WOMENS GOLF UNLIMITED INC
Form 10-K
April 03, 2003

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

For the fiscal year ended December 31, 2002	Commission File Number 0-14146

WOMEN'S GOLF UNLIMITED, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

NEW JERSEY	22-2388568
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

18 GLORIA LANE FAIRFIELD, N.J.	07004
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

(973) 227-7783
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO 12(b) OF THE ACT: NONE
SECURITIES REGISTERED PURSUANT TO 12(g) OF THE ACT: NONE
COMMON STOCK, PAR VALUE $.01
(TITLE OF CLASS)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this form 10-K. [X]

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act) Yes( ) No (X)

As of March 26, 2003, 3,227,215 shares of common stock were outstanding. The aggregate market value of the voting stock held by non-affiliates of Women's Golf Unlimited, Inc on March 24, 2003 was $1,774,968. Solely for purposes of this calculation, the Company deemed every person who, beneficially owned 5% or more of its common stock and all directors and executive officers to be affiliates.

PART I

ITEM 1. BUSINESS

(a) GENERAL DEVELOPMENT OF BUSINESS

Women's Golf Unlimited, Inc. (the "Company" or "Women's Golf") was incorporated under the laws of the state of New Jersey in February 1982. The Company manufactures and markets throughout the United States proprietary lines of golf equipment for women and men, including golf clubs, golf bags, golf shoes, golf balls and accessories. The Company markets these products under the trade name and trademark Square Two(R) and the trademarks NancyLopezGolf(TM), Lady Fairway(TM), and several others, including S2(R) and Posiflow(R).

The common stock of the Company (the "Common Stock") trades on the Over-The-Counter Bulletin Board under the symbol "GOLF.OB."

Throughout 2002, the Company maintained and strengthened its position as a manufacturer and seller of high-quality, high-performance clubs, especially for women golfers. Golf equipment for women comprised approximately 83% of the Company's business in 2002, as compared against 62% in 1998. Two acquisitions in 2000 expanded significantly both the Company's range of golf products for women and its distribution network. In July, 2000, the Company acquired the NancyLopezGolfTM lines of premium golf clubs and accessories, and on December 31, 2000, the Company acquired the Lady FairwayTM brand of golf shoes and other accessories.

During 2002, the Company continued to improve its Square Two(R) brands of equipment, introducing the Light & Easy III, Power Circle III, Onyx LS and the KW 88V Box set. During 2002 the Company improved its NancyLopezGolf(TM) brand of equipment by the Albany 250 ST Woods. The Company also continued its 20-year partnership with the Ladies Professional Golf Association ("LPGA(R)"), completed its second year of an endorsement agreement with Nancy Lopez as well as the third year of an endorsement agreement with Kathy Whitworth. The Company's sponsorship of the Square Two(R)/LPGA(R) Custom Club Fitting Program, which began in 1993, provided a forum for design input from professional women golfers during six 2-day seminars. Cosmetic changes to the Company's lines of women's clubs continued to include greater prominence for the distinctive LPGA(R) logo, which all of the women's clubs marketed under the Square Two(R) brand carry.

Between 1998 and 2002, the Company's net sales increased from $11,505,000 to $12,115,124 and shareholders' equity increased from $3,951,942 to $5,282,001.

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

For financial information about business segments in which the Company operates, see Item 8, Financial Statements and Supplementary Data.

(c) NARRATIVE DESCRIPTION OF BUSINESS

Golf Club Design

The Company designs golf clubs for women and men of all ages, and engages in continuous processes of refining existing designs and developing new designs.

The Company employs two broad design approaches. One targets the steel shaft market, and the other targets the graphite shaft market. In recent years, the graphite shaft market has experienced tremendous growth, particularly among women. Graphite shafts are lighter than steel shafts and have greater design flexibility. The Company, recognizing that graphite has become the shaft of choice for the majority of women, has developed an extensive array of graphite shaft models.

Products

The Company manufactures and markets throughout the United States proprietary lines of golf equipment under the trade name and trademark Square Two(R), and a number of other trademarks, including NancyLopezGolf(TM) and Lady Fairway(TM).

Under the Square Two(R) name, the Company manufactures and markets numerous products for women and men golfers of varying ages and abilities. These products include the Light & Easy(R), Power Circle(TM), Rave(R) II, Agree(R) and Eight-is-Enough(TM) lines of golf clubs.

Under the NancyLopezGolf(TM) trademark, the Company markets premium golf clubs, including the Albany(R) and the Delma(R) lines and the Streak 78(R), Fame 87(R). The Company's NancyLopezGolf(TM) products also include golf balls, the LopezGrip(R) line of golf gloves, golf bags and other golf accessories.

Under the Lady Fairway(TM) line, the Company markets ladies golf shoes, including the Fashion, Outdoor, Legacy and Athletic collections, as well as golf gloves, golf socks and other golf accessories.

Golf clubs accounted for more than 84% of the Company's revenue in 2002 and 82% and 95% in 2001 and 2000, respectively.

Manufacturing

The Company assembles its golf clubs at its facility located in Fairfield, New Jersey. The Company obtains steel shafts, grips, and accessories from various domestic and foreign shaft manufacturers, graphite shafts from sources in the People's Republic of China, Korea and the US, and finished heads from manufacturers in Taiwan, Thailand and the People's Republic of China, all of which manufacture components to the Company's design specifications.

The Company's Lady Fairway(TM) products (golf shoes, socks, gloves and other accessories) are manufactured by third-party manufacturers in the People's Republic of China, Indonesia and in the US.

Inventory and Component Supply

Foreign suppliers of inventory and components to the Company generally require 90- to 120-day lead times to deliver their products. The Company tries to maintain at least two sources of supply for each of the golf club shaft and golf club head products that it purchases from foreign suppliers. Domestic suppliers of shafts and grips are more plentiful and, under normal circumstances, can provide components to the Company on relatively short notice.

While the Company does not anticipate long-term shortages of components or inventory from its domestic or foreign suppliers, no assurance can be given that the Company will not experience shortages in the future. Delays are not anticipated to be longer than two weeks or to affect materially the Company's ability to deliver its products. The Company regularly evaluates alternative suppliers.

The Company purchases inventory and components through a line of credit in the amount of $8,000,000 with PNC Bank, National Association ("PNC Bank"), pursuant to which PNC Bank may make available an additional credit facility of up to $1,750,000 in the form of standby or documentary letters of credit and demand loans. See also the discussion of "Liquidity and Capital Resources" under Item 7.

As noted below, the seasonal nature of the golf industry leads to seasonal peaks in demand for the Company's products, although manufacturing occurs throughout the year.

Market

The National Golf Foundation estimates that in 2001 there were 26.4 million golfers in the United States. 2002 statistics are not available. Although the rate of growth in numbers of golfers has remained relatively flat since 1998, the general popularity of the sport of golf has created a significant market for golf clubs and other golf accessories. In competition for a share of the market, various manufacturers have developed golf clubs using various materials, differing types of construction and the latest engineering technology.

Marketing & Distribution

Until approximately 20 years ago, top-of-the-line golf equipment was sold almost exclusively by golf professionals at private clubs. Currently, off-course specialty golf shops, sporting goods retailers, discounters, mail-order houses, the Internet and infomercials account for a substantial share of sales to the golf club market.

The Company markets its products primarily through golf retail shops and also through private clubs. NancyLopezGolf(TM) brand clubs sell at premium price points, whereas the Square Two(R) and Lady Fairway brand products retail at mid-level price points. Women's Golf Unlimited product lines are offered to all golf retail shops as well as private clubs, but are not sold to all outlets. As of March 1, 2003, the Company had established a network of approximately 2,250 retailers with approximately 2,800 retail outlets. Each line has a comprehensive catalog for its dealers.

4

The golf equipment industry is one in which advertising and promotions are required to create market awareness of a company's products. Management anticipates that it will continue to invest in its research and development efforts as well as its advertising expenditures to create brand awareness.

In 2002, no customer accounted for more than 5% of the Company's total sales. The Company does not believe that the loss of any single customer would materially affect its business.

Competition

In general, the Company competes with manufacturers of sporting goods equipment for all phases of the recreation industry, and its business is subject to factors generally affecting the recreation and leisure market, such as economic conditions, changes in discretionary spending patterns and weather conditions.

The golf club industry is highly competitive and is dominated principally by approximately 10 nationally known manufacturers of sporting goods equipment. Such manufacturers, including Callaway(R), Ping(R), Nike(R), Taylor Made(R), and

Cobra/Titleist(R), possess greater financial and other resources than those of the Company. The Company competes with these entities primarily on the basis of the pricing and quality of the Company's products and services, along with the Company's position as an official sponsor of the LPGA(R) for the Square Two brand.

Golf clubs are also manufactured by lesser-known, lower-volume companies who assemble clubs from components manufactured by others. While these manufacturers of clubs are generally smaller than the Company, they also compete with the Company.

Seasonality

The golf industry is seasonal. While manufacturing occurs throughout the year, demand for the Company's clubs and other golf products is greatest from March through July.

The Ladies Professional Golf Association Agreement

The Company has entered into an agreement with the Ladies Professional Golf Association, which grants the Company the exclusive right to use the LPGA(R) name and logo on its women's golf clubs and the nonexclusive right to use the LPGA(R) name and logo on certain of its other products, including golf bags. The Company has renewed and restated this licensing agreement effective January 1, 1999 through December 31, 2003, at which time the Company has the option to renew the agreement for two consecutive years under the same terms and conditions. The agreement entitles the Company to use the license granted on a worldwide basis. The Company is obligated to pay to the LPGA(R) a license fee and a royalty fee based on sales volume.

The minimum annual license fee for the term of the agreement is $200,000 each year through 2003. In the event that the sum of (i) 5% of the net sales of the licensed products (other than golf shoes) up to $1,000,000 in any calendar year, (ii) 2.5% of the net sales of the licensed products (other than golf shoes) in excess of $1,000,000 and less than $5,000,000 in any calendar year, (iii) 1% of the net sales of the licensed products (other than golf shoes) in excess of $5,000,000,

and (iv) 1% of the net sales of golf shoes in any calendar year, exceeds the minimum license fee, the excess shall be paid as a royalty fee.

Under the agreement, the Company is obligated to be a "Title Sponsor" of the LPGA(R) Teaching and Club Professionals Division Team Classic at an annual cost that began at $35,000 in 1999 and increases by $2,500 per year through 2003. In addition, the Company is obligated to spend a minimum of $100,000 per year on various advertising programs.

Kathy Whitworth Endorsement Agreement

The Company has entered into an Endorsement Agreement with former LPGA(R) Tour Golf Professional Kathy Whitworth, effective January 1, 2000 through December 31, 2005, pursuant to which Ms. Whitworth has granted the Company an exclusive license to use her name, likeness, image and personal identification, singly or in any combination, in connection with the production, marketing and sale of a "Kathy Whitworth" signature line of women's golf clubs. In addition, the Company has the right to include Ms. Whitworth in two print advertisements and one television advertisement per year. Ms. Whitworth also has agreed to use only the golf clubs and golf bags of the Company in any golf event, either professional or social, during the term of the agreement. She serves as a golf instructor at up to ten golf clinics per calendar year, and represents the Company, at the Company's discretion, at up to two Professional Golf Association merchandise shows each calendar year. The Company pays Ms. Whitworth a base fee of $36,000 per year in equal quarterly payments and a royalty fee of 2% of net sales of the "Kathy Whitworth" line of clubs.

Nancy Lopez License

Under an agreement with Nancy Lopez Enterprises, Inc. ("Lopez Enterprises"), the Company has the exclusive right to use the name, signature, image and endorsement of Nancy Lopez on certain of its golf clubs and other golf equipment. This agreement is for an initial term that ends on December 31, 2007, and shall be extended automatically until December 31, 2010 unless one of the parties decides against such extension. The Company pays Lopez Enterprises an annual fixed royalty of $200,000, plus additional royalties if the sum of (i) 25% of any fees paid to the Company for sublicenses and (ii) 3% of revenues of up to $10 million for licensed products plus 3.5% of such revenues greater than $10 million exceeds the fixed royalty amount of $200,000. The Company also pays Lopez Enterprises bonuses if Ms. Lopez wins or places at least fifth in specified golf tournaments or wins other named awards, and issues Lopez Enterprises options to purchase Common Stock on the basis of the revenue for licensed products in excess of a certain threshold.

