common stock at an exercise



## Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

price of \$.05 per share were granted to two executive officers in July 1995. An officer exercised an option to purchase 1,200,000 of these shares in December 1995 for \$60,000 cash. The remaining options of 100,000 shares of common stock expired, unexercised in July 2001.

Options to purchase a total of 725,000 and 2,255,000 shares of common stock in 2002 and 2001, respectively, at an exercise price of \$0.11 and 460,000 shares of common stock in 2001 at an exercise price of \$0.28 were granted to two executive officers, other key employees, directors and advisors of the Company. All options were issued at market price or higher on the date of the grant. These options expire if not exercised by August 2003 and September 2003. None of these options have been exercised as of April 30, 2002.

During fiscal 1993, the Company adopted a compensatory stock option plan for key employees or consultants of the Company and its subsidiaries. The total number of shares of the Company's common stock which may be issued under the plan is 840,000. The plan expires on August 2, 2002. No options have been granted under the plan as of April 30, 2002.

12

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (continued)  
April 30, 2002

Note 7 - Common stock options (continued)

Stock option activity is summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding, April 30, 2000	550,000	\$ 0.83
Granted	2,715,000	0.14
Expired	-	-
Exercised	-	-
	-----	-----
Outstanding, April 30, 2001	3,265,000	0.20
Granted	725,000	0.11
Expired	(550,000)	0.11
Exercised	-	-
	-----	-----
Outstanding, April 30, 2002	3,440,000	\$ 0.13
	=====	=====

The following table summarizes information about stock options outstanding and exercisable at April 30, 2002.

	Outstanding			Exe
Option Price Range	Number of Shares	Weighted Average Life	Weighted Average Exercise Price	Number of Shares
-----	-----	-----	-----	-----

Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

\$0.11- \$0.28                      3,440,000                      1.3 years                      \$0.13                      3,440,000

The following table summarizes information about stock options outstanding and exercisable at April 30, 2001.

Option Price Range	Outstanding			Number of Shares
	Number of Shares	Weighted Average Life	Weighted Average Exercise Price	
\$0.05 - \$1.00	3,265,000	2.0 years	\$0.20	3,265,000

13

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (continued)  
April 30, 2002

Note 7 - Common stock options (continued)

The Company's net (loss) and net (loss) per common share would have been increased to the pro forma amounts indicated below if compensation cost for the Company's stock option plans had been determined based on the fair value at the grant date for awards in accordance with the provisions of Statement of Financial Accounting Standards No. 123 Accounting for Stock Based Compensation.

	2002	2001
Net (loss):		
As reported	\$ (147,312)	\$ (676,883)
Pro forma	\$ (232,121)	\$ (899,826)
Basic (loss) per share:		
As reported	\$ (.02)	\$ (.09)
Pro forma	\$ (.03)	\$ (.11)
Diluted (loss) per share:		
As reported	\$ (.02)	\$ (.09)
Pro forma	\$ (.03)	\$ (.11)

The effect of including the options in diluted (loss) per share would be antidilutive, and, therefore, are not included in the calculation of diluted (loss) per share.

## Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

The fair value of the options granted during 2002 and 2001 is estimated on the date of grant using the Black-Scholes option pricing model. The weighted-average assumptions used are as follows:

	2002	2001
	-----	-----
Expected term	2 years	3 years
Expected stock volatility	172%	172%
Risk-free interest rate	2.5%	3.75%
Dividend	\$0.00	\$0.00

The fair value of the stock options granted to advisors of the Company is immaterial, and has not been included in the financial statements.

### Note 8 - Impairment of investments

During 2001, the Company established a wholly owned subsidiary, Champions Tech Ventures, Inc. The Company incurred \$242,101 of costs relating to this subsidiary, which represented the cost to the Company of this investment. Prior to the end of 2001, the Company reduced its holding in Champions Tech Ventures, Inc., and in 2001 completely divested itself of ownership in Champions Tech Ventures, Inc. The investment is considered, by management, to be fully impaired.

During both 2002 and 2001, \$50,000 was written off, representing the Company's full interest in two unrelated companies.

14

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (continued)  
April 30, 2002

### Note 9 - Stock agreement

In January 2002, the Company entered into a subscription agreement to sell 4,000,000 shares of common stock to an unrelated party at \$0.125 per share for a total of \$500,000.

The purchaser paid \$20,000 at the closing of the agreement and provided a promissory note for \$480,000. The note is non-interest bearing and requires twenty-four monthly payments of \$20,000 each. The note is secured by the stock issued and the transfer of such stock is restricted until the note is paid off. Certain other restrictions regarding the transfer of the stock also exist.

The purchaser has paid a total of \$55,000 at April 30, 2002, and has defaulted under the payment terms of the note. The stock has not been issued, and management believes the agreement may be cancelled and have not recorded the note or stock issuance in the financial statements.

Edgar Filing: CHAMPIONS SPORTS INC - Form 10KSB

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHAMPIONS SPORTS, INC

By: /s/ James E. McCollam  
James E. McCollam  
Chief Accounting Officer and Controller  
Date: July 30, 2002

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ James M. Martell  
James M. Martell  
Chairman and President  
Date: July 29, 2002

By: /s/ Michael M. Tomic  
Michael M. Tomic  
Director  
Date: July 29, 2002

By: /s/ Durwood C. Settles  
Durwood C. Settles  
Director  
Date: July 29, 2002