BULL RUN CORP
Form 10-K
October 15, 2002

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

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the fiscal year ended **June 30, 2002**

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from _______________ to _______________

Commission File Number **0-9385**

BULL RUN CORPORATION

(Exact name of registrant as specified in its charter)

Georgia	**58-2458679**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4370 Peachtree Road, N.E., Atlanta, GA	**30319**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code **(404) 266-8333**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class: None   Name of each exchange on which registered: N/A

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.01 par value
(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 (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. [X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers in response 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]

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of September 30, 2002 was $17,742,118 based on the closing price thereof on The Nasdaq Stock Market.

The number of shares outstanding of the registrant s Common Stock, par value $.01 per share, as of September 30, 2002, was 38,006,384.

DOCUMENTS INCORPORATED BY REFERENCE

Documents	Form 10-K Reference

None	not applicable

BULL RUN CORPORATION

FORM 10-K INDEX

PART I

PART I

Item 1. Business

General

Bull Run Corporation (the Company or Bull Run), a Georgia corporation based in Atlanta, is a sports, affinity marketing and management company through its primary operating subsidiary, Host Communications, Inc. (Host), acquired in December 1999. Host s Collegiate Marketing and Production Services business segment provides sports marketing and production services primarily to a number of collegiate conferences and universities and the National Collegiate Athletic Association (the NCAA). Host s Affinity Events business segment produces and manages individual events and several events series, including NBA Hoop-It-Up® (the National Basketball Association s official 3-on-3 basketball tour) and the Got Milk? 3v3 Soccer Shootout (Major League Soccer s official 3-on-3 soccer tour). Host s Affinity Management Services business segment provides associations, such as the National Tour Association and Quest (the J.D. Edwards users group association), with services ranging from member communication, recruitment and retention, to conference planning, Internet web site management, marketing, sales representation and administration.

Effective December 17, 1999, the Company acquired (the Host-USA Acquisition) the stock of Host, Universal Sports America, Inc. (USA) and Capital Sports Properties, Inc. (Capital) not then owned, directly or indirectly, by the Company. In January 2000, Host s executive management team assumed executive management responsibilities for USA, and many administrative and operating functions of the two companies were combined. Effective July 1, 2000, USA was merged into Host. Capital was solely an investor in Host and has no operating business.

The Company also has significant investments in other sports, media and marketing companies, including Gray Television, Inc. (Gray , formerly known as Gray Communications Systems, Inc.), the owner and operator of 13 television stations, four newspapers and other media and communications businesses; Rawlings Sporting Goods Company, Inc. (Rawlings), a supplier of team sports equipment; and iHigh, Inc. (iHigh), an Internet and marketing company focused on high school students. The Company has provided consulting services to Gray in connection with Gray s acquisitions and dispositions.

As of June 30, 2002, the Company owned approximately 12.9% of the outstanding common stock of Gray (representing 26.1% of the voting rights), in addition to non-voting preferred stock and warrants to purchase additional Gray common stock; 10.1% of the outstanding common stock of Rawlings; and 35.1% of the outstanding common stock of iHigh.

On September 25, 2002, the Company changed its fiscal year end from June 30 to a new fiscal year end of August 31.

For financial information for each of our business segments described below, see Note 18 of the Notes to Consolidated Financial Statements appearing in Item 8 Financial Statements and Supplemental Data.

Collegiate Marketing and Production Services Segment

NCAA Group Host has had a relationship with the NCAA since 1975. Beginning as an agreement to administer radio rights and form a national NCAA Radio Network for the men s Final Four®, the services rendered by Host expanded to publishing, Internet and corporate marketing representation, including the exclusive licensing of various NCAA trademarks.

In 1984, Host and the NCAA initiated the NCAA Corporate Partner Program. Under this Program, the Company partnered with an exclusive group of corporations to link their target markets to, and implement promotions around, NCAA championships through a variety of advertising and promotional opportunities. Host s contract with the NCAA (the Host-NCAA Contract) ended on August 31, 2002. Under an agreement signed July 1, 2001 and effective September 1, 2002, Host agreed to continue its services on behalf of the NCAA as a sublicensee to CBS Sports. The agreement with CBS Sports (the Host-CBS Contract) provided Host certain marketing, licensing and media rights, including the administration of the NCAA Corporate Partner Program. In August 2002, CBS Sports and Host discussed the parties desire to modify their relationship. In September 2002, CBS Sports and Host restructured their relationship and a new agreement was executed. The new agreement modified the rights provided to Host under the initial agreement and, except for an annual rights fee ranging from $300,000 to $350,000 payable by Host to CBS Sports, eliminated a $575 million guaranteed rights fee commitment payable by Host to CBS Sports over the original 11-year term of their agreement. Under the new agreement, Host will: (a) have the exclusive rights to produce, distribute and sell game programs and publications in connection with 87 NCAA championships; (b) engage in merchandise licensing utilizing registered marks of the NCAA and its championships; (c) coordinate, promote and operate the Hoop City festival interactive events at the Men s and Women s Final Four Division I basketball championships; and (d) assist with sales and administration of the NCAA Corporate Partner Program to the extent deemed necessary by CBS Sports. The agreement is for a four-year term, with the final two years at CBS Sports sole discretion.

Collegiate Sports The Company, through Host, provides sports and marketing services for a number of NCAA Division I universities and conferences. The agreements relating to the services rendered by the Company vary by school or conference, but typically provide for some or all of the following: (a) the production of radio and television broadcasts of certain athletic events and coaches shows; (b) sale of advertising during radio and television broadcasts of games and coaches shows; (c) sale of media advertising and venue signage; (d) sale of official sponsorship rights to corporations; (e) publishing, printing and vending of game-day and other programs; (f) creative design of materials; video production; construction and management of Internet web sites; and (g) coaches endorsements and pay-per-view telecasts. Universities with which the Company has agreements are Florida State, Kentucky, Michigan, Mississippi State, Notre Dame, Purdue, South Carolina, Southern Methodist, Tennessee and Texas. The Company currently has marketing agreements with the Metro Atlantic Athletic, Horizon, Southeastern and Southern Conferences. The Company also has marketing rights to the Southwestern Bell Red River Shootout featuring the University of Texas and University of Oklahoma s annual football rivalry, and the Lone Star Showdown football game featuring Texas and Texas A&M University.

The Company publishes Dave Campbell s Texas Football Magazine and has marketing rights to two interstate high school football all-star games, the Oil Bowl game featuring high school all-stars from Texas playing those from Oklahoma, and the Shriner s California versus Texas all-star game. In addition, the Company has the rights to an annual series of football games that features six prominent Texas high school teams. The Company also partners with the Texas Radio Network and Fox SportsNet to broadcast and televise key high school championship events.

Integrated Media Group The Company produces more than 700 publications annually for a variety of clients, including the NCAA, college football conferences, universities, and various collegiate associations. The Company s publications include game programs, media guides, posters and marketing brochures, including more than 60 NCAA championship programs in 21 sports and specialty publications, such as the official NCAA Basketball Championship Guide. The Company also provides high quality printing services for corporations and non-profit organizations nationwide, consisting of directories, annual reports, brochures, posters, programs and catalogs.

The Company produces television programs, videos, radio broadcasts, commercial audio and Internet related services. The Company administers all contracts with all networks and stations that originate NCAA championship radio broadcasts. The Company administers the regional radio networks of 11 NCAA Division I universities and three conferences. The Company s digital recording studios handle network quality soundtracks for radio, television and multi-image presentations.

The Company has collaborated with NCAA On-line and iHigh on www.finalfour.net, the official site for the NCAA Division I Men s and Women s Basketball Championships, and the College World Series official site. Other web sites developed and managed by Host include those for Quest (the J.D. Edwards software user group association), the International SPA Association and the National Tour Association.

Affinity Events Segment

The Company s Affinity Events division produces and manages large participatory sporting events throughout the United States and internationally. In connection with these events, the Company provides professional marketing and management services to corporations looking to supplement their own sales and promotional activities with sports-based events that target specific participating audiences and demographics. NBA Hoop-It-Up® , held in approximately 40 U.S. cities and approximately 7 cities in Canada each year, is the official 3-on-3 basketball tournament of the National Basketball Association and NBC Sports. NBA Hoop-It-Up s Germany extension, the TD-1 Basketball Challenge held in 7 cities in 2002, was managed by the Company s Paris, France office in collaboration with NBA Europe. In August 2002, the Company closed the Paris office and discontinued the European tour.

