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ALL AMERICAN SPORTPARK INC
Form 10KSB
March 31, 2005

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

FORM 10-KSB

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

For the Fiscal Year ended: December 31, 2004

OR

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

For the transition period from: _____ to _____

Commission File No. 0-024970

ALL-AMERICAN SPORTPARK, INC.

(Name of Small Business Issuer in its Charter)

NEVADA

88-0203976

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer Identifi-
fication No.)

6730 South Las Vegas Boulevard, Las Vegas, NV 89119

(Address of Principal Executive Offices, Including Zip Code)

Issuer's Telephone Number: (702) 798-7777

Securities Registered Pursuant to Section 12(b) of the Act: None.

Securities Registered Pursuant to Section 12(g) of the Act:

COMMON STOCK, \$.001 PAR VALUE

(Title of each class)

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

State issuer's revenues for its most recent fiscal year: \$2,168,802.

As of March 29, 2005, 3,400,000 shares of common stock were outstanding, and

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the aggregate market value of the common stock of the Registrant held by non-affiliates was approximately \$1,099,000.

Transitional Small Business Disclosure Format (check one): Yes [] No [X]

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

BUSINESS DEVELOPMENT

The Company's business began in 1974 when Vaso Boreta, the Company's Chairman of the Board, opened a "Las Vegas Discount Golf & Tennis" retail store in Las Vegas, Nevada. This store, which is still owned by Mr. Boreta, subsequently began distributing catalogs and developing a mail order business for the sale of golf and tennis products. In 1984, the Company began to franchise the "Las Vegas Discount Golf & Tennis" retail store concept and commenced the sale of franchises. As of February 26, 1997, when the franchise business was sold, the Company had 43 franchised stores in operation in 17 states and 2 foreign countries.

The Company was incorporated in Nevada on March 6, 1984, under the name "Sporting Life, Inc." The Company's name was changed to "St. Andrews Golf Corporation" on December 27, 1988, to "Saint Andrews Golf Corporation" on August 12, 1994, and to All-American SportPark, Inc. ("AASP") on December 14, 1998.

Sports Entertainment Enterprises, Inc. ("SPEN"), formerly known as Las Vegas Discount Golf & Tennis, Inc. ("LVDG"), a publicly traded company, acquired the Company in February 1988, from Vaso Boreta, who was the Company's sole shareholder. Vaso Boreta also served as SPEN's Chairman of the Board, President and CEO until February 2005.

In December 1994, the Company completed an initial public offering of 1,000,000 Units, each Unit consisting of one share of Common Stock and one Class A Warrant. The net proceeds to the Company from this public offering were approximately \$3,684,000. The Class A Warrants expired unexercised on March 15, 1999.

In 1996, the Company sold 500,000 shares of Series A Convertible Preferred Stock to Three Oceans Inc. ("TOI"), an affiliate of SANYO North America Corporation, for \$5,000,000 in cash pursuant to an Investment Agreement between the Company and TOI. The Company used these proceeds to fund part of the development costs of its All-American SportPark property in Las Vegas. In March 2001, the Company repurchased all of the shares of Series A Convertible Preferred Stock from TOI for \$5,000 in cash. Once repurchased, the shares were retired.

On December 16, 1996, the Company and its majority shareholder, SPEN, entered into negotiations pursuant to an "Agreement for the Purchase and Sale of Assets" to sell all but one of the four retail stores owned by SPEN, all of SPEN's wholesale operations and the entire franchising business of the Company to Las Vegas Golf & Tennis, Inc., an unaffiliated company. On February 26, 1997, the Company and SPEN completed this transaction.

In connection with the sale of the above-described assets, SPEN and the Company agreed not to compete with the Buyer in the golf equipment business except that the Company is permitted to sell golf equipment at its Callaway Golf Center business. In addition, the Buyer granted Boreta Enterprises, Ltd., a limited partnership owned by Vaso Boreta, Ron Boreta, Vaso's son and President of the Company, and John Boreta, Vaso's son and a principal

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shareholder of SPEN, the right to operate "Las Vegas Discount Golf & Tennis" stores in southern Nevada, except for the Summerlin area of Las Vegas, Nevada. Likewise, the Buyer is restricted from operating stores in southern Nevada except for the Summerlin area of Las Vegas, Nevada.