Patents and Trademarks

The Company holds two United States patents, both of which will expire in 2013. One protects the concept of Posiflow(R) weighting in iron heads. The second protects an internal triangular reinforcement cell for metal woods.

The Company owns the rights to the following trademarks registered with the United States Patent and Trademark Office:

AGREE(R)	LADIES LONG DRIVER(R)	ONYX(R)	S2(R)(STYLIZ
ALBANY(R)		OUTLAST(R)	SARASOTA(R)
ALLEGRA(R)	LADY FAIRWAY(R)	OPAL(R)	SQUARE TWO(R
DARDEN(R)	LADY PETITE(R)	POSIFLOW(R)	STREAK 78(R)
DEBUT 98(R)	LIGHT & EASY(R)	POWER CIRCLE(R)	THORPE(R)
DEFINING THE WOMEN'S GAME(R)	LOPEZGRIP(R)	RAVE(R)	TOTALLY MATCHED(R)
	MELODY(R)	ROSCOE(R)	
DOMINGO(R)	NLG(R)	ROSWELL(R)	
FAME 87(R)	NLG MATCHPLAY PROCESS(R)	S2(R)(BOUNCING BALL DESIGN)	

"Square Two(R)" is registered in 21 countries. "Lady Fairway" is registered in the United Kingdom and in Sweden.

Given the competitive climate within the golf industry worldwide and the recent counterfeiting of clubhead designs, the Company believes that it is imperative to protect the Company's trade names, trademarks and patentable inventions and designs.

Employees

As of December 31, 2002, the Company employed 44 persons, including 43 full-time employees, 2 of whom were executive officers. Thirty-one of these were hourly employees and 13 were management, administrative and marketing personnel. Additional hourly employees are hired during peak production periods, and management anticipates no problems in finding adequate employees. The employees of the Company are not represented by any labor organization.

The Company believes that its present staff is adequate. However, if sales of the Company's golf clubs or golf shoes should increase additional production, clerical, sales and management personnel may be necessary to meet product demand.

Special Note on Forward-Looking Statements

The business, financial condition and results of operations of the Company may be adversely affected by a number of factors. Certain statements and information contained herein reflect the Company's current expectations with respect to the future performance of the Company and may constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other risks and uncertainties: the risks inherent in the development and introduction of new products; dependence on consumer tastes, which fluctuate from time to time; seasonality and prevailing weather conditions, as protracted periods of inclement weather could disrupt consumer demand for golf-related products; economic conditions as they impact the availability

of discretionary income; unanticipated shortages of components or delays in component delivery; and the significant competition in the Company's line of business.

(d) FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

It is impracticable for the Company to provide financial information about geographic areas. Historically, the Company's sales to foreign customers have not been material. For the fiscal year ended December 31, 2002, the Company's sales to foreign customers comprised less than 2.5% of net sales. Women's Golf Unlimited works with distributors in Europe, Australia and Canada, on a licensing agreement, in which the Company receives quarterly royalty payments.

ITEM 2. PROPERTIES

The Company currently leases its manufacturing facility and sales and executive offices located at 18 Gloria Lane, Fairfield, New Jersey 07004, comprising a total of 28,442 square feet of space. As of December 1, 2001 the Company entered into a new lease agreement for the Fairfield location for a period of three years, expiring on November 30, 2004. In December 2001, the Company consolidated the Florida customer service, sales, warehousing and distribution operations for its Lady Fairway(TM) lines with those operations conducted at its New Jersey location. The Company now maintains a small office of approximately 800 square feet in Lutz, Florida for administrative activities relating to the Lady Fairway(TM) line.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders in the fourth quarter period of 2002.

EXECUTIVE OFFICERS OF THE COMPANY

See Part III, Item 10 of this report.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Common Stock of the Company is traded on the Over-The-Counter Bulletin Board under under the trading symbol "GOLF.OB." The following table sets forth the high and low bid prices for the Common Stock as provided by Nasdaq for the periods indicated. These prices represent quotations between dealers, do not include retail markups, markdowns or commissions and do not necessarily represent prices at which actual transactions were effected.

Effective October 30, 2002 the common stock of Women's Golf Unlimited began trading on the Over-The-Counter Bulletin Board. Prior to this date the company's stock was trading on the Nasdaq Small Cap Market under the symbol GOLF. In July 2002, Nasdaq notified the company that the publicly held shares of its common stock had not maintained a minimum market value of $1,000,000 over the previous 30 consecutive trading days, and, as a result, did not comply with Marketplace Rule 4310(c)(7). The company was provided, under Rule 4310(c)(8)(B), 90 calendar days, or until October 21, 2002 to regain compliance. The company was also notified in July that the price of the common stock had closed below the minimum $1.00 per share for 30 consecutive trading days, failing the requirement for continued inclusion under Marketplace Rule 4310(c)(4). The company did not regain compliance under Rule 4310(c)(8)(B) and accordingly its securities were delisted from the Nasdaq Small Cap Market at the opening of business on October 30, 2002.

PERIODS:	COMMON STOCK BID PRIC	
	HIGH	LO
2001 1st Quarter	$1 06	$0.
2001 2nd Quarter	$1.75	$1.
2001 3rd Quarter	$2.62	$1.
2001 4th Quarter	$2.00	$1.
2002 1st Quarter	$1.60	$1.
2002 2nd Quarter	$1.50	$.
2002 3rd Quarter	$1.10	$.
2002 4th Quarter	$1.00	$.

On March 26, 2003, the number of holders of record of the Company's Common Stock was approximately 176. No cash dividends have been paid to date and it is anticipated that cash dividends will not be paid in the near future.

EQUITY COMPENSATION PLAN INFORMATION

The Company has 1,152,595 of Common Stock which may be issued on exercise of options granted under the 1998 Employee Stock Plan as well as the 1992 Stock Plan for Independent Directors. The following table sets forth certain information pertaining to securities as of December 31, 2002:

	(a)	(b)	(c)
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Numbe avail under (excl in co
Equity compensation plans approved by security holders			
Equity compensation plans not approved by security holders	694,302	$2.98	
Total	694,302	$2.98	

In 2002, the Company issued 1,021 shares of Common Stock to Frederick B. Ziesenheim and 1,021 shares of common stock to Mary Ann Jorgenson as compensation for their service as directors of the Company and participation in board meetings. As no public offering was involved, the issuance of such shares was exempt from registration under Section 4(2) of the Securities Act of 1933, as amended. See Item 11.

ITEM 6. SELECTED FINANCIAL DATA

	YEAR ENDED DECEMBER 31,			
	2002	2001	2000	1999
OPERATING RESULTS:				
Net Sales	$12,115,124	$16,144,947	$12,510,314	$11,0
Net Income (Loss)	($1,684,570)	164,291	220,654	3
Net Income (Loss)				
per Share-Basic	(0.52)	0.05	0.10	
per Share-Diluted	(0.52)	0.05	0.10	
Weighted Average				
Number of Shares				

	2002	2001	2000	1999
		YEAR ENDED DECEMBER 31,		
Outstanding-Basic	3,225,945	3,223,850	2,226,312	2,2
Outstanding-Diluted	3,240,752	3,266,819	2,264,065	2,2
Cash Dividend		0	0	
At Year End:				
Working Capital	2,076,478	1,988,256	1,672,945	4,0
Total Assets	9,572,051	12,994,368	13,678,640	5,7
Total Liabilities	4,290,050	6,031,355	6,882,918	1,4
Long-Term Obligations	62,143	202,413	512,105	
Shareholders' Equity	5,282,001	6,963,013	6,795,722	4,2
Market Price of Common Stock High-Low	1.60/.51	2.62/.88	2.88/.75	4.0

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Women's Golf Unlimited, Inc. operates in one business segment, the manufacture and marketing of golf equipment, including golf clubs, golf balls, golf gloves, golf bags, and, starting on December 29, 2000, golf shoes and socks. The Company markets its products primarily in the United States. The Company has distributors in Europe, Australia and Canada, which work under licensing agreements.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets." This accounting standard addresses financial accounting and reporting for goodwill and other intangible assets and requires that goodwill amortization be discontinued and replaced with periodic tests of impairment. A two-step impairment test is used to first identify potential goodwill impairment and then measure the amount of goodwill impairment loss, if any. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, and is required to be applied at the beginning of the fiscal year. Impairment losses that arise due to the initial application of this standard will be reported as a cumulative effect of a change in accounting principle. The first step of the goodwill impairment test, which must be completed within six months of the effective date of this standard, will identify potential goodwill impairment. The second step of the goodwill impairment test, which must be completed prior to the issuance of the annual financial statements, will measure the amount of goodwill impairment loss, if any. As of the first quarter of 2002, the Company has completed these steps.

In accordance with SFAS No. 142, goodwill amortization was discontinued as of January 1, 2002. The Company recorded a goodwill impairment of $1,806,448, or ($.56) per basic and diluted share, related to the Lady Fairway acquisition as a cumulative effect of change in accounting principle in the first quarter of 2002. In addition, the Company stopped amortizing approximately $1.2 million of an intangible asset deemed to have an indefinite useful life, primarily related to the Lady Fairway trademark. The Company estimated the fair value of the associated sole unit by using a present value of future cash flows model. Based on the current level of the intangible asset deemed to have an indefinite useful life, the adoption of SFAS No. 142 will reduce annual amortization expense by approximately $150,000. Amortization expense related to intangible assets deemed to have a definite useful life is approximately $214,000 as of December 31, 2002.

In June 2002, FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, which nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). This accounting standard, which is effective for exit or disposal activities that are initiated after December 31, 2002, addresses financial accounting and reporting for costs associated with exit or disposal activities. The adoption of SFAS No. 146 is not expected to have a material effect on the Company's financial position, results of operations and cash flows.

In May 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4,44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections. This accounting standard, which is effective for fiscal years beginning after June 15, 2002, requires, among other things, that debt extinguishments used as a part of an entity's risk management strategy no longer meet the criteria for classification as extraordinary items. The adoption of SFAS No. 145 is not expected to have a material effect on the Company's financial position, results of operations and cash flows.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets." This statement will be effective for fiscal years beginning after December 15, 2001. This statement established a single accounting model, based upon the framework established in SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," for long-lived assets to be disposed of by sale or to address significant implementation issues. The adoption of FAS No. 144 does not have a material effect on the Company's financial statements.

Results of Operations

Sales

2002 Compared to 2001

In 2002 net sales were $12,115,124 versus $16,144,947 in 2001, a decrease of 25%. The Square Two brand decreased 22%, the Nancy Lopez Golf brand decreased 24.2% and the Lady Fairway shoe brand decreased 31.2%. The primary decrease for all three brands was a soft U.S economy, bad weather in the Northeast in the spring and a very soft golf economy. Rounds played were down for a third straight year. The number of players continued to be flat. Approximately 10% of the decline in the Square Two brand was caused by price reductions on certain club models.

2001 Compared to 2000

In 2001, net sales were $16,144,947, versus $12,510,314 in 2000. This is an increase of 29%, resulting from an increase of $4,834,633 in sales attributable to the Lady Fairway(TM) and

11

NancyLopezGolfTM brand acquisitions, offset by a decrease of $1,200,000 in sales of Square Two(R) brand products due to bad weather in the spring 2001 selling season and the U.S. economic recession, both of which contributed to a poor industry environment in 2001. The Company does not have its own historical sales data to evaluate the impact of these factors on 2001 sales of the Lady Fairway(TM) and NancyLopezGolfTM brand products.