Beginning in September 2000 with the acquisition of Summit Sports & Events, Inc. (Summit), the Company began operating a participatory soccer tour. The Got Milk? 3v3 Soccer Shootout, Major League Soccer s official 3-on-3 soccer tour, is held in approximately 75 U.S. cities, and includes a series of national championship matches held at Disney World in Orlando, Florida. On June 30, 2000, Summit was merged into Host.

The Company creates and executes events for corporate clients, including the SBC Cotton Bowl Fanfest and the Sony TechPit mobile marketing unit, which travels to NASCAR s Winston Cup races.

The Company capitalizes on developing and implementing customized event marketing platforms for corporations looking to reach certain affinity groups. For example, the Company helped create and managed the Tampax Total You Tour for the Procter & Gamble brand, which traveled to college campus sites and other urban locations to effectively reach the brand s core target audience, African-American females, ages 18 - 24. This tour was awarded a Silver Anvil by the Public Relations Society of America for having the best multicultural public relations program in 1999.

Affinity Management Services Segment

The Affinity Management Services segment, doing business as Affinity Management International, provides a full range of management services to a number of associations, including the National Tour Association (which has been a client since 1974), Quest (the J.D. Edwards software user group association), the National Athletic Trainers Association and the International SPA Association. The Company s services include association management, financial reporting, accounting, marketing, publishing, government lobbying, education, event management, Internet web site management and membership growth activities.

Consulting Segment

The Company has provided consulting services to Gray from time to time in connection with Gray s acquisitions, dispositions and acquisition financing. Consulting services have included transaction search, analysis, due diligence, negotiation and closing. Fees have generally been based on a rate of 1% of transaction value. Gray has stated that it does not intend to engage the Company for such services in the future.

Investment in Affiliated Companies

The Company currently owns approximately 12.9% of the total outstanding common stock (representing approximately 26.1% of the voting power) of Gray. The Company also owns warrants to purchase additional shares of Gray common stock. Parties affiliated with the Company, including officers and directors of the Company and companies of which they are principal stockholders and/or executive officers, currently own approximately an additional 12.9% of Gray common stock (representing approximately an additional 26.1% of the voting power in Gray).

Gray is a communications company headquartered in Atlanta, Georgia, which currently operates:

(a) three NBC-affiliated television stations *WEAU-TV* in Eau Claire-La Crosse, Wisconsin; *WJHG-TV* in Panama City, Florida; and *WITN-TV*, in the Greenville-Washington-New Bern, North Carolina market;

(b) ten CBS-affiliated television stations *WCTV-TV* in Tallahassee, Florida; *WVLT-TV* in Knoxville, Tennessee; *WKYT-TV* in Lexington, Kentucky; *WYMT-TV* in Hazard, Kentucky; *WRDW-TV* in Augusta, Georgia; *KOLN-TV* in Lincoln, Nebraska; *KGIN-TV* in Grand Island, Nebraska; *KWTX-TV* in Waco, Texas; *KBTX-TV*, a satellite station of *KWTX-TV* located in Bryan, Texas; and *KXII-TV* in the Sherman, Texas / Ada, Oklahoma market.

(c) four daily newspapers, *The Albany Herald* in Albany, Georgia; *The Rockdale Citizen and The Newton Citizen* in Conyers, Georgia; the *Gwinnett Daily Post* in Lawrenceville, Georgia; and *The Goshen News* in Goshen, Indiana;

(d) Lynqx Communications, a satellite transmission and production services business based in the southeastern United States; and

(e) GrayLink, a communications and paging business in the Southeast.

In June 2002, Gray announced that it had entered into a pending merger transaction with Stations Holding Company, Inc. by which Gray will acquire 15 additional television stations for cash consideration of approximately $502.5 million. Also, in September 2002, Gray announced that it had entered into an agreement to purchase KOLO-TV in Reno, Nevada in a separate transaction for $41.5 million. Upon completion of these two transactions, Gray will own a total of 29 television stations serving 25 markets. The stations will include 15 CBS affiliates, 7 NBC affiliates and 7 ABC affiliates. The combined station group will have 22 stations ranked #1 in both viewing audience and local news audience within their respective markets. The combined group will reach approximately 5% of total U.S. TV households. In addition, with 15 CBS affiliated stations, Gray will be the largest independent owner of CBS affiliates in the country. The combined station group will have a significant presence in the Southeast, Southwest, Midwest and Great Lakes regions of the United States. These transactions are currently expected to close by December 2002. Gray previously reported its intention to finance a portion of the costs of these transactions by issuing a combination of equity and debt securities. As part of this financing effort, in September 2002 Gray completed the follow-on sale of an additional $100 million of its 9 1/4% Senior Subordinated Notes due 2011. In September 2002, Gray announced its intention to commence a public offering of 27,500,000 shares of its common stock, plus up to 4,125,000 shares to cover over-allotments, if any. The net proceeds of this offering would be used to finance the pending and/or future acquisitions, refinance debt, and/or for general corporate purposes.

J. Mack Robinson, the Company s Chairman of the Board, Hilton H. Howell, Jr., the Company s Vice President, Secretary and a director, and Robert S. Prather, Jr., the Company s President and Chief Executive Officer and a director, are members of Gray s board of directors. Mr. Robinson is also Chairman and the Chief Executive Officer of Gray, Mr. Prather is also President and Chief Operating Officer of Gray and Mr. Howell is Vice Chairman of Gray.

From November 1997 through January 1998, the Company accumulated approximately 10.1% of Rawlings common stock in the open market. Pursuant to a standstill agreement with Rawlings, which terminates in July 2003, the Company is restricted from acquiring additional shares of Rawlings common stock or participating in corporate events relating to Rawlings, including proxy contests and tender offers, subject to specified exceptions. Rawlings, headquartered near St. Louis, Missouri, is a leading supplier of team sports equipment in North America and, through its licensee, of baseball equipment and uniforms in Japan. Rawlings operates manufacturing facilities throughout the United States and in Costa Rica, as well as warehouse/distribution centers in the United States and Canada.

At the time of the Host-USA Acquisition, Host owned shares of iHigh common stock and as of June 30, 2002, the Company, through Host, owned approximately 35.1% of the outstanding common stock of iHigh.

As of June 30, 2002, the Company s investment in Gray represented approximately 16% of the Company s total assets; the investment in Rawlings represented approximately 3% of the Company s total assets; and the investment in iHigh represented approximately 1% of the Company s total assets.

Sales and Marketing

The Company provides sponsorship opportunities to a variety of corporate clients, typically ranging from one to five years in length. The Company also provides sports and marketing services for a number of NCAA Division I universities and conferences, under contracts typically ranging from three to five years in length. The Company intends to continue to seek long-term sponsorship agreements.

The Company employs a full-time national sales and marketing staff and has dedicated a senior group of sales and marketing executives to identify potential client relationship opportunities and promote the Company s expertise and range of services. The Company solicits prospective clients through its managers responsible for business development and through personal contacts by members of the Company s senior management. When a new account is established, the Company immediately assigns a sales executive to the client to ensure that the client s needs are met and to seek out further opportunities to expand the relationship. Generally, account managers are assigned several different clients, which may be comprised of a number of businesses or divisions, departments or groups within the same business. In addition, the personnel that staff the Company s offices on university campuses and at athletic conference locations are responsible for soliciting local sponsors and advertisers.

Competition

As a provider of marketing services, the Company competes with suppliers of traditional advertising in broadcast and print media as well as with other marketing service producers and internal marketing programs. The competition for brand marketing expenditures is very intense and highly fragmented. The Company believes that in certain of its business segments, certain of its competitors have capabilities and resources comparable to and in some respects greater than those of the Company; however, the Company does not believe that there is any other competitor that currently provides all of the marketing and integrated media services offered by the Company. The Company s success will depend on its ability to create value-added marketing opportunities that utilize its uniquely wide range of service capabilities.

Seasonality

The Company s Collegiate Marketing and Production Services business is seasonal, in that the majority of the revenue and operating profit is derived from the period beginning in September and concluding in March, since much of the revenue derived in this segment is related to events and promotions held during the collegiate football and basketball seasons.