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On July 12, 1996, the Company entered into a lease agreement covering approximately 65 acres of land in Las Vegas, Nevada, on which the Company developed its Callaway Golf Center and All-American SportPark ("SportPark") properties. The property is located on the world famous Las Vegas "Strip" at the corner of Las Vegas Boulevard and Sunset Road which is just south of McCarran International Airport and several of Las Vegas' major hotel/casino properties such as Mandalay Bay and the MGM Grand. The property is also adjacent to the new Interstate 215 beltway that will eventually encircle the entire Las Vegas Valley. On 42 acres of the property is the Callaway Golf Center that opened for business in October 1997. The remaining 23 acres was home to the now discontinued SportPark that opened for business in October 1998; the Company disposed of the SportPark business in May 2001.

On June 20, 1997, the lessor of the 65-acre tract ("Landlord") agreed with the Company to cancel the original lease and replace it with two separate leases. The lease for the SportPark commenced on February 1, 1998 with a base rent of \$18,910 per month and was cancelled in connection with the disposition of the SportPark in May 2001; the lease for the Callaway Golf Center is for fifteen years with options to extend for two additional five-year terms. The lease for the Callaway Golf Center[TM] commenced on October 1, 1997 when the golf center opened; base rent is \$33,173 per month.

During June 1997 the Company and Callaway Golf Company ("Callaway") formed All-American Golf LLC ("LLC"), a California limited liability company that was owned 80% by the Company and 20% by Callaway; the LLC owned and operated the Callaway Golf Center. In May 1998, the Company sold its 80% interest in LLC to Callaway. On December 31, 1998 the Company acquired substantially all the assets of LLC subject to certain liabilities that resulted in the Company owning 100% of the Callaway Golf Center.

On October 19, 1998 the Company sold 250,000 shares of the Series B Convertible Preferred Stock to SPEN for \$2,500,000. SPEN had earlier issued 2,303,290 shares of its Common Stock for \$2,500,000 in a private transaction to ASI Group, L.L.C. ("ASI"). ASI also received 347,975 stock options for SPEN Common Stock. ASI is a Nevada limited liability company whose members include Andre Agassi, a professional tennis player.

Beginning in September 1999, the Company ceased making loan payments on its SportPark property due to financial difficulties. Ultimately, this resulted in the disposition of the SportPark property in May 2001.

SPEN owned 2,000,000 shares of the Company's common stock and 250,000 shares of the Company's Series B Convertible Preferred Stock. In the aggregate, this represented approximately two-thirds ownership in the Company. On April 5, 2002, SPEN elected to convert its Series B Convertible Preferred Stock into common stock on a 1 for 1 basis. On May 8, 2002, SPEN completed a spin-off of the Company's shares held by SPEN to SPEN's shareholders. This resulted in SPEN no longer having any ownership interest in the Company.

BUSINESS OF THE COMPANY

The Company's operations consist of the Callaway Golf Center ("CGC"), on 42 acres of leased land and is strategically positioned within a few miles of the largest hotels and casinos in the world. There are over 125,000 hotel

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rooms in Las Vegas, and seven of the top ten largest hotels in the world are within a few miles of the CGC including the MGM Grand, Mandalay Bay, Luxor, Bellagio, and the Monte Carlo to name a few. The CGC is also adjacent to McCarran International Airport that services nearly 35 million visitors annually. The local residential population approximates 1.5 million.

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In June 1997, the Company completed a final agreement with Callaway to form a limited liability company named All American Golf LLC (the "LLC") for the purpose of operating a golf facility, to be called the "Callaway Golf Center[TM]," on approximately forty-two (42) acres of land on Las Vegas Boulevard in Las Vegas, Nevada. The Callaway Golf Center[TM] opened to the public on October 1, 1997.