Gross Profit

2002 Compared to 2001

In 2002, gross profit on sales (net sales less the cost of goods sold) was $4,534,825 or 37% of sales, a decrease from the 2001 gross profit of $6,775,415 or 42% of sales. This decrease in gross profit percentage was due primarily to lower revenue and a higher mount of shoes sold at discounted prices.

2001 Compared to 2000

In 2001, gross profit on sales (net sales less the cost of goods sold) was $6,775,415 or 42% of sales, an increase over the 2000 gross profit of $4,258,480 or 34% of sales. This increase in gross profit percentage was due primarily to the mix of products sold in 2001, with higher sales of products with a higher average gross profit margin. Another factor was lower material costs on golf club components.

Selling Expenses

2002 Compared to 2001

Selling expenses decreased to $2,263,832 in 2002, versus $3,495,523 in 2001. The primary reasons for the $1,231,691 decrease were elimination of television advertising in 2002, as well as management decision not to exhibit at the industries major trade show. In addition, commission expense decreased due to a decline in the volume of sales.

2001 Compared to 2000

Selling expenses increased to $3,495,523 in 2001, versus $2,093,938 in 2000. The primary reasons for the increase were the expenses associated with sales of the Lady Fairway(TM) brand products, payment of the royalty on NancyLopezGolf(TM) brand products for a full 12-months, heavy television advertising costs associated with promoting the NancyLopezGolf(TM) brand and higher sales commissions due to the increased volume of sales.

12

General Administrative

2002 Compared to 2001

General and Administrative expenses were $2,123,531 in 2002, versus $2,759,711 in 2001. The primary reasons for the decrease were mainly due to the consolidation of Lady Fairway operations into the New Jersey facility, effective December 1, 2001, as well as decreased Legal, Bad Debt Expense and FASB 142, Amortization of Goodwill, which states Lady Fairway Goodwill can no longer be expensed in 2002, but was in 2001. Goodwill for Lady Fairway for the year ended December 31, 2001 was $151,412.

2001 Compared to 2000

General and Administrative expenses were $2,759,711 in 2001, versus $1,647,827 in 2000. The primary reasons for the increase were the non-recurring general and administrative expenses associated with the Lady Fairway(TM) acquisition not incurred in 2000, including increased legal fees, and the recording of 12-months goodwill associated with the NancyLopezGolf(TM) brand (versus 5 months of goodwill expense associated with that brand in 2000).

Interest

2002 Compared to 2001

Interest expense for 2002 was $241,063, a decrease of 42.0% versus the 2001 interest expense of $413,111. The average loan balance for 2002 was $3,397,576 compared to $4,233,045 for 2001. Interest rates for 2002 were lower than 2001, therefore decreasing the interest paid on the term loan, line of credit & promissory note. In addition, the balance on the promissory note had been decreased throughout 2002, therefore reducing the interest on the principal. See also the discussion of "Liquidity and Capital Resources" below.

2001 Compared to 2000

Interest expense for 2001 was $413,111, an increase of 77.0% over the 2000 interest expense of $233,385. This increase in interest expense resulted from the higher average outstanding balance of the credit facility in 2001 plus the increase of long-term debt in 2001, offset by favorable interest rates. See also the discussion of "Liquidity and Capital Resources" below.

Other Income

2002 Compared to 2001

Other Income for 2002 was $301,380 compared to $269,313 in 2001. The increase is mainly due to royalty income from international distributors associated with the Square Two(R) and NancyLopezGolf(TM) products.

2001 Compared to 2000

Other Income/(Expense) for 2001 was $269,313, compared to ($5,307) in 2000. The increase is mainly due to royalty income from international distributors related to the NancyLopezGolf(TM) product line.

Income Taxes

2002 Compared to 2001

During 2002, the Company recorded a provision for income taxes of $85,901, compared to $212,092 in 2002. The provision for income tax as a percentage of income before taxes was 41% in 2002 as compared with 56% in 2001.

2001 Compared to 2000

During 2001, the Company recorded a provision for income taxes of $212,092, compared to $57,369 in 2000. The provision for income tax as a percentage of income before taxes was 56% in 2001 as compared with 21% in 2000. The effective tax rate was higher in 2001 as compared to 2000 primarily as a result of the elimination in 2000 of certain tax reserves (related to over-accruals of corporate tax liabilities) and the amortization in 2001 of goodwill associated with the acquisition of the Lady FairwayTM product line, which is not deductible for tax purposes.

Net Income (Loss)

2002 Compared to 2001

The Company's net income before Cumulative Effect of Accounting Change for year ended December 31, 2002 was $121,878 compared to $164,291 for 2001. The decrease in net income was a result of decreased net revenue as well as decreased margins, offset by reduced selling, general and administrative expense and interest. Net Loss in 2002 was ($1,806,448) compared to Net Income of $164,291 for 2001. This decrease was due to a goodwill impairment of $1,806,448 related to the Lady Fairway acquisition that was recorded in the first quarter of 2002. (See Part II, Item 7, SFAS No. 142).

2001 Compared to 2000

During 2001, the Company had net income of $164,291, compared to $220,654 in 2000. The decrease was the result of decreased net revenue, increased selling, general and administrative expense and interest, offset by increased margin gross profit and other income.

Liquidity and Capital Resources

The Company's working capital at year-end was $2,076,478 in 2002, compared to $1,988,256 for 2001, an increase of 4.4%. This increase was the result of a decrease in current assets of $1,512,813 offset by a decrease in current liabilities of $1,512,813. The decrease in current assets was due mainly to decreases of $774,279 in accounts receivable, $74,277 in prepaid expenses and inventory of $664,091. The 2002 decrease in current liabilities is due to decreases of $1,104,830 in the current portion of long-term debt, $922,545 in short-term borrowings,

$103,423 in accrued expenses, $19,735 other current liabilities, offset by an increase of $515,961 in accounts payable and $33,537 for lease obligations.

Average balances for accounts receivable in 2002 of $3,426,066 were 12.0% less than the 2001 average balances of $3,895,128, also as a result of decreased sales.

Cash provided by operations in 2002 was $2,323,051 compared to $179,046 in 2001 and $1,483,778 in 2000. The increase in net cash provided by operations is due primarily to the Company's reduction of inventory and accounts receivable offset by increased accounts payable

The Company's credit facility with PNC Bank (the "PNC Credit Facility") allows a revolving line of credit up to a maximum of $8,000,000 less 50% of the aggregate face amount of all outstanding letters of credit, and subject to various borrowing bases, as well as up to $1,750,000 in the form of standby or documentary letters of credit and demand loans.

The availability of funds under the revolving line of credit varies because it is based, in part, on a borrowing base of 80% of eligible accounts receivable and 60% of qualified inventory. Substantially all of the Company's assets are used as collateral for the credit line. Interest rates are at prime plus one-quarter percent, paid monthly; the interest rate as of December 31, 2002 was 4.50%. At December 31, 2002, funds available to the Company under the line of credit were approximately $1,118,000.

The average outstanding balance on the line of credit was $3,397,576 in 2002, a decrease from $4,233,045 in 2002. This decrease resulted from a 9.0% decrease in the average inventory balance ($4,328,270 in 2002 as compared to $4,757,047 in 2001), as well as a decrease in the average accounts receivable balance.

As of December 31, 2002, the Company had outstanding letters of credit or demand loans under the PNC Credit Facility, which totaled $45,823.

The PNC Credit Facility contains certain covenants, which among other items require the maintenance of certain financial ratios including tangible net worth and working capital and an annual limit on capital expenditures. Any event of default under the credit facility permits the lender to cease making additional loans thereunder. The Company was not in compliance with one covenant, relating to capital expenditures, of the facility as of December 31, 2002. The Company received a waiver on March 28, 2002 from its lender.

Other debt obligations of the Company, associated with the acquisitions, are a term loan from PNC Bank in the original principal amount of $900,000, of which $200,000 remained outstanding on December 31, 2002.

The Company is obligated under various contractual commitments over the next five years. The following is the five-year commitments of the Company as of December 31, 2002:

15

Contractual Obligation	Total	Less Than 1 Year	1-3 Years	4-5 Years
Operating Leases	$ 368,063	$192,489	$ 175,574	
Capitalized Leases	95,680	33,537	62,143	
License Agreements	1,508,000	236,000	472,000	400,0
Employment Agreements	765,000	255,000	510,000	
Total contractual obligations	$ 2,736,743	$717,026	$1,219,717	$400,0

Critical Accounting Policies

The Company's accounting policies and practices are described in Note 1 to the financial statements included herein, "Summary of Significant Accounting Policies." Application of the Company's accounting policies requires judgments by management and incorporates expectations about future events. The Company has established reserves and accruals for possible losses on collection of accounts receivable as well as on obsolete inventory. Management uses all available facts and circumstances in establishing such accruals or reserves.

Calculation of Allowances for Doubtful Accounts

Management reviews on a revolving basis a schedule listing each customer account containing balances that are 90 or more days past due, and determines whether collection of each outstanding balance is anticipated. If collection is anticipated, no reserve for such account is established. If collection is questionable, management applies a reserve of between 20% and 100% of the total amount due. In determining whether to apply a reserve and if so, the amount of such reserve, management draws on its knowledge of the progress of internal collection efforts, the customer's payment history, and other information about the customer. Management also applies a reserve of 2% of accounts receivable that are up to 90 days past due.

Calculation of Reserves for Obsolescence

Periodically management reviews all inventory for the purpose of evaluating current reserves for obsolescence, which is determined on the basis of historical and current sales of each product, inventory level, and other factors. A reserve of between 10% and 90% of present book value is assigned for all questionable inventory, to which is added an additional miscellaneous amount.

Certain information in the preceding "Management's Discussion and Analysis of Financial Condition and Results of Operations" constitutes forward-looking information that involves certain risks and uncertainties.

Accounts Receivable

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for

doubtful accounts based on a history of past write-offs, collections and current credit conditions. Accounts are written off as un-collectible on a case-by-case basis.

Inventories

Inventories are valued at the lower of cost, determined on the basis of the first-in, first-out method, or market. Inventories consist of materials, labor and manufacturing overhead.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to market risks is limited to interest rate risks associated with the variable interest rates on its revolving line of credit, term loan and promissory note. Changes in the interest rates affect the Company's earnings and cash flows, but not the fair value of the Company's debt instruments. If the indebtedness outstanding at December 31, 2002 were to remain constant, a 1.0% increase in interest rates occurring on January 1, 2003 would result in an increase in interest expense for the following 12 months of approximately $37,351.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the Index to Financial Statements and Financial Statement Schedule on page F-1 for the location in this report of the financial statements and supplementary data.

ITEM 9. CHANGE IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Company's current directors and executive officers are:

NAME	AGE	POSITION WITH THE COMP
Robert L. Ross	58	Chairman of the Board and Chief Execu
Douglas A. Buffington	47	Director, President, Chief Financial and Treasurer
Randy A. Hamill	47	Senior Vice President of Manufacturin Secretary
Richard M. Maurer	54	Director and Secretary
James E. Jones	40	Director and Vice President of Market

17

Mary Ann Jorgenson	62	Director
Nancy Lopez	45	Director
Frederick B. Ziesenheim	76	Director

ROBERT L. ROSS has been a director of the Company since 1988 and Chairman of the Board since October 1995. Effective in January 1996, Mr. Ross became Chief Executive Officer of the Company. He has been Co-Managing Partner of Wesmar Partners Limited Partnership ("Wesmar Partners"), the majority shareholder of the Company, since 1985. Prior to the formation of Wesmar Partners, Mr. Ross was associated with The Hillman Company, a private investment firm, from 1978 to 1985. Mr. Ross is a Certified Public Accountant and was associated with Haskins & Sells and with Westinghouse Electric Corporation prior to joining The Hillman Company.

DOUGLAS A. BUFFINGTON joined the Company in January 1994 as Vice President of Sales and Marketing, and became Chief Financial Officer and Chief Operating Officer in June 1994, President in December 1994, a director in February 1995 and Treasurer in January 1996. From 1992 until joining the Company, Mr. Buffington served as General Manager of Simon-Duplex, a $25 million capital goods division of Simon Engineering, a company based in the United Kingdom. From 1990 to 1992, he served as Vice President of Finance of Simon-Ltd., a $35 million division of Simon Engineering.