The Company s Affinity Events business is seasonal, in that the majority of the revenue and operating profit is derived during the period beginning in March and ending in September, since much of the revenue derived in this segment is currently generated during the NBA Hoop-It-Up 3-on-3 basketball tour.

Employees

The Company has approximately 400 employees, of whom, approximately 250 are employed by Host at its Lexington, Kentucky facilities and approximately 50 are employed by Host at its Dallas, Texas facility. The Company is not a party to any collective bargaining agreements and believes its relations with its employees are satisfactory.

Executive Officers

The information contained in Item 10 hereof is incorporated herein by reference.

Discontinued Segment Datasouth

The Company formerly marketed and sold heavy-duty dot matrix and thermal printers under the Datasouth name. The Company decided to discontinue its Datasouth business segment as a result of the strategic decision to focus on the sports and affinity marketing and management businesses following the Host-USA Acquisition. The Company consummated a sale of Datasouth s business on September 29, 2000. For additional information with respect to this business segment, including financial reporting as a discontinued operation, see Management s Discussion and Analysis Results of Discontinued Operations and Note 4 to the Company s Consolidated Financial Statements.

Item 2. Properties

The Company s executive offices are located in Atlanta, Georgia in approximately 2,000 square feet of office space leased from Delta Life Insurance Company, an affiliate of J. Mack Robinson, the Company s Chairman of the Board. The lease expires in December 2002, subject to several renewal options on the part of the Company.

The Company owns seven acres of land and a building with approximately 25,000 square feet of production, office and warehouse space in Lexington, Kentucky for Host s Printing and Publishing Divisions. Host also has approximately 50,500 square feet of office space under three leases in Lexington expiring beginning in January 2003; approximately 48,600 square feet of office space under lease in Dallas, Texas through December 2005, of which, approximately 28,600 is subleased through December 2005; and approximately 4,300 square feet of office space under lease in New York City through August 2010. Host also has small regional and local field offices primarily located close to the universities and conferences with which it has contracts.

Item 3. Legal Proceedings

On February 12, 1999, Sarkes Tarzian, Inc. (Tarzian) filed a complaint in the United States District Court for the Southern District of Indiana against the Company and U.S. Trust Company of Florida Savings Bank as Personal Representative of the Estate of Mary Tarzian (the Estate). On May 3, 1999, the action was dismissed without prejudice against the Company, leaving the Estate as the sole defendant. The suit involves the Company s acquisition of 301,119 shares of Tarzian common stock, $4.00 par value, from the Estate for $10 million on January 28, 1999. Tarzian claims that it had a binding and enforceable contract to purchase the Tarzian shares from the Estate prior to the Company s purchase of such shares, and requests judgment providing that the contract be enforced. The Company contends that a binding contract between Tarzian and the Estate did not exist prior to the Company s purchase of the Tarzian shares from the Estate. The Company does not believe that a judgment in favor of Tarzian in this litigation would have a materially adverse effect on the Company, because, among other reasons, the Company s purchase agreement with the Estate provides that if a court of competent jurisdiction awards title to the shares to a person or entity other than the Company, the purchase agreement will be rescinded and the Estate will be required to pay the Company the full $10 million purchase price, plus interest. In December 2001, the Company sold its interest in Tarzian to Gray for $10 million.

On January 8, 2002, the Company filed a complaint in the State Court of Fulton County, Georgia, against Ernst & Young LLP, claiming negligent misrepresentation. The Company claims that it placed significant reliance on Ernst & Young s audit reports on the audited financial statements of Universal Sports America, Inc. issued prior to the Host-USA Acquisition in December 1999, and that those financial statements contained material errors. The State Court of Fulton County has ruled that the matter is subject to binding arbitration.

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

The Company did not submit any matter to a vote of security holders during the quarter ended June 30, 2002.

PART II

Item 5. Market for the Registrant s Common Equity and Related Stockholder Matters

Market Information

The Company s common stock, par value $.01 per share (the Common Stock), trades on The Nasdaq Stock Market under the symbol BULL. The following table sets forth for each period indicated the high and low sale prices for the Common Stock as reported by The Nasdaq Stock Market. Such prices reflect interdealer prices without adjustments for retail markups, markdowns or commissions.

	High	Low
Fiscal Year Ended June 30, 2001		
First Quarter	$3.13	$2.00
Second Quarter	2.50	1.25
Third Quarter	2.34	1.13
Fourth Quarter	1.70	1.00
Fiscal Year Ended June 30, 2002		
First Quarter	$1.51	$ .78
Second Quarter	1.29	.47
Third Quarter	1.25	.53
Fourth Quarter	1.04	.58

Holders

As of September 20, 2002, there were 2,370 holders of record of Common Stock.

Dividends

Since its inception, the Company has not declared or paid a cash dividend on its Common Stock. It is the present policy of the Company s Board of Directors to retain all earnings to finance the development and growth of the Company s business. The Company s future dividend policy will depend upon its earnings, capital requirements, financial condition and other relevant circumstances existing at that time. The Company s bank credit agreement also contains restrictions on the Company s ability to declare and pay dividends on the Common Stock.

Equity Plan Compensation Information

As of June 30, 2002: Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	5,459,443	$ 1.18	680,205
Equity compensation plans not approved by security holders			
Total	5,459,443	$ 1.18	680,205

Item 6. Selected Financial Data

Set forth below are certain selected historical consolidated financial data of the Company. This information should be read in conjunction with the audited consolidated financial statements of the Company and related notes thereto appearing elsewhere herein, as well as Management s Discussion and Analysis. The selected consolidated financial data as of and for the fiscal years ended June 30, 2002, 2001 and 2000, as of and for the six months ended June 30, 1999, as of December 31, 1998 and 1997 and for each of the years ended December 31, 1998 and 1997 are derived from the audited consolidated financial statements of the Company. The selected consolidated financial data as of and for the six months ended June 30, 1998 are derived from unaudited condensed consolidated financial statements of the Company.

SELECTED FINANCIAL DATA

(Dollar and share amounts in thousands, except per share amounts)

OPERATING RESULTS:

	Year Ended June 30,			Six Months Ended June 30,		Year Ended December 31,	
	2002	2001	2000	1999	1998	1998	1997
					(unaudited)		
Total revenue	$113,072	$120,337	$ 72,000	$ 609	$ 652	$ 1,618	$ 681
Direct operating costs	(88,531)	(81,421)	(49,437)				
Selling, general and administrative	(32,773)	(38,527)	(21,891)	(693)	(691)	(1,312)	(1,039)
Amortization of acquisition intangibles	(7,824)	(4,267)	(2,602)				
Income (loss) from operations	(16,056)	(3,878)	(1,930)	(84)	(39)	306	(358)
Equity in earnings (losses) of affiliated companies	(1,962)	(4,235)	(2,533)	(910)	(61)	6,337	(428)
Correction of purchase price allocation			(11,330)				
Other income (expense) derived from investments in affiliates, net	242	(6,796)	(2,360)			1,680	
Net change in value of derivatives	(3,345)	2,988					
Interest expense and other, net	(12,042)	(11,891)	(7,909)	(1,858)	(1,547)	(3,162)	(1,614)
Income (loss) from continuing operations before income taxes, extraordinary item and cumulative effect of accounting change	(33,163)	(23,812)	(26,062)	(2,852)	(1,647)	5,161	(2,400)
Income tax benefit (provision)	7,257	6,228	5,077	911	509	(2,094)	966
Income (loss) from continuing operations before extraordinary item and cumulative effect of accounting change	(25,906)	(17,584)	(20,985)	(1,941)	(1,138)	3,067	(1,434)
	(627)						

Extraordinary loss, net of tax							
Cumulative effect of accounting change, net of tax	(2,620)	(1,120)					
Income (loss) from continuing operations	(29,153)	(18,704)	(20,985)	(1,941)	(1,138)	3,067	(1,434)
Income (loss) from discontinued operations, net of tax			(6,839)	(266)	(92)	81	(234)
Net income (loss)	(29,153)	(18,704)	(27,824)	(2,207)	(1,230)	3,148	(1,668)
Preferred dividends	(396)						
Net income (loss) available to common stockholders	$ (29,549)	$ (18,704)	$ (27,824)	$ (2,207)	$ (1,230)	$ 3,148	$ (1,668)

See Notes to the Selected Financial Data on the following page.