The Callaway Golf Center[TM] includes a 110-station, two-tiered driving range. The driving range is designed to have the appearance of an actual golf course with ten impact greens, waterfall features, and an island green. Pro-line equipment and popular brand name golf balls are utilized. In addition, the CGC includes a lighted nine hole, par three golf course named the "Divine Nine". The golf course has been designed to be challenging, and has several water features including lakes, creeks, water rapids and waterfalls, golf cart paths and designated practice putting and chipping areas. At the entrance to the CGC is a 20,000 square foot clubhouse which includes an advanced state of the art golf swing analyzing system developed by Callaway Golf Company, and two tenant operations: (a) the St. Andrews Golf Shop featuring the latest in Callaway Golf equipment and accessories, and (b) the Bistro 10 restaurant and bar which features an outdoor patio overlooking the golf course and driving range with the Las Vegas "Strip" in the background.

The CGC has a lease agreement with St. Andrews Golf Shop for the provision of sales of golf retail merchandise. The lease is for fifteen years ending in October 2012. The lessee pays a fixed monthly rental for its office and retail space.

The CGC had a lease and concession agreement with Giant Golf Academy which was terminated by Giant Golf's receivership due to internal business issues in March of 2004.

The LLC was originally owned 80% by the Company and 20% by Callaway Golf. Callaway Golf agreed to contribute \$750,000 of equity capital and loan the LLC \$5,250,000. The Company contributed the value of expenses incurred relating to the design and construction of the golf center and cash in the combined amount of \$3,000,000. Callaway Golf's loan to the LLC had a ten-year term with interest at ten percent per annum. The principal was due in 60 equal monthly payments commencing five years after the golf center opened.

On May 5, 1998, the Company sold its 80% interest in the LLC to Callaway for \$1.5 million in cash and the forgiveness of \$3 million in debt, including accrued interest thereon, owed to Callaway by the Company. The Company retained the option to repurchase the 80% interest for a period of two years on essentially the same financial terms that it sold its interest. The sale of the Company's 80% interest in the LLC was completed in order to improve the Company's financial condition that, in turn, improved the Company's ability to complete the financing needed for the final construction stage of the SportPark.

On December 30, 1998 the Company acquired substantially all the assets of the LLC subject to certain liabilities. This resulted in the Company owning 100% of the Callaway Golf Center. Under terms of the asset purchase

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agreement, the Company paid \$1 million to Active Media Services in the form of a promissory note payable in quarterly installments of \$25,000 over a 10-year period without interest. In turn, Active Media delivered a trade credit of \$4,000,000 to Callaway Golf.

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In connection with this acquisition, the Company executed a trademark license agreement with Callaway Golf pursuant to which the Company licenses the right to use the marks "Callaway Golf Center " and "Divine Nine" from Callaway Golf for a term beginning on December 30, 1998 and ending upon termination of the land lease on the Golf Center. The Company paid a one-time fee for this license agreement that was a component of the purchase price the Company paid for the Callaway Golf Center upon acquisition of the facility on December 30, 1998. Pursuant to this agreement, Callaway Golf has the right to terminate the agreement upon the occurrence of any Event of Termination as defined in the agreement.

On June 1, 2001, the Company completed a transaction pursuant to a Restructuring and Settlement Agreement with Urban Land of Nevada, Inc. (the "Landlord") to terminate the land lease for the discontinued SportPark, and to transfer all of the leasehold improvements and personal property located on the premises to the Landlord.

As part of the agreement, the Landlord agreed to waive all liabilities of the Company to the Landlord with respect to the discontinued SportPark, and with the exception of a limited amount of unsecured trade payables, the Landlord agreed to assume responsibility of all other continuing and contingent liabilities related to the SportPark. The Landlord also agreed to cancel all of the Company's back rent obligations for the Callaway Golf Center for periods through April 30, 2001. The Callaway Golf Center remains an operating business of the Company.