RANDY A. HAMILL has been Senior Vice President of the Company since July 1991 and is in charge of all manufacturing and purchasing. Effective in January 1996, Mr. Hamill became Assistant Secretary of the Company. He was Vice President of Manufacturing of the Company from 1981 to July 1991.

RICHARD M. MAURER has been a director of the Company since 1988. Effective in January 1996, Mr. Maurer became Secretary of the Company. He has been Co-Managing Partner of Wesmar Partners, the majority shareholder of the Company, since 1985. Prior to the formation of Wesmar Partners, Mr. Maurer was associated with The Hillman Company, a private investment firm, from 1978 to 1985. Mr. Maurer is a Certified Public Accountant and was associated with Price Waterhouse prior to joining The Hillman Company.

JAMES E. JONES became the Vice President of Marketing and a director of the

Company on January 1, 2001. Mr. Jones, the founder of Ladies Golf, was President of that company from 1993 through 2000, and served as President of S2 Acquisition between the merger of Ladies Golf into S2 Acquisition at the end of December, 2000 and the merger of S2 Acquisition into the Company in May of 2001. He was Chief Operating Officer of International Sporting Goods, a producer of a wide range of sporting goods products from 1991 until 1993, and a sales representative for the Converse Shoe Company from 1986 until 1991.

MARY ANN JORGENSON has been a director of the Company since 1992. She has been a partner with the law firm of Squire, Sanders & Dempsey L.L.P. since 1984 and has been associated since 1975 with that firm. She also serves as a director of Cedar Fair Management

Company, the general partner of Cedar Fair, L.P., an owner and operator of amusement parks, and is a director of Anthony & Sylvan Pools Corporation, an installer of concrete in-ground swimming pools.

NANCY LOPEZ became a director of the Company on January 1, 2001. She has been a member of the Tour Division of the Ladies Professional Golf Association since 1977, and was inducted into the LPGA(R) Hall of Fame in 1987. She has 48 career victories including three major titles. Nancy Lopez was Rookie of the Year in 1978, a four-time LPGA(R) player of the year and a three-time Vare trophy winner for the lowest scoring average.

FREDERICK B. ZIESENHEIM has been a director of the Company since 1992. He has been with the law firm of Webb Ziesenheim Logsdon Orkin & Hanson, P.C. since 1988 and is currently Vice Chairman of its Board of Directors. Prior to combining his practice with that firm, he was President of the law firm of Buell, Ziesenheim, Beck and Alstadt, P.C., with whom he had been associated since 1958.

All directors hold office until the next annual meeting of the Company's shareholders and until their successors have been elected and qualified. Officers serve at the discretion of the Board of Directors.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company's directors, executive officers and any person holding ten percent or more of the Company's Common Stock are required to report their initial ownership of the Company's Common Stock and any changes in that ownership to the Securities and Exchange Commission (the "SEC"). Based solely on a review of copies of the forms furnished to the Company in 2002 and written representations from the Company's directors and executive officers, the Company believes that its directors, executive officers and 10% shareholders complied with all Section 16(a) filing requirements applicable to them in 2002.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth certain information with respect to annual and long-term compensation for services in all capacities paid by the Company for the years ended December 31, 2002, 2001 and 2000 to or on behalf of Robert L. Ross, Douglas A. Buffington, Randy A. Hamill and James E. Jones (collectively, the "Named Executives").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION SALARY	BONUS	OTHER ANNUAL COMPENSATION	SECU UNDE OPT
Robert L. Ross,	2002	$ 0	$ 0	$ 0	

NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION	SECU UNDE OPT
Chief Executive Officer	2001	$ 0	$ 0	$ 0	
	2000	$ 0	$ 0	$ 0	10
Douglas A. Buffington,	2002	$175,000	$ 0	$ 19,267(4)	
President, Chief Financial	2001	$173,073	$ 45,000(1)	$ 19,829(4)	20
Officer, Chief Operating	2000	$150,000	$ 35,000(2)	$ 19,392(4)	20
Officer, and Treasurer					
Randy A. Hamill,	2002	$130,962	$ 0	$ 0	
Senior Vice President	2001	$116,539	$ 31,250(1)	$ 0	
Manufacturing and	2000	$100,000	$ 20,000(3)	$ 0	5
Resources and Assistant					
Secretary					
James E. Jones,	2002(9)	$ 96,923	$ 0	$ 0	
Vice President	2001(9)	$100,000	$ 0	$ 0	
of Marketing					

(1) Bonus earned in 2001, paid in 2002.

(2) Bonus earned in 2000, paid in 2001.

(3) Bonus earned in 2000, paid in 2000.

(4) Travel/commuting expenses reimbursed by the Company.

(5) Awarded for 2001 services, granted in 2002.

(6) Awarded for 2000 services, granted in 2000.

(8) The Company paid the $975 annual premium on a $750,000 insurance policy on the life of Mr. Buffington, which names Mr. Buffington's wife as the sole beneficiary.

(9) Mr. Jones became an employee on January 1, 2001.

The following table sets for information pertaining to stock options granted to the Named Executives in 2002

2002 OPTION GRANTS

NUMBER OF % OF TOTAL

NAME	SECURITIES UNDERLYING OPTIONS GRANTED	OPTIONS GRANTED TO EMPLOYEES IN 2002	EXERCISE OR BASE PRICE $/SH
Douglas A. Buffington	20,000 (1)	100.0%	$1.18 (2)

(1) Immediately exercisable.

(2) Upon certain changes in control, exercise price becomes $0.01.

20

The following table sets forth certain information pertaining to stock options held by the Named Executives as of December 31, 2002. The Named Executives exercised no options in 2002.

2002 FISCAL YEAR-END OPTION HOLDINGS

	NUMBER OF SECURITIES UNDERLYING OPTIONS AT FISCAL YEAR-END		VALUE OF IN-THE-MO AT FISCAL
NAME	EXERCISABLE	UNEXERCISABLE	EXERCISABLE
Robert L. Ross	67,500	0	$0
Douglas A. Buffington	105,375	0	$0
Randy A. Hamill	59,842	0	$0
James E. Jones	0	0	$0

(1) Calculated on the basis of the fair market value of the Common Stock of $.58 per share on December 31, 2002, less exercise price.

Compensation of Directors

The Company compensates its non-employee, non-consultant directors (Mary Ann Jorgenson and Frederick B. Ziesenheim) by granting such persons shares of the Company's Common Stock having a fair market value of $1,000 for every meeting of the Board of Directors or committee thereof attended by such person, and shares of Common Stock having a fair market value of $500 if such person participated in a meeting by telephone. The number of shares issued is based on the closing price of the stock on the exchange where traded on the meeting date or the preceding date on which such shares were traded.

Certain Agreements

The Company entered into a new employment agreement with Douglas A. Buffington effective January 1, 2001 and terminating on December 31, 2005 unless terminated sooner as provided in the agreement. Mr. Buffington's base annual salary under the agreement is $175,000. An incentive cash bonus and stock option program are incorporated into the agreement. Additional stock options, other than those provided in the incentive program, may be granted at the discretion of the Company's Board of Directors. The agreement also provides for certain benefits, in addition to the standard Company employee fringe benefits, including but not limited to reimbursement of certain expenses and payment of premiums on a $750,000 life insurance policy with Mr. Buffington's spouse named as beneficiary. The agreement also contains "noncompetition" and "invention and secrecy" clauses.

In January 1997, the Company entered into an agreement with Randy A. Hamill pursuant to which Mr. Hamill was granted an immediately exercisable option to purchase 40,000 shares of Common Stock at an exercise price of $0.9375 per share. Upon the occurrence of a change in control of the Company (as defined in the agreement) the exercise price per share for any unexercised portion of the option would be the lower of (a) (i) one cent or (ii) the lowest price greater than one cent per share that would not cause the value to Mr. Hamill of shares acquired upon exercise to be considered an "excess parachute payment" under Section 280G of the Internal Revenue Code of 1986, as amended or (b) $0.9375. In the event that Mr. Hamill should die while employed by the Company and the Company has received $500,000 as beneficiary of a life insurance policy it maintains on Mr. Hamill's life, Mr. Hamill's estate will have the right to require the Company to purchase the option, if unexercised, for $500,000 or, subject to certain limitations, to purchase up to 39,999 shares received on exercise of the option for their fair market value at that time.

On December 29, 2000, the Company and S2 Acquisition entered into an employment agreement with James E. Jones, effective as of January 1, 2001 and terminating on December 31, 2005 unless terminated sooner as provided in the agreement, pursuant to which Mr. Jones serves as the Vice President of Marketing of the Company. Under this agreement, Mr. Jones' annual base salary is $100,000, he may also receive grants of options to purchase shares of the Company's Common Stock, and he receives the Company's standard employee fringe benefits. The agreement also contains "noncompetition" and "invention and secrecy" clauses. Effective November 1, 2002, Mr. Jones' annual base salary was adjusted to $80,000.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of the Company's Common Stock as of March 26, 2003 by (i) each person who beneficially owned 5% or more of the outstanding Common Stock, (ii) each director, (iii) each Named Executive and (iv) all directors and executive officers as a group calculated in accordance with Rule 13d-3 under the Exchange Act. Except as otherwise noted, the persons named in the table below have sole voting and investment power with respect to the shares shown as beneficially owned by them.

NAME AND ADDRESS	AMOUNT BENEFICIALLY OWNED(1)	PERC OF CL
L. R. Jeffrey (2) 2552 Harbour Lane Sanibel, FL 33957	250,000	
Richard M. Maurer (3) Director and Secretary Three Gateway Center Pittsburgh, PA 15222	1,501,096	4

Robert L. Ross (4) Chairman of the Board	1,473,596	4

and Chief Executive Officer Three Gateway Center Pittsburgh, PA 15222		
Mary Ann Jorgenson Director 4900 Key Tower 127 Public Square Cleveland, OH 44114-1304	14,016	
Frederick B. Ziesenheim Director 700 Koppers Building 436 7th Avenue Pittsburgh, PA 15219-1818	13,999	
Douglas A. Buffington President, Chief Financial Officer, Chief Operating Officer and Treasurer 18 Gloria Lane Fairfield, NJ 07004	107,375	
Randy A. Hamill (5) Senior Vice President of Manufacturing and Resources and Assistant Secretary 18 Gloria Lane Fairfield, NJ 07004	74,142	
James E. Jones Director and Vice President of Marketing 26238 State Road 54 Lutz, FL 33559	775,000	2
Brian Christopher 26238 State Road 54 Lutz, FL 33559	225,000	
Wesmar Partners (6) MR & Associates Maurer, Ross & Co., Incorporated Three Gateway Center Pittsburgh, PA 15222	1,399,096	4
All directors and executive officers as a group (7 persons)(7)	2,560,128	7

* Less than 1%.

(1) The numbers shown include shares covered by options that are currently exercisable as of March 26, 2003. The numbers and percentages of shares owned assume that such outstanding options had been exercised as follows: L. R. Jeffrey, Jr. - 250,000, Richard M. Maurer - 67,500, Robert L. Ross - 67,500, Douglas A. Buffington - 105,375, Randy A. Hamill - 59,892 and all directors and executive officers as a group - 300,267.

(2) Does not include 730 shares owned by various members of Mr. Jeffrey's family with respect to which shares he disclaims any beneficial ownership.

(3) Includes 25,300 shares which are held directly by three trusts of which Mr. Maurer is co-trustee and with respect to which he shares voting and investment power, 1,399,096 shares owned directly by Wesmar Partners with respect to which he shares voting and investment power and 67,500 shares underlying the options held directly by Mr. Maurer. Mr. Maurer is an officer, director and principal shareholder of Maurer Ross & Co., Incorporated, the general partner of MR & Associates, and the managing general partner of Wesmar Partners.