SELECTED FINANCIAL DATA, continued

EARNINGS (LOSS) PER SHARE:

	Year Ended June 30,			Six Months Ended June 30,		Year Ended December 31,	
	2002	**2001**	**2000**	**1999**	**1998**	**1998**	**1997**
					(unaudited)		
Earnings (loss) per share Basic:							
Income (loss) from continuing operations before extraordinary item and cumulative effect of accounting change	$ (0.72)	$ (0.50)	$ (0.72)	$ (0.09)	$ (0.05)	$ 0.14	$ (0.07)
Income (loss) from continuing operations	$ (0.81)	$ (0.53)	$ (0.72)	$ (0.09)	$ (0.05)	$ 0.14	$ (0.07)
Income (loss) from discontinued operations, net of tax	$ 0.00	$ 0.00	$ (0.24)	$ (0.01)	$ (0.01)	$ 0.00	$ (0.01)
Net income (loss)	$ (0.81)	$ (0.53)	$ (0.96)	$ (0.10)	$ (0.06)	$ 0.14	$ (0.08)
Weighted average shares outstanding Basic	36,485	35,307	29,044	22,330	22,098	22,189	21,302
Earnings (loss) per share Diluted:							
Income (loss) from continuing operations before extraordinary item and cumulative effect of accounting change	$ (0.72)	$ (0.50)	$ (0.72)	$ (0.09)	$ (0.05)	$ 0.14	$ (0.07)
Income (loss) from continuing operations	$ (0.81)	$ (0.53)	$ (0.72)	$ (0.09)	$ (0.05)	$ 0.14	$ (0.07)
Income (loss) from discontinued operations, net of tax	$ 0.00	$ 0.00	$ (0.24)	$ (0.01)	$ (0.01)	$ 0.00	$ (0.01)
Net income (loss)	$ (0.81)	$ (0.53)	$ (0.96)	$ (0.10)	$ (0.06)	$ 0.14	$ (0.08)
Weighted average shares outstanding Diluted	36,485	35,307	29,044	22,330	22,098	23,182	21,302

FINANCIAL POSITION:

	As of June 30,				As of December 31,	
	2002	**2001**	**2000**	**1999**	**1998**	**1997**
Working capital	$ (26,827)	$ (16,951)	$ 5,449	$ (61,595)	$ 4,074	$ 2,913
Investment in affiliated companies	25,115	50,399	64,782	73,994	63,361	50,284
Total assets	160,999	206,538	222,306	99,903	90,694	70,618
Long-term obligations	98,091	107,693	122,794		51,848	41,998
Stockholders equity	4,131	37,604	51,864	25,279	27,022	21,499
Current ratio	0.5	0.7	1.1	0.1	2.4	1.7
Book value per share	$ 0.11	$ 1.05	$ 1.48	$ 1.13	$ 1.21	$ 1.01

NOTES TO THE SELECTED FINANCIAL DATA

The changes from year to year are primarily a result of the following items:

2002 - Sale of investments in Gray preferred stock and Tarzian common stock with such proceeds being applied to long-term debt; acceleration of costs and expenses, including intangibles amortization expense, as a result of a change in a significant contractual relationship; bank agreement modified in October 2002 to extend maturity date to September 30, 2003; anticipated reductions in long-term debt of up to approximately $15 million by June 30, 2003 (classified as a current liability as of June 30, 2002)

2001 - Includes first full year of operating results for subsidiaries acquired in December 1999; $9.0 million pretax charge recognized to reduce book value of certain equity investments; certain derivatives reported in the balance sheet at fair value of $8.2 million as of June 30, 2001, with net change in fair value of $3.0 million recognized as income in 2001 and the fair value as of July 1, 2000 of $(1.1) million (net of tax) as the cumulative effect of an accounting change; bank credit agreement modified in July 2001 to extend the maturity date and require an aggregate of $20 million in principal payments by December 2001.

2000 - Acquisition of Host, USA and Capital in December 1999 financed with common stock, options to acquire common stock and long-term debt. (See Note 3 to the consolidated financial statements.)

1999 - Investment in Tarzian, financed with short-term debt; all amounts outstanding under long-term debt agreements were classified as current liabilities until December 1999, when the obligations were refinanced.

1998 - Equity in the earnings attributable to Gray s gain on disposal of a television station; additional investments in Rawlings; and investment in Total Sports.

No dividends were declared or paid during the periods presented.

Item 7. Management s Discussion and Analysis

OVERVIEW

Bull Run Corporation (Bull Run or the Company), based in Atlanta, Georgia, is a sports and affinity marketing and management company through its primary operating business, Host Communications, Inc. (Host), acquired in December 1999. Host s Collegiate Marketing and Production Services business segment provides sports marketing and production services to a number of collegiate conferences and universities, and for and on behalf of the National Collegiate Athletic Association (NCAA). Host s Affinity Events business segment produces and manages individual events and several events series, including NBA Hoop-It-Up® (the National Basketball Association s official 3-on-3 basketball tour) and the Got Milk? 3v3 Soccer Shootout (Major League Soccer s official 3-on-3 soccer tour). Host s Affinity Management Services business segment provides associations such as the National Tour Association and Quest (the J.D. Edwards users group association), with services ranging from member communication, recruitment and retention, to conference planning, Internet web site management, marketing and administration.

The Company also has significant investments in other sports, media and marketing companies, including Gray Television, Inc. (Gray , formerly known as Gray Communications Systems, Inc.), the owner and operator of 13 television stations, four newspapers and other media and communications businesses; Rawlings Sporting Goods Company, Inc. (Rawlings), a supplier of team sports equipment; and iHigh, Inc. (iHigh), an Internet and marketing company focused on high school students. The Company has provided consulting services to Gray in connection with certain of Gray s acquisitions and dispositions.

As of June 30, 2002, the Company owned approximately 12.9% of the outstanding common stock of Gray (representing 26.1% of the voting rights), in addition to warrants to purchase additional Gray common stock; 10.1% of the outstanding common stock of Rawlings; and 35.1% of the outstanding common stock of iHigh. The Company s investments in non-voting Gray preferred stock were sold in September 2001. In December 2001, the Company sold its investment in Sarkes Tarzian, Inc. (Tarzian) to Gray. The Company owned 33.5% of the total outstanding common stock of Tarzian both in terms of the number of shares of common stock outstanding and in terms of voting rights (representing 73% of the equity of Tarzian for purposes of dividends, as well as distributions in the event of any liquidation, dissolution or other termination of Tarzian).

On September 25, 2002, the Company changed its fiscal year end from June 30 to a new fiscal year end of August 31. As a result of this change, the Company s quarterly reporting periods will be, subsequent to the transition period from July 1, 2002 to August 31, 2002, comprised of three calendar months ending November 30, February 28 (or 29), May 31 and August 31.

HOST-USA ACQUISITION

On December 17, 1999, the Company acquired the stock of Host, Universal Sports America, Inc. (USA) and Capital Sports Properties, Inc. (Capital) not previously owned, directly or indirectly, by the Company (the Host-USA Acquisition). Aggregate consideration (net of cash acquired) was approximately $116.9 million, which included Common Stock (totaling 11,687,000 shares) and stock options (for a total of 2,819,000 shares of Common Stock) valued at approximately $52.3 million, 8% subordinated notes having a face value of approximately $18.6 million, cash (net of approximately $9.7 million in cash acquired) of $44.8 million and transaction expenses of approximately $1.2 million. The Company allocated $24.5 million of the Host-USA Acquisition purchase price to identifiable intangible assets and recorded goodwill in the amount of $62.7 million. As of June 30, 2002, goodwill and acquired intangibles, net of accumulated amortization, were approximately 49% of the Company s total assets.

Prior to the Host-USA Acquisition, the Company accounted for its investment in Host and Capital under the equity method, and for its investment in USA under the cost method. Beginning December 17, 1999, the financial results of Host, USA and Capital have been consolidated with those of the Company.

DISPOSAL OF COMPUTER PRINTER OPERATIONS

In July 2000, the Company s Board of Directors authorized the sale of Datasouth Computer Corporation (Datasouth), the Company s wholly owned computer printer manufacturing business segment. The Company s decision to discontinue its Datasouth segment was attributable to the strategic decision to focus on the sports and affinity marketing and management businesses following the Host-USA Acquisition. The Company consummated a sale of Datasouth s operating assets in September 2000. Accordingly, the operating results and net assets associated with Datasouth s computer printer manufacturing business as of and for the year ended June 30, 2001 and all prior periods presented herein have been reflected as discontinued operations in the accompanying consolidated financial statements.