As part of the transaction, the Company transferred to the Landlord a 35 percent ownership interest in the Company's subsidiary that owns and operates the Callaway Golf Center. This subsidiary is All-American Golf Center, Inc. ("AAGC"). In connection with the issuance of the 35 percent interest in AAGC to the Landlord, the Company and the Landlord entered into a Stockholders Agreement that provides certain restrictions and rights on the AAGC shares issued to the Landlord. The Landlord is permitted to designate a non-voting observer of meetings of AAGC's board of directors. In the event of an uncured default of the lease for the CGC, so long as the Landlord holds a 25% interest in AAGC, the Landlord will have the right to select one director of AAGC. As to matters other than the election of Directors, the Landlord has agreed to vote its shares of AAGC as designated by the Company.

AGREEMENT WITH SPORTSERVICE CORPORATION

In September 1997, the Company entered into a lease and concession agreement with Sportservice Corporation ("Sportservice") that provides Sportservice with the exclusive right for all food, beverages (alcoholic and non-alcoholic), candy and other refreshments throughout the SportPark and CGC, during the ten-year term of the agreement. Sportservice pays rent based on a percentage of gross sales.

Sportservice is a wholly-owned subsidiary of Delaware North Company. The agreement remains in effect for the CGC and the portion related to the SportPark was assumed by the Landlord in connection with his acquisition of the SportPark.

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LIABILITY INSURANCE

The Company has a comprehensive general liability insurance policy to cover possible claims for injury and damages from accidents and similar activities. Although management of the Company believes that its insurance levels are sufficient to cover all future claims, there is no assurance it will be sufficient to cover all future claims.

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MARKETING

The marketing program for the CGC is focused primarily on the local individual customers with increasing emphasis on the individual tourist market because of the facility's proximity to most of the major resorts in Las Vegas. The CGC focuses its marketing efforts principally on print media that has proven to be effective for the local market. For the tourist market, the Company has instituted taxi programs, rack cards, and print media in tourist publications that are located in the Las Vegas hotels and hotel rooms. Also, the CGC, has implemented programs to attract more group events, clinics, and other special promotional events. In February of 2004, the golf center installed a 30' (ft.) pylon sign with a reader board in front of the center. The sign makes the general public aware of various programs, specials and other information taking place within the facility. Once installed, the CGC began random customer information survey's to provide information on how guests heard of the facility. Over half stated that they came into the facility because they saw the new sign.

The CGC, which includes a nine-hole par 3 golf course, driving range, and clubhouse, is designed as a country club atmosphere for the general public.

The Company's marketing efforts are directed towards a number of large existing and potential markets for which there can be no assurance of financial success. Further, to expand the concepts beyond the Las Vegas location could require considerably more financial and human resources than presently exists at the Company.

FIRST TEE

In March 2002, the CGC became the official home in Southern Nevada for the national First Tee program. The First Tee program is a national initiative started in November 1997 by the World Golf Foundation. First Tee is sponsored by the PGA Tour, the LPGA, the PGA of America, the United States Golf Association, and Augusta National Golf Club. The First Tee program was formed to eliminate access and affordability issues for children, especially economically disadvantaged children, to participate in the game of golf. In research conducted by the National Golf Foundation, it was noted that only two percent of children through age 17 ever try golf and only five percent of our nation's golfers were minorities. The CGC is proud to be part of the First Tee program and believes it will offer many opportunities for the Company in the years ahead.

COMPETITION

Any golf/amusement facilities developed by the Company will compete with any other family/sports attractions in the city where such facilities are located. Such attractions could include amusement parks, driving ranges, water parks, and any other type of family or sports entertainment. The Company will be relying on the combination of active user participation in the

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sports activities and uniqueness of the Park features, attractive designs, and competitive pricing to encourage visitation and patronage.

In the Las Vegas market, the Company has competition from other golf courses, family entertainment centers, and entertainment provided by hotel/casinos. Company management believes the CGC has a competitive advantage in the Las Vegas market because of its strategic location, product branding, alliances, and extent of facilities balanced with competitive pricing that is unlike any competitor in the market.

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EMPLOYEES

As of March 12, 2005, there were 3 full-time and 1 part-time employee at the Company's executive offices, and 8 full-time and 11 part-time employees at CGC.

ITEM 2. DESCRIPTION OF PROPERTY.