(4) Includes 1,399,096 shares owned directly by Wesmar Partners and 67,500 shares underlying the options held by Mr. Ross. Mr. Ross is an officer, director and principal shareholder of Maurer Ross & Co., Incorporated, the general partner of MR & Associates, the managing general partner of Wesmar Partners.

(5) Does not include shares owned by various members of Mr. Hamill's family with respect to which shares Mr. Hamill disclaims any beneficial ownership.

(6) Wesmar Partners is a Delaware limited partnership whose partners are Landmark Equity Partners III, L.P., a Delaware limited partnership, and MR & Associates, a Pennsylvania limited partnership. MR & Associates is the managing partner of Wesmar Partners. Messrs. Maurer and Ross are officers, directors and principal shareholders of Maurer Ross & Co., Incorporated, a Pennsylvania corporation and the general partner of MR & Associates.

(7) Does not include shares owned by various members of a certain officer's family with respect to which shares such officer disclaims any beneficial ownership. Includes 1,399,096 shares owned directly by Wesmar Partners (see Notes 3, 4 and 6 above).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions With Management and Others

During the fiscal year ended December 31, 2002, MR & Associates provided consulting services to the Company for $5,000 per month. Messrs. Maurer and Ross, directors of the Company, are officers, directors and principal shareholders of Maurer Ross & Co., Incorporated, the general partner of MR & Associates. MR & Associates is the managing general partner of Wesmar Partners, a beneficial owner of more than five percent of the Common Stock.

Messrs. Maurer and Ross, as indirect owners of more than five percent of the

Common Stock, had an interest in the Company's acquisition in July of the assets of NancyLopezGolf(TM), and acquisition in December of 2000, through S2 Acquisition, of Ladies Golf.

Nancy Lopez, a director of the Company as of January 1, 2001, is the President of Lopez Enterprises, which receives royalty payments and, if certain targets are met, options to purchase Common Stock as well as bonuses for certain tournament winnings under the licensing agreement with the Company, into which the Company entered pursuant to the July 2000 transaction to acquire the assets of NancyLopezGolf(TM). In 2002, Lopez Enterprises received royalty payments of $200,000 from the Company.

James E. Jones, a director of the Company as of January 1, 2001, became the holder of more than five percent of the Company's Common Stock and entered into an employment agreement with the Company pursuant to the Company's acquisition of Ladies Golf in December of 2000.

During the fiscal year ended December 31, 2002, the Company retained the law firm of Squire, Sanders & Dempsey L.L.P. ("Squire, Sanders"), of which Mary Ann Jorgenson, a director of the Company, is a partner, to represent the Company in various matters for which the Company paid to Squire, Sanders fees of $16,602 during the year.

During the fiscal year ended December 31, 2002, the Company retained the law firm of Webb, Ziesenheim, Logsdon, Orkin & Hanson, P,C, ("Webb Ziesenheim"), of which Frederick B. Ziesenhiem a director of the Company, is Vice Chairman of the Board of Directors, to represent the Company in various matters for which the Company paid to Webb Ziesenheim fees of $39,737 during the year.

ITEM 14. CONTROLS AND PROCEDURES

Within 90 days prior to the filing date of this report, the Company's management conducted an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in alerting them in a timely manner to material information required to be included in the Company's SEC reports. In addition, the Company's management, including

25

the Chief Executive Officer and Chief Financial Officer, reviewed the Company's internal controls, and concluded that there have been no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of the Company's last evaluation

ITEM 15. PRINCIPAL ACCOUNTANT FEES AND SERVICES.(1)

AUDIT FEES

Rothstein, Kass and Company, P.C. billed the Company approximately $51,000 for the independent audit of the Company's annual financial statements for the year ended December 31, 2002 and for the review of the financial statements included in the Company's quarterly report and for the quarterly reports filed for the three months ended September 29, 2002, June 30, 2002 and March 31, 2002.

TAX FEES

Rothstein, Kass and Company, P.C. billed the Company $6,500 for the preparation of Federal and State tax returns for the year ended December 31, 2001.

PART IV

ITEM 16. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) (1) The financial statements listed in the accompanying Index to Financial Statements and Financial Statement Schedule on Page F-1 are filed as part of this report.

(2) The financial statement schedule listed in the accompanying Index to Financial Statements and Financial Statement Schedule on Page F-1 is filed as part of this report.

(3) The Exhibits listed in the accompanying Exhibit Index are filed as part of this report.

(b) No reports on Form 8-K were filed for the fourth quarter ended December 31, 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

WOMEN'S GOLF UNLIMITED, INC.

Dated: April 3, 2003

By: /s/ Douglas A. Buffington

Douglas A. Buffington
President, Chief Financial Officer,
Chief Operating Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Douglas A. Buffington Douglas A. Buffington	Director, President, Chief Financial Officer, Chief Operating Officer and Treasurer	April 3, 2003

/s/ Robert L. Ross ------------------------------- Robert L. Ross	Chairman of the Board and Chief Executive Officer	April 3, 2003
/s/ Richard M. Maurer ------------------------------- Richard M. Maurer	Director and Secretary	April 3, 2003
/s/ James E. Jones ------------------------------- James E. Jones	Director and Vice President	April 3, 2003
/s/ Mary Ann Jorgenson ------------------------------- Mary Ann Jorgenson	Director	April 3, 2003
/s/ Nancy Lopez ------------------------------- Nancy Lopez	Director	April 3, 2003
/s/ Frederick B. Ziesenheim ------------------------------- Frederick B. Ziesenheim	Director	April 3, 2003

CERTIFICATION

I, Douglas A Buffington, certify that:

1. I have reviewed this annual report on Form 10-K of Women's Golf Unlimited, Inc.

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

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

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

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

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

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

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

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

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

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

Date: April 3, 2003

/s/Douglas A. Buffington

Director, President, Chief Financial Officer, Chief Operating Officer and Treasurer

CERTIFICATION

I, Robert L. Ross, certify that:

1. I have reviewed this annual report on Form 10-K of Women's Golf Unlimited, Inc.

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

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and

cash flows of the registrant as of, and for, the periods presented in this annual report;

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

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

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

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

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

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

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

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

Date: April 3, 2003
/s/Robert L. Ross

Chairman of the Board and Chief Executive Officer

INDEX TO FINANCIAL STATEMENTS

AND FINANCIAL STATEMENT SCHEDULE

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
Women's Golf Unlimited, Inc.

We have audited the accompanying balance sheets of Women's Golf Unlimited, Inc. (the "Company") as of December 31, 2002 and 2001, and the related statements of operations, cash flows, changes in shareholders' equity and financial statement schedule for each of the years in the three-year period ended December 31, 2002. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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 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 financial statements referred to above present fairly, in all material respects, the financial position of Women's Golf Unlimited, Inc. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

/s/ Rothstein, Kass & Company, P.C.

Roseland, New Jersey

February 7, 2003, except for Note 13 as to which the date is March 28, 2003

WOMEN'S GOLF UNLIMITED, INC.
BALANCE SHEETS
AS OF DECEMBER 31, 2002 AND 2001

	2002	2001
ASSETS		
Current Assets		
Cash	$ 3,551	$ 7,717
Accounts Receivable - Net	2,318,286	3,092,565
Inventories	3,742,026	4,406,117
Prepaid Expenses	63,522	137,799
Deferred Income Taxes	177,000	173,000
Total Current Assets	6,304,385	7,817,198
Plant and Equipment - Net	231,898	140,347
Deferred Income Taxes	61,000	30,000
Intangible Asset- Net	2,925,023	56,397
Goodwill - Net		4,896,568
Other Assets - Net	49,745	53,858
Total Assets	$ 9,572,051	$12,994,368
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Long-Term Debt, Current Portion	$ 202,413	$ 1,307,243
Obligation under Capital Lease, Current Portion	33,537	
Short-Term Borrowings	2,857,920	3,780,465
Accounts Payable	889,150	373,189
Accrued Expenses	244,887	348,310
Other Current Liabilities		19,735
Total Current Liabilities	4,227,907	5,828,942
Long-Term Liabilities		
Long-Term Debt, less Current Portion		202,413
Obligation Under Capital Lease, less Current Portion	62,143	
Total Liabilities	4,290,050	6,031,355
Commitments		
Shareholders' Equity		
Common Stock, $.01 Par; 12,000,000 Authorized Shares: 3,227,215 and 3,225,173 Issued and Outstanding at December 31, 2002 and 2001, Respectively	32,272	32,252
Additional Paid-in-Capital	6,354,274	6,350,736
Retained Earnings (Accumulated Deficit)	(1,104,545)	580,025
Total Shareholders' Equity	5,282,001	6,963,013
Total Liabilities and Shareholders' Equity	$ 9,572,051	$12,994,368

The accompanying notes are an integral
part of these statements.

WOMEN'S GOLF UNLIMITED, INC.

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

	2002	2001	
Net Sales	$ 12,115,124	$ 16,144,947	$ 1
Cost of Goods Sold	7,580,299	9,369,532	
Gross Profit	4,534,825	6,775,415	
Operating Expenses:			
Selling	2,263,832	3,495,523	
General & Administrative	2,123,531	2,759,711	
Total Operating Expenses	4,387,363	6,255,234	
Operating Income	147,462	520,181	
Other Income (Expense)			
Interest Expense	(241,063)	(413,111)	
Other Income (Expense), Net	301,380	269,313	
	60,317	(143,798)	
Income Before Income Taxes	207,779	376,383	
Provision for Income Taxes	85,901	212,092	
Income before Cumulative Effect of Accounting Change	121,878	164,291	
Cumulative Effect of Accounting Change	(1,806,448)		
Net Income (Loss)	$ (1,684,570)	$ 164,291	$
Earnings per Common Share from before Accounting Change Basic	$ 0.04	$ 0.05	$
Diluted	$ 0.04	$ 0.05	$
Loss per Common Share from Cumulative Effect of Accounting Change - Basic	$ (0.56)	$ 0.00	$
Diluted	$ (0.56)	$ 0.00	$
Earnings (Loss) per Share - Basic	$ (0.52)	$ 0.05	$

Diluted	$ (0.52)	$ 0.05	$
	============	============	===
Weighted Average Number of Shares Outstanding -			
Basic	3,225,945	3,223,850	
Diluted	3,241,533	3,266,819	

The accompanying notes are an integral
part of these statements.

WOMEN'S GOLF UNLIMITED, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

	2002	2001
OPERATING ACTIVITIES		
Net Income (Loss)	$(1,684,570)	$ 164,291
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided By Operating Activities:		
Depreciation	87,558	109,032
Amortization	221,495	380,396
Deferred Income Taxes (Benefit)	(35,000)	63,000
Goodwill Impairment	1,806,448	
Issuance of Stock for Compensation	3,558	3,000
Bad Debt Expense	214,000	331,121
Provision for Discounts	267,643	265,242
Provision for Returns	10,189	41,553
Provision for Inventory Obsolescence	24,930	28,724
Changes in Assets and Liabilities:		
Accounts Receivable	292,636	(162,713
Inventories	639,160	(388,719
Prepaid Expenses	74,277	68,183
Other Assets	4,113	(244
Accounts Payable	515,961	(563,423
Accrued Expenses	(99,612)	(94,025
Other Current Liabilities	(19,735)	(66,372
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,323,051	179,046
INVESTING ACTIVITIES		
Acquisitions, Net of Cash Acquired		
Purchase of Equipment	(98,432)	(53,472
NET CASH USED IN INVESTING ACTIVITIES	(98,432)	(53,472
FINANCING ACTIVITIES		
Proceeds from (Repayments of) Short-Term Borrowings, Net	(922,545)	319,637
Proceeds from Long-Term Debt		
Repayments of Obligation under Capital Lease	(11,284)	
Repayments of Long-Term Debt	(1,294,956)	(447,380
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(2,228,785)	(127,743

INCREASE (DECREASE) IN CASH	(4,166)	(2,169
CASH - BEGINNING OF YEAR	7,717	9,886
CASH - END OF YEAR	$ 3,551	$ 7,717
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash Paid During the Year For:		
Interest	$ 310,329	$ 342,903
Income Taxes	$ 218,034	$ 174,368

The accompanying notes are an integral part of these statements.