An estimated loss on the sale of Datasouth of $6,522,000, including a $350,000 pretax provision for estimated operating losses during the disposal period, was combined with Datasouth s operating results and presented as discontinued operations in the consolidated financial statements for the year ended June 30, 2000. As of June 30, 2002, remaining proceeds on the sale of Datasouth of approximately $3,400,000 are estimated to be due and payable to the Company in variable quarterly installments. Actual amounts ultimately realized on the sale could differ materially from the amounts assumed in arriving at the loss on disposal. To the extent actual proceeds differ from the estimates that are reflected as of June 30, 2002, or as management s estimates are revised, the variance will be reported in discontinued operations in future periods.

CERTAIN RELATIONSHIPS

J. Mack Robinson, Chairman of the Board of the Company, is Chief Executive Officer and as of September 2002, the Chairman of the Board of Gray (having formerly been Gray s President and Chief Executive Officer and a director), and the beneficial owner of Gray common stock representing approximately 54.6% of the combined voting power of Gray s two classes of common stock as of June 30, 2002. Robert S. Prather, Jr., President, Chief Executive Officer and a director of the Company, is a director of Gray and was named President and Chief Operating Officer of Gray in September 2002 (having formerly been an executive vice president of Gray), and the beneficial owner of Gray common stock representing approximately 38.2% of the combined voting power of Gray s two classes of common stock. Hilton H. Howell, Jr., the Company s Vice President and Secretary, is a director of Gray and was named Vice Chairman of Gray in September 2002 (having formerly been an executive vice president of Gray), and the beneficial owner of Gray common stock representing approximately 42.8% of the combined voting power of Gray s two classes of common stock. Each of Messrs. Robinson, Prather and Howell s beneficial ownership percentages includes the Company s beneficial ownership of approximately 35.4% of the combined voting power of Gray s common stocks. Beneficial ownership percentages noted above include warrants and options to acquire shares of Gray common stock were exercisable on, or within 60 days after, June 30, 2002.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make judgments and estimations that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The Company considers the following accounting policies to be critical policies that require judgments or estimations in their application where variances in those judgments or estimations could make a significant difference to future reported results.

Goodwill and Other Intangible Assets
Goodwill and purchased intangible assets (i.e., customer relationships and trademarks) associated with the Host-USA Acquisition were amortized over their estimated useful lives on a straight-line basis until June 30, 2001. Effective July 1, 2001, the Company adopted Financial Accounting Standards Board Statement No. 142, *Accounting for Goodwill and Other Intangible Assets,* (FAS 142) which changed the Company s accounting for the goodwill and certain other intangible assets acquired in the Host-USA Acquisition, and also affected the Company s accounting for its equity in earnings (losses) of affiliated companies. In accordance with FAS 142, commencing July 1, 2001, the Company ceased amortizing the unamortized amount of goodwill and trademarks, but the Company is now required to periodically assess the carrying value of goodwill and trademarks associated with each of five distinct business units that comprise three business segments of the Company to determine if an impairment in value has occurred. The initial impairment test has been completed, and the Company concluded that the carrying amount of goodwill and trademarks as of July 1, 2001 for each business unit acquired in the Host-USA Acquisition did not exceed its net realizable value. Therefore, the adoption of FAS 142 had no effect on the Company s financial statements as of July 1, 2001. In August 2002, the Company agreed to significantly modify the terms of an agreement that originally provided for the continuation of a significant customer relationship. The terms of such modification were substantial enough that the Company accelerated amortization of $6,582,000 of its customer base intangible asset at June 30, 2002. The remaining value assigned to customer relationships will continue to be amortized over a 16-year average life, at a rate of approximately $680,000 per year, except for a specific customer relationship having a carrying value of $1,161,750 that will be amortized on a straight-line basis through August 31, 2004, resulting in annual amortization expense of approximately $536,000 during that period. The use of a 16-year average life of customer relationships amortized on a straight-line method is not materially different than using the estimated life of each individual relationship using a systematic allocation method. Goodwill and intangible assets, net of accumulated amortization, were $75,064,000 as of June 30, 2002 and $82,888,000 as of June 30, 2001, of which, goodwill was $57,862,000 as of both dates.

FAS 142 also eliminated the requirement to amortize the excess of the Company s investment over the underlying equity of the Company s equity method investments, to the extent that such excess is attributable to indefinite life intangible assets. The carrying value of the Company s investment in Gray of $19,060,000 as of June 30, 2002 is largely dependent on Gray s continuing assessment of the value of Gray s goodwill, broadcast licenses, network affiliation agreements and other intangible assets. Impairment in Gray s carrying value of its intangible assets could have a significant impact on the Company s carrying value of its investment in Gray.

Deferred Income Taxes
Deferred income tax liabilities or assets at the end of each period are determined using the tax rate expected to be in effect when the taxes are actually paid or recovered. A valuation allowance is recognized on certain deferred tax assets if it is more likely than not that some or

all of these deferred tax assets will not be realized. As of June 30, 2002 the Company has a net deferred tax asset of $21,400,000, primarily due to net operating loss carryforwards for federal tax purposes that expire beginning in 2018, net of a valuation allowance of $1,275,000. The Company believes it will generate adequate taxable income from operations and/or the sale or other disposition of appreciated investment assets in an amount sufficient to realize the deferred tax asset.

Derivative Instruments and Hedging Activities

Effective July 1, 2000, the Company adopted the Financial Accounting Standards Board s Statement No. 133, *Accounting for Derivative Investments and Hedging Activities* (FAS 133). FAS 133 requires the Company to recognize all derivative instruments (i.e., warrants to purchase additional shares of Gray common stock and interest rate swap agreements) on the balance sheet at fair value. The aggregate fair market value of derivatives as of June 30, 2002 and 2001 of $9,464,000 and $8,218,000, respectively, is included in the Company s balance sheet as a component of Other assets. The Company s adoption of FAS 133 resulted in a decrease in Stockholders Equity and Total Assets of $1,120,000 as of July 1, 2000. Changes in the estimated fair value of derivatives that do not meet the specific criteria in FAS 133 for hedge accounting (and none of the Company s derivative instruments have been determined to qualify for hedge accounting treatment) are included in the earnings (losses) reported for the period of the change. Management estimates the fair value of the warrants based on independent appraisals received on a quarterly basis, and estimates the fair value of interest rate swap agreements based on estimated market values provided by the counterparties to the swap agreements.

Valuation of Investments in Affiliated Companies

The Company accounts for its investments in Gray and iHigh, and until December 31, 2001, Rawlings, by the equity method. Effective December 31, 2001, the Company began accounting for its investment in Rawlings as an available-for-sale marketable security. (See Notes 2, 6 and 17 to the Consolidated Financial Statements for a complete discussion of the accounting for the investment in Rawlings.) As a result, the Company s carrying value of its investment in Rawlings is based on the closing price of Rawlings common stock as quoted on the Nasdaq Stock Market, and is reported on the balance sheet as a component of Investment in affiliated companies. As of June 30, 2002, the Company s unrealized loss in its investment in Rawlings was $3,382,000, as reported net of deferred tax of $1,302,000, as Other comprehensive accumulated loss . If and when management believes that any or all of the remaining unrealized loss represents a permanent impairment in the estimated value of the investment in Rawlings, the estimated impairment amount would be charged to the earnings (losses) reported for the period in which that determination was made. Likewise, if management determines that the carrying value of those investments accounted for by the equity method become permanently impaired in whole or in part, the estimated amount of the permanent impairment would be charged to the earnings (losses) reported for the period in which that determination was made. In the fiscal year ended June 30, 2002, the Company recognized a charge of $2,822,000 related to management s estimate of impairment in the carrying value of certain investments. Management has made such permanent impairment determinations in prior years as well, and accordingly in the period of such determination, the Company reduced the carrying value of the investment and reported an associated charge in its Statement of Operations.