The Company's corporate offices are located inside the clubhouse building of the Company's Callaway Golf Center property at 6730 South Las Vegas Boulevard, Las Vegas, Nevada 89119. The Callaway Golf Center property occupies approximately 42 acres of leased land described in "ITEM 1. DESCRIPTION OF BUSINESS BUSINESS DEVELOPMENT." The CGC was opened October 1, 1997. The property is in good condition both structurally and in appearance. The Company owns 65% of the CGC through a subsidiary, All-American Golf Center, Inc.

A ten-year note payable secured by a first deed of trust exists on the CGC in the original amount of \$1 million payable without interest, in quarterly installments of \$25,000 beginning December 1998.

The CGC has two tenants: (1) The St. Andrews Golf Shop that occupies approximately 4,000 square feet for golf retail sales and pays a fixed monthly rental of \$13,104 for its retail and office space. The lease is for fifteen years ending in 2012. (2) Sierra Sportservice occupies about 2,500 square feet for food and beverage services and pays percentage rent depending on the type of sale made (i.e. restaurant, catering, beverage cart). The lease is for ten years ending in 2007.

ITEM 3. LEGAL PROCEEDINGS

Except for the complaints described in the following paragraphs, the Company is not presently a party to any legal proceedings, except for routine litigation that is incidental to the Company's business.

On September 12, 2000, the Company filed a complaint against Bentar Development, Inc. and Contractors Bonding & Insurance Company in the District Court of Clark County, Nevada, seeking damages for breach of contract, unjust enrichment, and license bond claim. Bentar Development, Inc. was the general contractor on the construction of the Callaway Golf Center. The Company's claim asserts construction defects related to the CGC's driving range tee line which has experienced large cracks in the concrete and ground level differentials on each side of the cracks of more than one inch as the result of ground subsidence arising primarily from Bentar's failure to properly compact the earth in and around the tee line. The Company settled the case in March 2003 with Bentar and all other involved parties, except for one subcontractor named Western Technologies. The settlement with Bentar resulted in the Company receiving \$880,000 in cash. Subsequent to the settlement, the

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Company continued its suit against Western Technologies and was awarded a judgment against Western Technologies of \$660,000 in March 2003. Western Technologies appealed the judgment. Western Technologies was required to and did file a bond in the amount of the judgment to date, which is approximately \$1,180,000 (including the judgment, interest, and attorneys fees). The appeal has been fully submitted to the Nevada Supreme Court for its decision.

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

None.

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PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

MARKET INFORMATION. The Company's Common Stock is traded in the over-the-counter market and is quoted on the OTC: Bulletin Board under the symbol "AASP." The following table sets forth the closing high and low sales prices of the Common Stock for the periods indicated.

	HIGH	LOW
	-----	-----
Year Ended December 31, 2004:		
First Quarter	\$0.08	\$0.03
Second Quarter	\$0.20	\$0.04
Third Quarter	\$0.21	\$0.05
Fourth Quarter	\$1.01	\$0.05
Year Ended December 31, 2003:		
First Quarter	\$ 0.03	\$ 0.01
Second Quarter	\$ 0.15	\$ 0.01
Third Quarter	\$ 0.17	\$ 0.04
Fourth Quarter	\$ 0.12	\$ 0.03

HOLDERS. The number of holders of record of the Company's \$.001 par value common stock at March 1, 2005 was approximately 1,050. This does not include approximately 1,000 shareholders who hold stock in their accounts at broker/dealers.

DIVIDENDS. Holders of common stock are entitled to receive such dividends as may be declared by the Company's Board of Directors. No dividends have been paid with respect to the Company's common stock and no dividends are expected to be paid in the foreseeable future. It is the present policy of the Board of Directors to retain all earnings to provide for the growth of the Company. Payment of cash dividends in the future will depend, among other things, upon the Company's future earnings, requirements for capital improvements and financial condition.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following information should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto included in this report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company does not employ any accounting policies and estimates that

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are either selected from among available alternatives or require the exercise of significant management judgment to apply.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations in accounting for its employee stock options. However, in December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (Revised 2004), Share-Based Payment (SFAS 123R). SFAS 123R requires that compensation cost related to share-based employee compensation transactions be recognized in the financial statements. Share-based employee compensation transactions within the scope of SFAS 123R include stock options, restricted stock plans,

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performance-based awards, stock appreciation rights and employee share purchase plans. The provisions of SFAS 123R are effective as of the first interim period that begins after June 15, 2005. Accordingly, we will implement the revised standard in the third quarter of fiscal year 2005.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets, and Amendment of APB Opinion 29, Accounting for Nonmonetary Transactions. The amendments made by SFAS 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. We do not expect to enter into any transactions that would be affected by adopting SFAS 153.