WOMEN'S GOLF UNLIMITED, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

SUPPLEMENTAL SCHEDULES OF NON-CASH
INVESTING AND FINANCING ACTIVITES

	2002	2001	2000
Long-Term Debt Incurred in Connection with Acquisition	$ --	$ --	$1,000,000
Common Stock Issued in Connection with Acquisition	$ --	$ --	$2,310,000
Equipment Financed Through Long-Term Debt	$ --	$ --	$ 21,730
Capital Lease Obligation Incurred in Connection with the Acquisition of Equipment	$ 92,964	$ --	$ --
Transfer of Fixed Asset in Connection with Debt Settlement	$ 12,288	$ --	$ --

The accompanying notes are an integral part of these statements.

WOMEN'S GOLF UNLIMITED, INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings (Accumulate Deficit)
Balances-- January 1, 2000	2,220,113	$ 22,201	$ 4,042,787	$ 195,0
Issuance of Common Stock	2,926	30	4,970	
Issuance of Common Stock for Acquisition	1,000,000	10,000	2,300,000	
Net Income 2000				220,6
Balances-- December 31, 2000	3,223,039	$ 32,231	$ 6,347,757	$ 415,7
Issuance of Common Stock	2,134	21	2,979	
Net Income 2001				164,2
Balances-- December 31, 2001	3,225,173	$ 32,252	$ 6,350,736	$ 580,0
Issuance of Common Stock	2,042	20	3,538	
Net Loss 2002				(1,684,5
Balances-- December 31, 2002	3,227,215	$ 32,272	$ 6,354,274	$ (1,104,5

The accompanying notes are an integral part of these statements.

WOMEN'S GOLF UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Women's Golf Unlimited, Inc. (the "Company") was incorporated under the laws of the state of New Jersey on February 2, 1982. The Company manufactures and markets a proprietary line of golf equipment including golf clubs, golf bags, golf shoes, golf balls and accessories. The Company markets these products under various trade names and uses several additional trademarks.

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

CONCENTRATION OF CREDIT RISK

The Company sells to customers primarily throughout the United States, with a small amount sold to customers overseas. The Company does not require collateral on its trade receivables and it believes its trade receivables, net of allowances, will be collected. The Company anticipates that in the event of default it would follow normal collection procedures. Overall, management believes the Company's credit risk related to its trade receivables is limited due to the broad range of products and the large number of customers in differing geographic areas.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of cash, accounts receivable and accounts payable approximate their carrying values due to the short-term nature of the instruments. The fair value of short-term borrowings approximates their carrying value due to their variable interest rate features, which reprise quarterly. The fair value of long-term borrowings approximate their carrying value due to the interest rate which is variable based upon the prime rate.

ACCOUNTS RECEIVABLE

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts based on a history of past write-offs, collections and current credit conditions. Accounts are written off as un-collectible on a case-by-case basis.

INVENTORIES

Inventories are valued at the lower of cost, determined on the basis of the first-in, first-out method, or market. Inventories consist of materials, labor and manufacturing overhead.

PLANT AND EQUIPMENT

Equipment is stated at cost, less accumulated depreciation. Depreciation is provided over the estimated useful service life.

The estimated lives used in determining depreciation are:

Software	3 Years
Machinery and Equipment	5 Years
Furniture and Fixtures	7 Years

Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements whichever is shorter.

Maintenance and repairs are charged to operations as incurred.

REVENUE RECOGNITION

The Company recognizes revenue upon the shipment of merchandise in fulfillment of orders. As of December 31, 2002 and 2001, the Company had an allowance for doubtful accounts of $256,143 and $237,692, respectively, allowance for discounts of $40,000, in each year, and an allowance for returns of $78,393 and $103,393, respectively.

ADVERTISING COSTS

The Company expenses costs of advertising as incurred. Advertising expenses included in selling expenses for the years ended December 31, 2002, 2001, and 2000 were approximately $567,000, $1,238,000 and $589,000, respectively.

INCOME TAXES

The Company complies with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires an asset and liability approach to financial recording for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred tax assets to the amount expected to be realized.

STOCK-BASED COMPENSATION

The Company follows SFAS No. 123 "Accounting for Stock-Based Compensation." The provisions of SFAS No. 123 allow companies to either expense the estimated fair value of stock options or to continue to follow the intrinsic value method set forth in APB Opinion 25, "Accounting for Stock Issued to Employees" ("APB 25") but disclose the pro-forma effect on net income (loss) had the fair value of the options been expensed. The Company has elected to continue to apply APB 25 in accounting for its stock option incentive plans (See Note 10).

EARNINGS PER SHARE

The Company complies with SFAS No. 128, "Earnings per Share." SFAS No. 128 revises certain methodologies for computing earnings per share ("EPS") and requires the dual presentation of basic and diluted earnings per share. Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised and resulted in the issuance of common stock that then shared in the earnings of the Company. Diluted EPS is computed using the treasury stock method when the effect of common stock equivalents would be dilutive. The only reconciling item between the denominator used to calculate basic EPS and the denominator used to calculate diluted EPS is the dilutive effect of stock options issued to employees of the Company and other parties. The Company has issued no other potentially dilutive common stock equivalents.

	2002
Weighted average common shares outstanding	3,225,945
Plus: Incremental shares from assumed conversions of options	15,588
Dilutive weighted average common shares outstanding	3,241,533

Antidilutive options	105,966
	=========

IMPAIRMENT OF LONG-LIVED ASSETS

The Company periodically assesses the recoverability of the carrying amounts of long-lived assets, including intangible assets. A loss is recognized when expected undiscounted future cash flows are less than the carrying amount of the asset. The impairment loss is the difference by which the carrying amount of the asset exceeds its fair value.

RECLASSIFICATIONS

Certain reclassifications to prior years' financial statements were made in order to conform to the 2002 presentation.

NEW ACCOUNTING PRONOUNCEMENTS

In April 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. This accounting standard, which is effective for fiscal years beginning after May 15, 2002, requires, among other things, that debt extinguishments used as a part of an entity's risk management strategy no longer meet the criteria for classification as extraordinary items. The adoption of SFAS No. 145 is not expected to have a

material effect on the Company's financial position, results of operations or cash flows.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities which nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). This accounting standard, which is effective for exit or disposal activities that are initiated after December 31, 2002, addresses financial accounting and reporting for costs associated with exit or disposal activities. The adoption of SFAS No. 146 is not expected to have a material effect on the Company's financial position, results of operations, or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" which amended SFAS No. 123, "Accounting for Stock-Based Compensation". This Statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based compensation. It also amends the disclosure provisions to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. The provisions of this Statement are to be applied to financial statements for fiscal years ending after December 15, 2002. As permitted by the Statement, the Company does not plan to adopt the fair value recognition provisions of SFAS No. 123 at this time. The Company has adopted the disclosure provisions of this Statement as of December 31, 2002 (See Note 10).

2. INVENTORIES

Inventories at December 31, 2002 and 2001 consist of the following components:

	2002	2001

Finished Goods	$ 673,565	$ 793,101
Raw Materials	3,068,461	3,613,016
	$3,742,026	$4,406,117

3. PLANT AND EQUIPMENT

Plant and equipment at December 31, 2002 and 2001 were as follows:

	2002	2001
Software	$ 92,964	$ --
Machinery and Equipment	1,167,682	1,106,981
Furniture and Fixtures	103,262	103,262
Leasehold Improvements	43,554	43,554
Total	1,407,463	1,253,797
Less: Accumulated Depreciation and Amortization	1,175,565	1,113,450
	$ 231,898	$ 140,347

Depreciation for the years ended 2002, 2001 and 2000 was $87,558, $109,032 and $56,222, respectively.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." This accounting standard addresses financial accounting and reporting for goodwill and other intangible assets and requires

that goodwill amortization be discontinued and replaced with periodic tests of impairment. A two-step impairment test is used to first identify potential goodwill impairment and then measure the amount of goodwill impairment loss, if any. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, and is required to be applied at the beginning of the fiscal year. Impairment losses that arise due to the initial application of this standard will be reported as a cumulative effect of a change in accounting principle. The first step of the goodwill impairment test, which must be completed within six months of the effective date of this standard, will identify potential goodwill impairment. The second step of the goodwill impairment test, which must be completed prior to the issuance of the annual financial statements, will measure the amount of goodwill impairment loss, if any. As of the first quarter of 2002, the Company has completed these steps.

In accordance with SFAS No. 142, goodwill amortization was discontinued as of January 1, 2002. The Company recorded a goodwill impairment of $1,806,448, or ($.56) per basic and diluted share, related to the Lady Fairway acquisition as a cumulative effect of change in accounting principle in the first quarter of 2002. In addition, the Company stopped amortizing approximately $1.2 million of an intangible asset deemed to have an indefinite useful life, primarily related to the Lady Fairway trademark. The Company estimated the fair value of the associated sole unit by using a present value of future cash flows model. Based on the current level of the intangible asset deemed to have an indefinite useful life, the adoption of SFAS No. 142 will reduce annual amortization expense by approximately $150,000. Amortization expense related to intangible assets deemed to have a definite useful life is approximately $214,000 as of December 31, 2002. If the adoption of this statement occurred on January 1, 2001, Net Income (loss) from continuing operations and Earnings per Share, Basic and Diluted would have been as follows:

(In thousands except earning per share)	2002	2001
Income before cumulative effect of change in accounting principle	$ 122	$164
Add back: trademark amortization		150
Adjusted net income before cumulative effect of change in accounting principle	122	304
Cumulative effect of change in accounting principle	(1,806)	
Adjusted net income (loss)	$ (1,684)	$304
Basic and Diluted earnings (loss) per share:		
Income before cumulative effect of change in accounting principle	$ 0.04	$0.05
Add back: amortization		0.05
Adjusted net income before cumulative effect of change in accounting principle	0.04	0.10
Cumulative effect of change in accounting principle	(0.56)	
Adjusted earnings (loss) per share	$ (0.52)	$0.10

Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually.

The following is a summary of intangibles at December 31, 2002 and 2001:

	2002		
	Gross Amount	Accumulated Amortization	A
Intangible subject to amortizaton:			
Licenses	$ 2,156,368	$ 519,782	
Patents and Trademarks	223,809	182,282	
	$ 2,380,177	$ 702,064	
Intangibles not subject to amortization:			
Trademarks	$ 1,246,910		

Pursuant to the adoption of SFAS No. 142, $1,850,825 and $1,246,910, was reclassified from Goodwill to Licenses and Trademarks, respectively.

Amortization expense for 2002 was $229,109; estimated amortization expense for each of the ensuing years through December 31, 2007 is $214,000.

5. SHORT-TERM BORROWINGS

The Company has a revolving line of credit with PNC Bank, National Association (the "Bank") allowing a maximum credit limit of $8,000,000, less 50% of the aggregate face amount of all outstanding letters of credit, subject to various borrowing bases. The availability of funds under this line of credit varies as it is based, in part, on a borrowing base of 80% of eligible accounts receivable and 60% of qualified inventory. Substantially all of the Company's assets are used as collateral for the credit line. Interest rates are at prime plus one-quarter percent, paid monthly; the interest rate as of December 31, 2002 and 2001 was 4.50% and 5.00%, respectively. At December 31, 2002 and 2001, unused funds available to the Company under the line of credit were approximately $1,118,000 and $679,000, respectively. Outstanding letters of credit as of December 31, 2002 and 2001 were $45,823 and $0 respectively.

The credit facility contains certain covenants, which, among other items, require the maintenance of certain financial ratios including tangible net worth and working capital. Any event of default under the credit facility permits the lender to cease making additional loans there-under. At December 31, 2002 the Company was in default of one covenant (See Note 13).