LIQUIDITY AND CAPITAL RESOURCES

Credit Arrangements

As of June 30, 2002, the Company s indebtedness to its bank lenders was $93,907,000. Under agreements effective June 28, 2002, September 13, 2002 and October 11, 2002, the Company and its bank lenders amended the Company s bank credit agreement to modify borrowing capacity restrictions, revise certain financial covenants, provide for certain scheduled principal payments, revise the maturity date of the obligations under the bank credit facility to September 30, 2003, and reduce the interest rate charged on outstanding borrowings, among other changes. Under the amended agreement, the Company must make scheduled payments on its term loans of at least $5,000,000 by each of January 15, 2003, April 15, 2003 and July 15, 2003. The amended agreement also requires the Company to maintain a minimum net worth amount at all times and requires the maintenance of minimum profitability thresholds determined quarterly. In order to facilitate funding the required principal payments, the Company will likely be required to (a) sell certain investment assets held by the Company; or (b) issue and sell equity securities of the Company, which may include the Company s preferred stock; or (c) a combination thereof. Although there is no assurance that the Company will be able to effect the foregoing potential transactions or generate sufficient cash from these potential transactions within a time frame required by the bank lenders, on the basis of preliminary discussions with third parties, including affiliates, with whom such transactions may be consummated, the Company believes that it will be able to fund the scheduled principal payments in accordance with the terms of the amended bank credit facility. Prior to the maturity date, the Company will likely be required to refinance the total amount due and payable to the banks at that time. The Company s debt to the banks is collateralized by a lien on all of the Company s assets.

As amended in October 2002, the Company s credit agreement provides for (a) two term loans for borrowings totaling $73,932,000, bearing interest at either the banks prime rate plus .75% or the London Interbank Offered Rate (LIBOR) plus 3.75%, requiring minimum aggregate principal payments of $5,000,000 by each of January 15, 2003, April 15, 2003 and July 15, 2003, with all amounts outstanding under the term loans due on September 30, 2003; and (b) a revolving loan commitment (the Revolver) for maximum borrowings of $20,000,000 until maturity on September 30, 2003, bearing interest at either the banks prime rate plus .75% or LIBOR plus 3.75%. Borrowings under the Revolver are allowed to exceed 100% of eligible accounts receivable, however amounts borrowed exceeding such threshold will bear an additional amount of interest at a rate of 2% per annum. As of October 11, 2002, borrowings of $20,000,000 were outstanding under the Revolver, and there was no additional available borrowing capacity under the Revolver at that date. The Company anticipates that it will continue to utilize fully the availability under the Revolver and invest any excess cash on hand in highly-liquid investments.

In August 2002, the Company received federal income tax refunds and accrued interest thereon of approximately $4,250,000 that was used by the Company to fund working capital requirements. In July 2002, the Company s Chairman provided the Company short-term loans totaling $4,000,000 to increase the Company s cash available for working capital purposes. On August 31, 2002, the loans were refinanced with the issuance of the Company s convertible preferred stock to the Company s Chairman having a face amount of $4,097,000. In September 2002, the Company s Chairman and certain other affiliates of the Chairman invested an aggregate $3,000,000 in the Company s convertible preferred stock, which was used by the Company for working capital purposes. Under the terms of the amended credit agreement, up to an additional $12,500,000 in funding for working capital purposes, if necessary, may be sourced from the issuance of equity securities, including shares of the Company s redeemable preferred stock, or by the issuance of subordinated debt. Through October 11, 2002, the Company had sourced $7,097,000 of cash for working capital purposes from the previously-discussed issues of preferred stock to the Company s Chairman and his affiliates. Therefore, the Company has the capacity to source an additional $5,403,000 of cash from the issuance of equity or debt securities during the remaining term of the credit facility.

The Company s Chairman of the board personally guarantees substantially all of the debt outstanding under the current credit facility, and if the Company is unable to meet its principal payment obligations under the recently amended credit facility, it is likely that the bank lenders would call the guarantee, thereby requiring the Chairman to repay the amount of the loan to the banks. Under the terms of his guarantee, the Chairman has the option to purchase the entire loan from the banks, and thereby would become the holder of the debt currently payable to the banks and the related lien on the Company s assets. The guarantee amount will reduce in the future as principal payments are made to the bank lenders on the outstanding term loans.

In connection with the Host-USA Acquisition, the Company issued 8% subordinated notes, having an aggregate face value of $18,594,000. Interest is payable quarterly, and the notes had an original maturity date of January 17, 2003. Through October 11, 2002, holders representing an aggregate amount of approximately $18,200,000 of these subordinated notes agreed to amend the maturity date of their note, in substantially all cases, to January 17, 2006. It is anticipated that by no later than December 31, 2002, the remaining note holders will agree to the same or similar terms. Payment of interest and principal on all subordinated notes is subordinate to the Company s bank credit agreement.

The Company met all of its principal payment requirements for the fiscal year ended June 30, 2002, reducing its term debt by $20,793,000. In order to meet these principal payment obligations, the Company, as anticipated by the Company at the time it agreed to the principal maturity schedule, sold its remaining investments in Gray preferred stock and its investment in Tarzian common stock, resulting in cash proceeds of $16,803,000. In addition, the Company issued shares of its series B convertible preferred stock, resulting in cash proceeds of $2,400,000.

The Company s capital expenditures are not expected to exceed $600,000 for the year ending June 30, 2003. The Company s cash flow is cyclical, in that during the period from July 1 through August 31, the Company historically uses more cash than is generated due to the seasonality of the Company s predominant operating segment. During the period from January 1 through April 30, the Company has historically generated more cash than it uses, as this is generally the period during which the most substantial amount of revenue is derived from the Company s predominant operating segment. The Company believes that although there is no borrowing capacity currently available under its revolving credit facility, the cash flow anticipated from operations beginning in October 2002 will be sufficient to fund the Company s working capital, capital spending and interest payment requirements up to the September 30, 2003 maturity date of the bank credit facility. As previously discussed, the Company anticipates that the required principal payments to its bank lenders prior to September 30, 2003 will be made with proceeds from the sale of investment securities, issuance of equity securities or a combination thereof. The Company s bank credit agreement, as amended, provides the Company the ability to issue additional subordinated debt or equity securities for cash proceeds of up to $5,403,000 without requiring an associated reduction in its outstanding debt to the banks.

Historical Cash Flow Information Summary

The following summarizes the Company s historical cash flow activities (amounts in 000 s):

	Year Ended June 30,		
	2002	2001	2000
Cash flows from operating activities:			
Continuing operations	$ (5,321)	$ (1,758)	$ (117)
Discontinued operations	(127)	2,126	676
Cash flows from investing activities:			
Continuing operation investing activities	15,691	2,695	(46,072)
Discontinued operation investing activities	843	2,347	(642)
Cash flows from financing activities	(13,070)	(3,392)	46,451
Net increase (decrease) in cash and cash equivalents	$ (1,984)	$ 2,018	$ 296

Historical Cash Flow Information Cash Flows from Operating Activities

The following summarizes the Company s historical cash flows from operating activities (amounts in 000 s):

	Year Ended June 30,		
	2002	2001	2000
Operating income (loss)	$ (9,474)	$ (3,878)	$ (1,930)
Depreciation and amortization included in operations	9,342	5,917	3,656
Interest expense, net of interest and dividend income	(9,562)	(10,735)	(7,788)
Net change in operating assets and liabilities	10,385	5,017	5,260
Other changes in operating cash flows	(6,012)	1,921	685
Total cash flows from continuing operations	(5,321)	(1,758)	(117)
Cash flows from discontinued operating activities	(127)	2,126	676
Total cash flows from operating activities	$ (5,448)	$ 368	$ 559

The Company s total cash flows from continuing operations for each of the fiscal years ended June 30, 2002, 2001 and 2000 have been unfavorably affected as a result of interest expense, net of interest and dividend income, which has exceeded the Company s operating income before non-cash depreciation and amortization expense.