OVERVIEW

The Company's operations consist of the management and operation of a golf course and driving range property called the Callaway Golf Center. The Callaway Golf Center includes the Divine Nine par 3 golf course fully lighted for night golf, a 110-tee two-tiered driving range which has been ranked the Number 2 golf practice facility in the United States since it opened in October 1997, a 20,000 square foot clubhouse which includes the Callaway Golf fitting center and two tenants: the Saint Andrews Golf Shop retail store and the Bistro 10 restaurant and bar. As discussed below it is currently seeking other business opportunities.

RESULTS OF OPERATIONS - YEAR ENDED DECEMBER 31, 2004 VERSUS YEAR ENDED DECEMBER 31, 2003.

REVENUES. Revenues of the Callaway Golf Center ("CGC") for 2004 decreased 2.3% to \$2,168,802 compared to \$2,218,617 in 2003. The decrease was due to an overall decrease in golf course revenue. This decrease is due primarily to a reduction in league play revenue of \$12,340 and a decrease in golf course green fees of \$12,405; the termination of a sponsorship agreement with a soft drink bottler resulting in loss of \$78,928 in sponsorship revenue; a decrease in rental income of \$76,034 from Giant Golf and Saint Andrews Golf and the fact that \$21,583 in insurance recoveries and miscellaneous income were received in 2003. The revenue reductions were offset by increased driving range revenue of \$34,036 and golf lesson revenue of \$120,770.

COST OF REVENUES. Costs of revenues increased by 45.57% in 2004 to \$505,555 compared to \$347,301 in 2003. The overall increase can be attributed to the golf pro salaries, which was \$0 in 2003 due to the fact that during

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2003 this service was outsourced to Giant Golf. This arrangement ended in March 2004. The increase also is attributed to a higher direct payroll cost and driving range supply purchases in 2004.

SELLING, GENERAL AND ADMINISTRATIVE ("SG&A"). SG&A expenses consist principally of administrative payroll, rent, professional fees and other corporate costs. These expense decreased by 3.1% to \$1,978,385 in 2004 from \$2,041,668 in 2003 is mainly due to legal expenses from a lawsuit in 2003 of \$222,348 and the write-off, in 2004 of uncollectible receivables of \$109,871.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization increased 4.79% to \$71,154 in 2004 compared to \$67,903 in 2003 due to 2004 asset additions including the driving range turf conversion of \$148,000 and a new point of sale system for the golf center of \$14,000.

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INTEREST EXPENSE. Interest expense increased 2.74% to \$483,792 in 2004 compared to \$470,895 in 2003 due mainly to issuance of additional notes payable to related parties.

NET INCOME (LOSS). Net income decreased 77% to \$77,371 in 2004 from \$337,424 in 2004. The primary differences in 2004 compared to 2003 are an increase in debt forgiveness from \$316,991 in 2003 to \$669,887 in 2004, the receipt of a lawsuit settlement in 2003 which resulted in income of \$880,000 that was partially offset by legal expenses of \$200,000, and an increase in cost of revenues of \$158,254 in 2004.