6. LONG-TERM DEBT AND CAPITAL LEASE

At December 31, 2002 and 2001 long-term debt consists of the following:

	2002
Note payable in monthly installments of $25,000, through August 2003, plus interest at prime plus one and one-half percent. The interest rate was 5.75% and 6.25% at December 31, 2002 and 2001, respectively	$ 200,000
Promissory note payable to a related party, originally due on December 31, 2001, paid during 2002. The interest rate was 5.00% at December 31, 2001	
Other	2,413
	202,413
Less current portion	202,413
	$

The Company has certain software under a capital lease agreement. Minimum future lease payments under this capital lease are as follows:

For the Year ended December 31,	
2003	$ 40,068
2004	40,068
2005	26,712
Future minimum lease payments	106,848

Less amounts representing interest	11,168
Present value of minimum lease payments	95,680
Less current maturities	33,537
	$ 62,143

7. INCOME TAXES

The provision for income taxes for the years ended December 31, 2002, 2001 and 2000 consists of the following:

	2002	2001
Current		
Federal	$ 93,658	$ 115,496
State	27,243	33,596
	120,901	149,092
Deferred		
Federal	(29,750)	53,550
State	(5,250)	9,450
	(35,000)	63,000
Total Provision for Income Taxes	$ 85,901	$ 212,092

A summary of the differences between the actual income tax provision (benefit) and the amounts computed by applying the statutory federal income tax rate to income is as follows:

	2002	2001	2000
Federal Tax at Statutory Rate	$ 70,644	$127,970	$ 94,528
Increase in Taxes Resulting From:			
Permanent Differences	3,245	55,419	
State Tax, Net of Federal Tax Benefit	12,467	28,410	1,806
Reversal of Reserves			(15,665)
Other	(455)	293	(23,300)
Total Income Tax Provision	$ 85,901	$212,092	$ 57,369

The tax effects of temporary differences that give rise to significant portions of the current and non-current deferred tax assets at December 31, 2002 and December 31, 2001 are as follows:

	December 31, 2002	December 31, 2001
Accounts Receivable Allowances	$ 144,000	$ 152,000
Accrued Expenses	33,000	14,000
Non-Compete Agreement		7,000
Current Deferred Income Tax Assets	$ 177,000	$ 173,000
Amortization	$ 77,000	$ 36,000
Other	(16,000)	(6,000)
Non Current Deferred Income Tax Assets	$ 61,000	$ 30,000

8. PURCHASE TRANSACTIONS

During 2000, the Company made the following acquisitions:

On July 31, 2000, the Company acquired from The Arnold Palmer Golf Company (the "Seller") substantially all of the net assets of its NancyLopezGolf (TM) division, for a cash purchase price of $4,633,333 (the "Purchase Price"). The Purchase Price was a function of projected sales volume, with a post-closing adjustment to be based on (i) changes in the net asset value between April 29, 2000 and the closing date and (ii) realization on accounts receivable in the first six months after closing. On the closing date the Company paid $3,000,000 of the Purchase Price to the Seller, using the principal amount of a $900,000 term loan extended to the Company by the Bank together with funds available under the Company's existing revolving line of credit with the Bank. On August 10, the Company, using funds available to it under an amendment to its existing revolving line of credit with the Bank, deposited $150,000 of the Purchase Price into escrow pending the final determination of the purchase price adjustment and paid to the Seller $1,009,405, representing the remaining balance of the Purchase Price adjusted pursuant to a mutual agreement of the parties in anticipation of the post-closing purchase price adjustment. At the time of the purchase, the Company allocated the excess

cost over the fair value of net assets acquired to goodwill, which amounted to $2,156,369, and is being amortized on a straight line basis over a period of ten years. Pursuant to SFAS No. 142 (See Note 4), the Company reclassified from goodwill to licenses approximately $1,850,000 related to this transaction and is continuing to amortize this amount.

The acquired assets were comprised of intellectual property, accounts receivable, inventory of golf equipment and manufacturing and other physical equipment used by the Seller in the manufacture and sale of golf clubs and other golf equipment. The Company intends to use all equipment and physical property acquired to continue manufacturing and distributing the NancyLopezGolf(TM) equipment line.

On December 29, 2000, Acquisition Corp. acquired from James E. Jones and Brian Christopher (the "Selling Shareholders") all of the issued and outstanding shares of Ladies Golf, and on December 31, 2000, Ladies Golf was merged with and into Acquisition Corp., with Acquisition Corp. as the surviving entity. The purchase price was comprised of 1,000,000 shares of Common Stock of the Company, par value $0.01 per share, and a promissory note of the Company in the principal amount of $1,000,000 with a maturity date of December 31, 2001. Consideration for the acquisition was a function of projected sales volume, with a potential post-closing adjustment in the merger consideration shares to be based on (i) realization on accounts receivable in the first six months after the effective date of the merger, and (ii) losses on non-current inventory in the first nine months after the effective date of the merger. On May 25, 2001 Acquisition Corp. was merged with and into the Company, with the Company as the surviving entity.

At the time of the purchase the Company allocated the excess cost over the fair value of net assets acquired to goodwill, which amounted to $3,242,854 and is being amortized on a straight line basis over a period of 25 years. Pursuant to SFAS No. 142 (See Note 4), the Company recorded a goodwill impairment of $1,806,448. In addition, the Company stopped amortizing approximately 1.2 million of an intangible asset deemed to have an indefinite useful life.

The acquired assets were comprised of intellectual property, accounts receivable, inventory of Lady Fairway(TM) golf shoes and golf accessories and other physical equipment used by Ladies Golf in the design and distribution of women's golf shoes and golf accessories. The Company intends to use all equipment and physical property acquired to continue designing and distributing the Lady Fairway(TM) shoe and accessory lines.

Both acquisitions were accounted for using the purchase method of accounting. The operations of each company acquired have been included in the Company's Statement of Operations from the respective dates of acquisitions. The purchase price was allocated to the assets and liabilities based on their estimated fair value as of the dates of acquisitions.

9. OPERATING LEASE

The Company currently leases its manufacturing facility and sales and executive offices located at 18 Gloria Lane, Fairfield, New Jersey 07004, comprising a total of 28,442 square feet of space. As of December 1, 2001 the Company entered into a new lease agreement for the Fairfield location for a period of three years, expiring on November 30, 2004. In December 2001, the Company consolidated the Lady Fairway(TM) operations into its Fairfield location.

The annual total base rent for 2003 will be $192,489. In addition to the base rent, the Company is obligated to pay its pro rata share of real estate taxes, assessments and water and sewer charges. Total rent expense for the years ended December 31, 2002, 2001 and 2000 was $199,919, $164,697 and $163,977, respectively.

As of December 31, 2002, future minimum rental commitments under non-cancelable operating leases with terms in excess of one year are as follows:

YEARS ENDING DECEMBER 31,	
2003	$192,489
2004	175,574
	$368,063

10. COMMITMENTS

LICENSING AGREEMENTS

Ladies Professional Golf Association

Under the terms of an agreement with the Ladies Professional Golf Association ("LPGA"), the Company is obligated to pay a license and royalty fee based upon sales volume. Beginning in 1998, the minimum annual license and royalty fee is $200,000 through December 31, 2003 payable in equal quarterly installments. In the event that the sum of (A) 5% of the net sales of the licensed products (other than golf shoes) up to $1,000,000 in any calendar year, (B) 2.5% of the net sales of the licensed products (other than golf shoes) in excess of $1,000,000 and less than $5,000,000 in any calendar year, (C) 1% of the net sales of the licensed products (other than golf shoes) in excess of $5,000,000, and (D) 1% of the net sales of golf shoes in any calendar year, exceeds the minimum license fee, the excess shall be paid as a royalty fee. Royalty expense for years ended December 31, 2002, 2001 and 2000 was $200,000, respectively.

In addition, the Company is obligated to spend a minimum of $100,000 per year on various advertising programs and to be a "Title Sponsor" of the LPGA Teaching and Club Professionals Division Team Classic at an annual cost of $35,000 beginning in 1999 and increasing by $2,500 per year through the term of the agreement.

Kathy Whitworth

In October 1999, the Company entered into an Endorsement Agreement with former LPGA Tour Golf Professional Kathy Whitworth, effective January 1, 2000 through December 31, 2005. Under the terms of the agreement, Ms. Whitworth grants the Company an exclusive license to use her name, likeness, image and personal identification, singly or in any combination, in connection with the production, marketing and sale of a "Kathy Whitworth" signature line of women's golf clubs. In addition, the Company has the right to include Ms. Whitworth in two print and one television advertisement per year. The Company will pay Ms. Whitworth a base fee of $36,000 per year in equal quarterly payments. In addition, Ms. Whitworth will receive a royalty fee of 2% of net sales of "Kathy Whitworth" line of clubs.

Ms. Whitworth agrees to use only the golf clubs and golf bags of the Company in any golf event, either professional or social, during the term of the agreement. Ms. Whitworth will serve as a golf instructor at up to 10 golf clinics per calendar year. In addition, Ms. Whitworth will represent the Company at 2 Professional Golf Association merchandise shows as their spokesperson each calendar year. The Company will reimburse Ms. Whitworth for all reasonable and necessary travel expenses in connection with her performance of the services.

Royalty expense under this agreement for the years ended December 31, 2002, 2001 and 2000 was $ 61,692, $66,695 and $61,484, respectively.

Nancy Lopez Enterprises, Inc.

In July 2000, the Company entered into a licensing agreement with Nancy Lopez Enterprises, Inc., as part of the acquisition of NancyLopezGolf(TM), effective July 31, 2000 through December 31, 2007. Under the terms of the agreement, the Company must pay the licensor an annual fixed royalty in the amount of $200,000. The Company is required to pay a royalty based on percentages of sublicense fees paid to the Company and of gross revenues as specified within the agreement if the sum of these amounts exceeds the fixed royalty amount of $200,000. In addition, the Company issues stock options to the licensor if certain revenue targets are met and, in recognition of the increased value of the golfer identification resulting in achievements in certain tournaments, the Company agrees to pay bonuses to the licensor as specified within the agreement.

Royalty expense under this agreement for the years ended December 31, 2002, 2001 and 2000 was $200,000, $200,000 and $83,332, respectively.

EMPLOYMENT AGREEMENTS

The Company entered into a new employment agreement with a key executive officer effective January 1, 2001 and terminating on December 31, 2005 unless terminated sooner as provided in the agreement. The base annual salary under the agreement was $175,000. An incentive cash bonus and stock option program are incorporated into the agreement. Additional stock options, other than those provided in the incentive program, may be granted at the discretion of the Company. The agreement also contains a "non-compete" clause and an "invention and secrecy" clause.

On December 29, 2000, the Company entered into an employment agreement with a key executive officer effective as of January 1, 2001 and terminating on December 31, 2005 unless terminated sooner as provided in the agreement. Under this agreement, the key executive officer's annual base salary is $100,000 and he may also receive grants of options to purchase shares of the Company's Common Stock. The agreement also contains "non-compete" and "invention and secrecy" clauses.

OTHER LIABILITIES

In connection with a Separation Agreement, the Company granted its former President stock options for 250,000 shares of the Company's common stock ("Common Stock") at an exercise price of $4.48 per share, which was the average of the closing bid and asked prices of the Company's Common Stock on the last trading date immediately preceding the effective date of the grant. Subject to certain limitations, the options were exercisable immediately and will remain exercisable until April 16, 2006. If, and to the extent that, any amount is realized in excess of the exercise price upon the sale of any Common Stock obtained upon exercise of all or any part of the options, then 65 percent of such excess amount, subject to certain limitations, is to be paid to the Company in immediately available funds concurrent with the realization event.

11. STOCK OPTIONS AND GRANTS OF STOCK

Options have been granted to current and former officers, employees and directors of the Company at the discretion of the Company's Board of Directors. Options have also been granted in connection with endorsement agreements. The table below summarizes all outstanding stock options.