The net change in operating assets and liabilities has had a favorable impact on total cash flows from continuing operations. In the fiscal year ended June 30, 2002, accounts receivable decreased $13,251,000 due to an acceleration of customer payments and a reduction in the total amount of revenue under contract as of June 30, 2002 compared to June 30, 2001; prepaid costs and expenses were comparable with the prior year, decreasing $428,000; and accounts payable and accrued expenses decreased $1,868,000 due to (a) a $7,265,000 decline in deferred revenue; less (b) a $1,722,000 increase in guaranteed rights fees and profit splits payable; less (c) a $1,152,000 increase in accounts payable; less (d) a $3,810,000 increase in incurred unbilled costs. Deferred revenue declined during the fiscal year ended June 30, 2002 due to a reduction in the amount of corporate sponsor contracts in place as of June 30, 2002 compared to June 30, 2001, and to a lesser extent, the decision of certain corporate sponsors to accelerate the termination date of their multi-year sponsorship contract with the Company from August 31, 2002 to June 30, 2002. The number and amount of corporate sponsor contracts in place as of June 30, 2002 compared to the prior year was directly affected by the fact that the Host-NCAA Contract ended in August 2002, and therefore NCAA corporate sponsorships sold by Host could not extend beyond August 2002. The result of amending the termination dates of certain sponsorship contracts in the fiscal year ended June 30, 2002 and the decision to modify the terms of the Host-CBS

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Contract in August 2002 was to accelerate revenue (and thereby decreasing deferred income) by approximately $1,500,000, and increasing accrued expenses (primarily guaranteed rights fees payable) by approximately $3,700,000. Accounts payable increased primarily due to the deferred payment of certain operating expenses at June 30, 2002 compared to June 30, 2001. Incurred unbilled costs increased as of June 30, 2002 compared to the prior year as a result of the differences in the timing of billings related to certain active projects as of June 30, 2002 compared to the active projects as of June 30, 2001.

In the fiscal year ended June 30, 2001, accounts receivable increased $833,000 primarily due to changes in the timing of billings for contracts in place as of June 30, 2001 compared to June 30, 2000; prepaid costs and expenses decreased $572,000 due to decreases in event management costs of the 2001 event tours compared to those during the 2000 event tours; and accounts payable and accrued expenses increased $4,271,000 primarily due to the deferred payment of certain operating expenses at June 30, 2001 compared to June 30, 2000. In the fiscal year ended June 30, 2000, accounts receivable and prepaid costs and expenses decreased $15,794,000 due to decreases (subsequent to the date of the Host-USA Acquisition) in prepaid costs under various contracts and accounts receivable, and accounts payable and accrued expenses decreased $11,585,000 primarily due to decreases (subsequent to the date of the Host-USA Acquisition) in the accruals for guaranteed rights payments and incurred unbilled costs under various contracts.

Other changes in operating cash flows include the income on Gray s option to purchase the Company s investment in Tarzian of $349,000, $1,289,000 and $810,000 in the fiscal years ended June 30, 2002, 2001 and 2000, respectively. The option commenced in January 1999 and was exercised in December 2001.

Accounts receivable, accounts payable and certain accrued expenses were retained by the Company to be liquidated and were not included in the sale of the Datasouth assets in September 2000. Therefore, during the fiscal year ended June 30, 2002, cash was used in discontinued operations due to the deferred payment of certain accrued obligations retained by the Company. During the fiscal year ended June 30, 2001, cash was provided by discontinued operations due to a decrease in inventories prior to the sale of Datasouth in September 2000, and a decrease in accounts receivable, net of accounts payable and accrued expenses, during the period subsequent to the sale. During the fiscal year ended June 30, 2000, cash was provided by the operating activities of the discontinued Datasouth operation due to decreases in accounts receivable and inventories, net of a decrease in accounts payable and accrued expenses, of $376,000.

Historical Cash Flow Information Cash Flows from Investing Activities
The following summarizes the Company s historical cash flows from investing activities (amounts in 000 s):

	Year Ended June 30,		
	2002	**2001**	**2000**
Capital expenditures	$ (279)	$ (1,166)	$ (1,037)
Investments in and acquisition of businesses	(705)	(1,232)	(45,315)
Proceeds on sale or other disposition of investment assets	16,803	5,330	267
Other investing cash flows	(128)	(237)	13
Total cash flows from continuing operation investing activities	15,691	2,695	(46,072)
Cash flows from discontinued operation investing activities	843	2,347	(642)
Total cash flows from investing activities	$ 16,534	$ 5,042	$ (46,714)

In the fiscal year ended June 30, 2002, the Company sold its remaining investments in Gray series A and series B preferred stock and its investment in Tarzian common stock, resulting in proceeds of $16,803,000. The Company s investments in Gray preferred stock were sold to a company affiliated with the Company s Chairman and the Tarzian investment was sold to Gray under the terms of an option agreement of which Gray and the Company were parties thereto. In the fiscal year ended June 30, 2001, Gray redeemed $5,000,000 of its series B preferred stock owned by the Company. In the fiscal year ended June 30, 2000, the Company completed the Host-USA Acquisition, expending cash (net of cash acquired) of $45,315,000.

In the fiscal years ended June 30, 2002 and 2001, cash of approximately $879,000 and $2,400,000, respectively, was provided by investing activities of discontinued operations as a result of the proceeds on the sale of Datasouth, some of which were deferred until after the effective date of the sale. Cash used in investing activities of discontinued operations was $642,000 for the fiscal year ended June 30, 2000 due to capital expenditures of $84,000 and deferred cash payments of $558,000 for Datasouth s acquisition of a printer business.

Historical Cash Flow Information Cash Flows from Financing Activities
The following summarizes the Company s historical cash flows from financing activities (amounts in 000 s):

	Year Ended June 30,		
	2002	2001	2000
Net borrowings (repayments) on revolving lines of credit	$ 5,600	$ 5,175	$ (996)
Net proceeds (repayments) on long-term debt	(20,793)	(10,866)	47,835
Issuance of preferred stock	2,400	3,000	
Other financing cash flows	(277)	(701)	(388)
Total cash flows from financing activities	$(13,070)	$ (3,392)	$46,451

In the fiscal year ended June 30, 2002 and 2001, the Company reduced its long-term debt as a result of proceeds received on the sale or other disposition of investment assets in addition to proceeds received on the sale of Datasouth. Proceeds on the issuance of the Company s preferred stock to companies affiliated with the Company s Chairman were used to reduce long-term debt in the fiscal year ended June 30, 2002 and were used to fund working capital needs in the fiscal year ended June 30, 2001. The financing of the Host-USA Acquisition included incremental borrowings of long-term debt in the fiscal year ended June 30, 2000. There were no discontinued operation financing activities in the fiscal years ended June 30, 2002, 2001 or 2000.

Commitments
As of June 30, 2002, Host was obligated to a final guaranteed rights fee payment of $5,000,000 to the NCAA under the Host-NCAA Contract. Although the original contract with CBS Sports commencing September 1, 2002 obligated Host to an aggregate guaranteed rights fee of $575 million, of which, $40 million would have been payable during the initial contract year commencing September 1, 2002, Host has been relieved of substantially all of that obligation under the terms of a new agreement executed in September 2002.

The Company also commits under certain other contracts, which expire at varying times through 2006, to the payment of guaranteed rights fees. Future guaranteed rights fee commitments as of June 30, 2002, excluding those under the Host-NCAA Contract and the Host-CBS Contract, total approximately $15.3 million for the fiscal year ending June 30, 2003 and approximately $43.7 million over the entire remaining term of such contracts, which range from one to four years.

The Company is a party to two interest rate swap agreements described in Note 9 to the Consolidated Financial Statements. The estimated cost of terminating the swap agreements, if the Company elected to do so, was approximately $2.5 million as of June 30, 2002.

Dividends on the Company s series B preferred stock are payable annually at an annual rate of $90 per share in cash or in shares of the Company s common stock, at the holder s option, except that, until the second anniversary of the date of issuance, the Company has the option to pay such dividends in cash or in shares of the Company s common stock. For purposes of determining the number of shares of common stock to be issued as payment of a dividend, the common stock is valued at the average Nasdaq closing price for the twenty trading days immediately preceding each dividend payment date. On July 1, 2002, the Company declared a dividend to its series B preferred stockholders of record as of June 15, 2002, and paid such dividend in July 2002, having an aggregate value of $408,000, in the form of 440,165 shares of the Company s common stock.