LIQUIDITY AND CAPITAL RESOURCES

In January 2004, AAGC completed Phase I of its turf conversion program that could result in significant cost savings going forward. This turf conversion program, named the Water Smart Landscapes Program, is sponsored by the Southern Nevada Water Authority ("SNWA") and provides a financial incentive to business properties to convert grass areas to "xeriscape", an approach to landscaping that is beautiful and water-efficient. AAGC incurred costs of \$94,554 for Phase I of this project, all of which was incurred in 2004. The incentive provided by the SNWA is a price per square foot rebate for area converted, and totaled \$187,553 for Phase I. More significantly, ongoing costs for water, electricity, and landscape maintenance are expected to decrease by as much as \$50,000 annually. Phase II of the Company's turf conversion on approximately 130,000 square feet of the golf course was completed late in 2004 at a cost of approximately \$53,728. Completion of this phase of the project will further reduce expenses for water and landscaping costs. It is expected that the rebate from the SNWA will more than cover the expenses of this phase of the project.

The Callaway Golf Center has generated positive cash flow since 1998. However, this positive cash flow is used to fund corporate overhead that is in place in support of the CGC and public company operations.

Working capital needs have been helped by deferring payments of interest and notes payable balances due to an Affiliate. Management believes that additional deferrals of such payments could be negotiated, if necessary.

In 2004, the Company began implementing new marketing strategies that resulted in increased revenues during the year. Going into 2005, we expect this trend to continue.

Nevertheless for reasons described below and in Note 1.d. to the

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consolidated financial statements, in its report dated March 25, 2005, the Company's independent auditors have expressed substantial doubt as to the Company's ability to continue as a going concern.

As of December 31, 2004, the Company had a working capital deficit of \$871,980, as compared to a working capital deficit of \$1,051,418 at December 31, 2003. The reduction in the working capital deficit is primarily due to the overall net income for 2004 and a refinancing of a \$100,000 note from Saint Andrews Golf Shop to long term debt.

AASP management believes that its continuing operations may not be sufficient to fund operating cash needs and debt service requirements over at least the next 12 months. As such, management plans on seeking other sources of funding as needed, which may include Company officers or directors or other related parties. In addition, management continues to analyze all operational and administrative costs of the Company and has made and will continue to make the necessary cost reductions as appropriate.

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Management continues to seek out financing to help fund working capital needs of the Company. In this regard, management believes that additional borrowings against the CGC could be arranged although there can be no assurance that the Company would be successful in securing such financing or with terms acceptable to the Company.

Among its alternative courses of action, management of the Company may seek out and pursue a business combination transaction with an existing private business enterprise that might have a desire to take advantage of the Company's status as a public corporation. There is no assurance that the Company will acquire a favorable business opportunity through a business combination. In addition, even if the Company becomes involved in such a business opportunity, there is no assurance that it would generate revenues or profits, or that the market price of the Company's common stock would be increased thereby.

There are no planned material capital expenditures in 2005.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

FORWARD LOOKING STATEMENTS

Certain information included in this Annual Report contains statements that are forward-looking, such as statements relating to plans for future expansion and other business development activities, as well as other capital spending, financing sources, the effects of regulations and competition. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements by or on behalf of the Company. These risks and uncertainties include, but are not limited to, those relating to dependence on existing management, leverage and debt service (including sensitivity to fluctuations in interest rates), domestic or global economic conditions (including sensitivity to fluctuations in foreign currencies), changes in federal or state tax laws or the administration of such laws, changes in regulations and application for licenses and approvals under applicable jurisdictional laws and regulations.

ITEM 7. FINANCIAL STATEMENTS.

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The financial statements are set forth on pages F-1 through F-15 hereto.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 8A. CONTROLS AND PROCEDURES.

As of December 31, 2004, under the supervision and with the participation of the Company's Chief Executive Officer and Principal Financial Officer, management has evaluated the effectiveness of the design and operations of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2004. There have been no changes in internal control over financial reporting that occurred during the fourth quarter of the fiscal year covered by this report that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

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ITEM 8B. OTHER INFORMATION

None

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

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

NAME	AGE	POSITIONS AND OFFICES HELD
-----	---	-----
Ronald S. Boreta	42	President, Chief Executive Officer, Treasurer, Secretary and Director
Vaso Boreta	70	Chairman of the Board and Director
Robert R. Rosburg	77	Director
William Kilmer	64	Director

Except for the fact that Vaso Boreta and Ronald Boreta are father and son, respectively, there is no family relationship between any Director or Officer of the Company.