	Number of Shares	Range of Exercise Price
Outstanding at January 1, 2000	596,545	$ 0.938 - $ 5.00
Granted	76,307	0.750 - 2.563
Cancelled	(10,000)	(4.375)
Outstanding at December 31, 2000	662,852	0.750 - 5.00
Granted	4,687	1.250 - 1.650
Outstanding at December 31, 2001	667,539	0.750 - 5.000
Granted	26,763	0.580 - 1.210

Outstanding at December 31, 2002	694,302	$ 0.580 - $ 5.000

The Company applies the intrinsic value method in accounting for its stock plans. Accordingly, no compensation cost has been recognized for stock option grants issued to employees under any of the Company's stock option plans. If compensation cost for stock option grants issued during 2002, 2001 and 2000 had been determined under the provisions of SFAS No. 123, the Company's net income and income per share would have been reduced due to the pro-forma amounts indicated below:

	2002	2001
Net Income (Loss), as Reported	$(1,684,570)	$ 164,291
Deduct: Total stock based compensation expense determined under the fair value method for all awards, net of related tax effect	(4,648)	(2,687)
Net Income (Loss), Proforma	$(1,689,218)	$ 161,604
Basic and Diluted Earnings (Loss) Per Share, As Reported	$ (0.52)	$ 0.05
Basic and Diluted Earnings (Loss) Per Share, Proforma	$ (0.52)	$ 0.05

The fair value of each stock option granted under the Company's plans was estimated on the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions were used to value grants issued under the plans in 2002, 2001 and 2000:

	2002	2001
Annualized Volatility	62%	66%
Risk-Free Interest Rate	4.0%	4.5%
Expected Term of Option (in years)	3.5	3.5
Dividend Yield	N/A	N/A

The weighted average fair values per share of stock options granted during 2002, 2001 and 2000 were $.50 $.67, and $.60, respectively.

Exercise Price Range	Number of Shares Outstanding and Exercise December 31, 2002	C
$0.58 to $2.00	280,664	

$2.01 to $5.00	413,638
Total	694,302

The Company has generally granted options that do not expire.

GRANTS OF STOCK TO DIRECTORS

The Company compensates its non-employee directors by granting such persons shares of Common Stock having a value of $1,000 for every meeting of the Board of Directors or committee thereof attended by such person, and shares of Common Stock having a value of $500 if such person participated in a meeting by telephone. The number of shares issued is based on the closing price of the stock on the exchange where traded on the meeting date or the preceding date on which such shares were traded. The value of the shares issued is charged to operations as incurred.

12. RELATED PARTY TRANSACTIONS

During the fiscal years ended December 31, 2002, 2001 and 2000, MR & Associates provided the Company with consulting services for $5,000 per month. Messrs. Maurer and Ross, directors of the Company, are officers, directors, and principal shareholders of Maurer Ross & Co., Incorporated, the general partner of MR & Associates. MR & Associates is the managing general partner of Wesmar Partners, a beneficial owner of more than five percent of the Common Stock.

During the fiscal years ended December 31, 2002, 2001 and 2000, the Company retained the law firm of Webb Ziesenheim Logsdon Orkin & Hanson, P.C., of which Frederick B. Ziesenheim, a director of the Company, is Vice Chairman of the Board of Directors, to represent the Company on various intellectual property matters. The Company had paid fees to Webb Ziesenheim Logsdon Orkin & Hanson, P.C. of $39,737, $48,222 and $20,520, in 2002, 2001 and 2000, respectively.

During the fiscal years ended December 31, 2002, 2001 and 2000, the Company retained the law firm of Squire, Sanders & Dempsey L.L.P., of which Mary Ann Jorgenson, a director of the Company, is a partner, to represent the Company on various matters. The Company had paid Squire, Sanders & Dempsey L.L.P. $15,602, $49,615 and $125,200 in 2002, 2001 and 2000, respectively.

13. SUBSEQUENT EVENT

On March 28, 2003 the Company obtained a waiver from its lender in connection with failing a certain loan covenant.

14. QUARTERLY SELECTED DATA (UNAUDITED)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOUR QUART
2002				
Net Sales	$ 3,622,795	$ 3,914,338	$ 2,387,272	$ 2,190
Gross Profit	1,457,217	1,697,226	808,523	571
Net Income (Loss)	(1,675,648)	332,365	(164,920)	(176
Income per common				

and common equivalent share				
Basic	(0.52)	.10	(0.05)	(
Dilutive	(0.52)	.10	(0.05)	(
2001				
Net Sales	$ 4,521,595	$ 5,402,339	$ 3,484,474	$ 2,736
Gross Profit	1,871,704	2,347,175	1,449,367	1,107
Net Income (Loss)	173,928	36,248	60,681	(106
Income per common				
and common equivalent share				
Basic	.05	.01	.02	(
Dilutive	.05	.01	.02	(
2000				
Net Sales	$ 2,864,570	$ 3,927,376	$ 3,091,279	$ 2,627
Gross Profit	950,843	1,454,317	1,035,529	817
Net Income (Loss)	114,037	288,705	60,013	(242
Income per common				
and common equivalent share				
Basic	.05	.13	.03	(
Dilutive	.05	.13	.03	(

WOMEN'S GOLF UNLIMITED, INC.
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

	BALANCE AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS
ALLOWANCE FOR DOUBTFUL ACCOUNTS				
December 31, 2000	$215,000	$321,000	--	$215,064(1)
December 31, 2001	320,936	331,121	--	414,365(1)
December 31, 2002	237,692	214,000		195,549
ALLOWANCE FOR RETURNS				
December 31, 2000	83,000	116,410	--	106,410
December 31, 2001	93,000	41,553	--	31,160
December 31, 2002	103,393	10,189		35,189
ALLOWANCE FOR DISCOUNTS				
December 31, 2000	40,000	261,270	--	261,270
December 31, 2001	40,000	265,242	--	265,242
December 31, 2002	40,000	267,643		267,643

(1) Uncollectible Accounts Written Off, Net of Recoveries.

F-22

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT*
3.1	Amended and Second Restated Certificate of Incorporation of the registrant dated June 28, 1991 (incorporated by reference to Exhibit 3.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991).
3.2	Certificate of Amendment to the Amended and Second Restated Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 99.0 to the registrant's current report on Form 8-K reporting the event dated June 12, 2001).
3.3	Amended and Restated By-laws of the registrant dated December 6, 1991 (incorporated by reference to Exhibit 3.2 of the registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
4.1	Common Stock Purchase Warrant in favor of Wesmar Partners dated February 28, 1988 (incorporated by reference to Exhibit 4.4 of the registrant's Registration Statement No. 33-37371 on Form S-3).
4.2	Common Stock Purchase Warrant in favor of Wesmar Partners dated February 28, 1988 (incorporated by reference to Exhibit 4.5 of the registrant's Registration Statement No. 33-37371 on Form S-3).
4.3	Stock Option Agreement between the registrant and Wesmar Partners dated February 29, 1988 (incorporated by reference to Exhibit 4.6 of the registrant's Registration Statement No. 33-37371 on Form S-3).
10.0	Loan and Security Agreement between the registrant and Midlantic Bank, National Association dated December 29, 1994 (incorporated by reference to Exhibit 99 of the registrant's Current Report on Form 8-K dated December 26, 1994).
10.1	First Amendment to Loan and Security Agreement between the registrant and Midlantic Bank, National Association made as of April 9, 1996 (incorporated by reference to Exhibit 10.1 of the registrant's Annual Report on Form 10-K for the year ended December 31, 2000).
10.2	Second Amendment to Loan and Security Agreement between registrant and PNC Bank, National Association as successor in interest of Midlantic Bank, National Association made as of December 1, 1997 (incorporated by reference to Exhibit 10.12 of the registrant's Annual Report on Form 10-K for the year ended December 31, 1997).
10.3	Fourth Amendment to Loan and Security Agreement between the registrant and PNC Bank, National Association dated as of July 31, 2000 (incorporated by reference to Exhibit 10.14 to the registrant's Registration Statement No. 333-47908 on Form S-4).

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT*
10.4	Fifth Amendment to Loan and Security Agreement between the registrant and PNC Bank, National Association made of January 3,

	2001 (incorporated by reference to Exhibit 10.4 of the registrant's Annual Report on Form 10-K for the year ended December 31, 2000).
10.5	Sixth Amendment to Loan and Security Agreement between the registrant and PNC Bank, National Association made as of August 13, 2001 (incorporated by reference to Exhibit 10.20 of the registrant's Quarterly Report on Form 10-Q for the quarter ended September 28, 2001).
10.6	Replacement Promissory Note of the registrant in favor of James E. Jones dated December 29, 2000 and letter agreement in connection with same (incorporated by reference to Exhibit 10.6 of the registrant's Annual Report on Form 10-K for the year ended December 31, 2001).
10.7	Lease between the registrant and Kobrun Investments, III, L.L.C. dated August 30, 2001 (incorporated by reference to Exhibit 10.7 of the registrant's Annual Report on Form 10-K for the year ended December 31, 2001).
10.8	Amended and Restated Licensing Agreement between Ladies Professional Golf Association and the registrant dated January 1, 1999 (incorporated by reference to Exhibit 10.2 of the registrant's Annual Report on Form 10-K for the year ended December 31, 1999).
10.9	Endorsement Agreement between the registrant and Kathy Whitworth dated October 13, 1999 (incorporated by reference to Exhibit 10.13 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1999).
10.10	Licensing Agreement between Nancy Lopez Enterprises, Inc. and the registrant made as of July 31, 2000 (incorporated by reference to Exhibit 10.10 of the registrant's Annual Report on Form 10-K for the year ended December 31, 2000).
10.11	License Agreement between the registrant and Raymond Lanctot Ltee/Ltd. dated June 28, 1999 (incorporated by reference to Exhibit 10.12 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1999).
10.12	Asset Purchase Agreement among the registrant, APGC Holdings Company, LLC and The Arnold Palmer Golf Company dated July 31, 2000 (incorporated by reference to Exhibit 2.0 to the registrant's Current Report on Form 8-K reporting the event dated July 31, 2000).
10.13	Agreement and Plan of Reorganization, dated as of June 22, 2000, among the registrant, S2 Golf Acquisition Corp., Ladies Golf Equipment Company, Inc., James E. Jones and Brian Christopher (incorporated by reference to Exhibit 2.0 of the registrant's Registration Statement No. 333-47908 on Form S-4).
10.14	1992 Stock Plan for Independent Directors of S2 Golf Inc. dated December 29, 1992 (incorporated by reference to Exhibit 10.11 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1992).

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT*
10.15**	1998 Employee Stock Plan of the registrant (incorporated by reference to Exhibit 10.15 to the registrant's Annual Report on Form

10-K for the year ended December 31, 2000).

10.16**	Agreement between the registrant and Randy A. Hamill dated January 2, 1997 (incorporated by reference to Exhibit 10.10 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1997).
10.17**	Employment Agreement between the registrant and Douglas A. Buffington, made April 3, 2001 and effective as of January 1, 2001 (incorporated by reference to Exhibit 10.17 of the registrant's Quarterly Report on Form 10-Q for the quarter ended March 30, 2001).
10.18**	Consulting Services Agreement between the registrant and MR & Associates made as of December 15, 2000, effective as of January 1, 2000 (incorporated by reference to Exhibit 10.18 of the registrant's Annual Report on Form 10-K for the year ended December 31, 2000).
10.19**	Employment Agreement among the registrant, S2 Golf Acquisition Corp. and James E. Jones dated as of January 1, 2001 (incorporated by reference to Exhibit 10.19 of the registrant's Annual Report on Form 10-K for the year December 31, 2000).
10.20	Agreement and Plan of Merger between the registrant and its wholly-owned subsidiary S2 Golf Acquisition Corp. dated as of June 15, 2001 (incorporated by reference to Exhibit 10.20 of the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001).
10.21	Sixth Amendment to Loan and Security Agreement between the registrant and PNC Bank, National Association made as of August 13, 2001 (incorporated by reference to Exhibit 10.21 of the registrant's Quarterly Report on Form 10-Q for the quarter ended September 28, 2001)
99.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
99.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.

* In the case of incorporation by reference to documents filed by the registrant under the Exchange Act, the registrant's file number under the Act is 0-14146.

** Management contract or management compensatory plan or arrangement.