The Company does not currently have an audit committee. The full Board of Directors serves as the audit committee. The Company has no "audit committee financial expert" on the Board of Directors because it is not legally required to have one and, due to the limited size of the Company's operations, it is not deemed necessary. The Company presently has no compensation or nominating committee.

All Directors hold office until the next Annual Meeting of Shareholders.

Officers of the Company are elected annually by, and serve at the discretion of, the Board of Directors.

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The following sets forth biographical information as to the business experience of each officer and director of the Company for at least the past five years.

RONALD S. BORETA has served as President of the Company since 1992, Chief Executive Officer since August 1994, and a Director since its inception in 1984. The Company has employed him since its inception in March 1984, with the exception of a 6-month period in 1985 when he was employed by a franchisee of the Company located in San Francisco, California. Prior to his employment by the Company, Mr. Boreta was an assistant golf professional at San Jose Municipal Golf Course in San Jose, California, and had worked for two years in the areas of sales and warehousing activities with a golf discount store in South San Francisco, California. Mr. Boreta devotes 90% of his time to the business of the Company.

VASO BORETA has served as Chairman of the Board of Directors since August 1994, and has been an Officer and Director of the Company since its formation in 1984. In 1974, Mr. Boreta first opened a specialty business named "Las Vegas Discount Golf & Tennis," which retailed golf and tennis equipment and accessories. He was one of the first retailers to offer pro-line golf

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merchandise at a discount. He also developed a major mail order catalog sales program from his original store. Mr. Boreta continues to operate his original store, which has been moved to a new location near the corner of Flamingo and Paradise roads in Las Vegas. Mr. Boreta devotes approximately ten percent of his time to the business of the Company.

ROBERT R. ROSEBURG has served as a Director of the Company since August 1994. Mr. Rosburg has been a professional golfer since 1953. From 1953 to 1974 he was active on the Professional Golf Association tours, and since 1974 he has played professionally on a limited basis. Since 1975 he has been a sportscaster on ABC Sports golf tournament telecasts. Since 1985 he has also been the Director of Golf for Rams Hill Country Club in Borrego Springs, California. Mr. Rosburg received a Bachelor's Degree in Humanities from Stanford University in 1948.

WILLIAM KILMER has served as a Director of the Company since August 1994. Mr. Kilmer is a retired professional football player, having played from 1961 to 1978 for the San Francisco Forty-Niners, the New Orleans Saints and the Washington Redskins. Since 1978, he has toured as a public speaker and also has served as a television analyst. Mr. Kilmer received a Bachelor's Degree in Physical Education from the University of California at Los Angeles.

SECTION 16(A) BENEFICIAL REPORTING COMPLIANCE

Based solely on a review of Forms 3 and 4 and amendments thereto furnished to the Company during its most recent fiscal year, and Forms 5 and amendments thereto furnished to the Company with respect to its most recent fiscal year and certain written representations, no persons who were either a director, officer, beneficial owner of more than ten percent of the Company's common stock, failed to file on a timely basis reports required by Section 16(a) of the Exchange Act during the most recent fiscal year.

CODE OF ETHICS

The Company has not yet adopted a code of ethics that applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, due

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to the limited size of the Company's operations and limited financial resources. The Board of Directors may consider adopting a code of ethics in the future.

ITEM 10. EXECUTIVE COMPENSATION.

The following table sets forth information regarding the executive compensation for the Company's President and each other executive officer who received compensation in excess of \$100,000 for the years ended December 31, 2004, 2003 and 2002 from the Company:

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SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation
		Salary	Bonus	Other Annual Compensation	Awards	Payouts		
					Restricted Stock Award(s)	Securities Underlying Options /SARs (Number)	LTIP Payouts	
Ronald S. Boreta, President and CEO	2004	\$120,000	--	\$29,996	--	--	--	--
	2003	\$120,000	--	\$25,732	--	--	--	--
	2002	\$120,000	--	\$26,482	--	--	--	--
Kirk Hartle, Chief Financial Officer	2003	\$120,000	--	--	--	--	--	--
	2002	\$116,723	--	--	--	--	--	--