RESULTS OF CONTINUING OPERATIONS FISCAL YEAR ENDED JUNE 30, 2002 COMPARED TO FISCAL YEAR ENDED JUNE 30, 2001

Results Derived from Operating Businesses

Total revenues for the fiscal years ended June 30, 2002 and 2001 are summarized as follows (amounts in $000 s):

	Year Ended June 30,	
	2002	**2001**
Collegiate Marketing and Production Services	$ 79,099	$ 85,019
Affinity Events	19,248	24,177
Affinity Management Services	14,714	11,117
Consulting	11	24
	$113,072	$120,337

Total revenues and operating results for the Collegiate Marketing and Production Services segment and the Affinity Events segment were unfavorably impacted in the fiscal year ended June 30, 2002 by the economic downturn and the resulting decline in corporate advertising and sponsorships, particularly during Host s peak selling period for corporate advertising and sponsorships which was primarily from September 2001 through February 2002. The Company believes that sales of corporate sponsorships associated with the NCAA Corporate Sponsor Program were negatively affected in the fiscal year ended June 30, 2002 since the Host-NCAA Contract was due to expire on August 31, 2002. The Company believes that NCAA corporate sponsors strongly prefer multi-year renewable commitments over single-year commitments, given the required time that it takes for a corporate sponsor to activate promotional programs related to an NCAA corporate sponsorship. It was therefore very difficult for the Company to attract and sign new NCAA corporate sponsors or replace NCAA corporate sponsors whose contracts had expired. Even though Host had signed the Host-CBS Contract under which Host then had the ability to continue selling NCAA corporate sponsorships, due to the nature of the Host-CBS Contract, no existing NCAA corporate sponsor contracts could extend beyond the August 31, 2002 termination date of the Host-NCAA Contract. Due to the change in the licensing rights provided to Host under the terms of the restructured Host-CBS Contract compared to the Host-NCAA Contract, effective September 1, 2002, total revenues derived by the Collegiate Marketing and Production Services segment will be significantly less than in prior years, as will direct operating costs of services rendered, due to a significant reduction in guaranteed rights fees that were incurred in prior years to acquire such licensing rights. Total revenues for the Collegiate Marketing and Production Services segment were favorably affected by approximately $1,500,000 in the fiscal year ended June 30, 2002 as a result of amending the termination dates of certain sponsorship contracts during the fiscal year from August 31, 2002 to June 30, 2002.

There were no significant transactions consummated by Gray during the fiscal year ended June 30, 2002 or 2001 that generated any significant consulting fee income for the Company. As a result of the Company s 12.9% equity investment in Gray, approximately 12.9% of consulting fees charged to Gray is not recognized as income by the Company until Gray chooses to amortize or otherwise reduce the book value of its goodwill, or upon a reduction in the Company s proportionate ownership of Gray common stock. There can be no assurance that the Company will recognize any consulting fees in the future, however the Company anticipates recognizing consulting fee income of at least $4,350,000 by December 2002 as a result of the execution by Gray of a definitive agreement to acquire Stations Holding Company, Inc. (Stations). The Company has received a $5,000,000 deposit from Gray as its consulting fee for services performed in connection with Gray s planned acquisition of Stations; however, the fee is refundable to Gray if Gray s acquisition of Stations does not ultimately occur. Assuming consummation of Gray s acquisition of Stations, at least approximately 87.1% of the $5,000,000 fee, or approximately $4,350,000, will be reported as income by the Company, and approximately 12.9%, or approximately $650,000, will be deferred and reported as income by the Company only under the circumstances described above.

Total operating costs and expenses for the fiscal years ended June 30, 2002 and 2001 are summarized as follows (amounts in $000 s):

	Year Ended June 30,	
	2002	**2001**
Direct operating costs of services rendered	$ 88,531	$ 81,421
Selling, general and administrative	32,773	38,527
Amortization of acquisition intangibles	1,242	4,267
	$122,546	$124,215

Direct operating costs of services rendered increased for the fiscal year ended June 30, 2002 from the prior fiscal year due to increases in the direct cost of obtaining certain marketing rights from the NCAA, colleges and universities, and athletic conferences. The Company must commit under certain contracts to the payment of guaranteed rights fees and/or profit-sharing fees, and the total amounts incurred as guaranteed rights fees and profit-sharing fees historically increase each year under the terms of multi-year contracts and contract renewal agreements. The total amount expensed by the Company for guaranteed rights fees and profit-sharing fees was $54,664,000 for the fiscal year ended June 30, 2002 compared to $46,073,000 for the prior fiscal year. Direct operating costs of services rendered were increased in the fiscal year ended June 30, 2002 by approximately $3,300,000 as a result of the acceleration of termination dates of certain corporate sponsorship contracts to June 30, 2002 from August 31, 2002. As noted above, the Company anticipates that total revenues and total direct operating costs of services rendered for the Collegiate Marketing and Production Services segment will significantly reduce subsequent to June 30, 2002.

Selling, general and administrative costs declined for the fiscal year ended June 30, 2002 from the prior fiscal year due to a reduction in the Company s workforce and a decrease in travel costs. During the fiscal year ended June 30, 2002, the Company reduced its workforce by eliminating certain positions, reorganizing certain responsibilities and terminating certain projects that were not currently or expected to generate an adequate operating profit. Total employee compensation costs included in selling, general and administrative expense were $19,197,000 for the year ended June 30, 2002 compared to $21,378,000 for the prior fiscal year. Travel costs were substantially reduced through efforts to operate more efficiently and control travel spending. As a result, total travel expense included in selling, general and administrative expense declined to $1,584,000 for the year ended June 30, 2002 compared to $3,555,000 for the prior fiscal year. It is anticipated that travel expenses will continue to decrease as a result of the restructuring of the Host-CBS Contract.

Amortization of acquisition intangibles, primarily attributable to the Host-USA Acquisition, declined for the fiscal year ended June 30, 2002 from the prior fiscal year as a result of the Company s previously-discussed adoption of FAS 142, which eliminated the requirement to amortize goodwill and other acquisition intangible assets. As a result of the changes made to the Host-CBS Contract, the Company accelerated approximately $6,582,000 of amortization expense at June 30, 2002 pertaining to the customer base intangible asset, since such modifications significantly altered the contractual nature of the Company s underlying relationship with the NCAA.

Operating income (loss) for the fiscal years ended June 30, 2002 and 2001 is summarized as follows (amounts in 000 s):

	Year Ended June 30,	
	2002	**2001**
Collegiate Marketing and Production Services	$ (4,945)	$ 4,795
Affinity Events	(2,424)	(3,837)
Affinity Management Services	1,275	1,681
Consulting	11	24
Amortization of acquisition intangibles	(7,824)	(4,267)
Unallocated general and administrative costs	(2,149)	(2,274)
	$(16,056)	$(3,878)

Results Derived from Investments and Derivative Instruments
Equity in earnings (losses) of affiliated companies, totaling $(1,962,000) for the fiscal year ended June 30, 2002 and $(4,235,000) for the fiscal year ended June 30, 2001 included (a) the Company s proportionate share of the earnings or losses of (i) Gray; (ii) iHigh; and (iii) until December 31, 2001, Rawlings, net of (b) amortization charges totaling $684,000 in 2001. Subsequent to December 31, 2001, the Company accounts for its investment in Rawlings as an available-for-sale marketable security (see Notes 6 and 15 to the Consolidated Financial Statements). As a result of adopting FAS 142 effective July 1, 2001, which eliminated the requirement for amortizing goodwill and certain other intangible assets, no amortization was charged to the investment in affiliated companies in the fiscal year ended June 30, 2002, thereby having a favorable impact of approximately $566,000 on the current year equity in earnings (losses) of affiliated companies.

Interest and dividend income of $151,000 and $810,000 for the fiscal years ended June 30, 2002 and 2001, respectively, was primarily derived from dividends paid on the Company s investment in Gray s series A and series B preferred stock, all of which was sold by September 2001. Shares of Gray series A and series B preferred stock were sold in September 2001 for $6,803,000, resulting in a gain of $3,064,000. Shares of Gray series A preferred stock were redeemed by Gray in December 2000 for $5,000,000, resulting in a gain of $2,160,000.

In the fiscal year ended June 30, 2002, the Company recognized a charge of $2,822,000 associated with the estimated impairment in the value of certain of the Company s investments. The determination to reduce the carrying amount of these investments was made based on management s estimate of the amount that might ultimately be recovered on a sale or other disposition of the investment and management s estimate of amounts which are committed to be invested in the future for which management does not reasonably anticipate recovery.

In the fiscal year ended June 30, 2001, Total Sports, Inc. (Total Sports) was sold to Quokka Sports Inc. (Quokka). In exchange for the Company s investment in preferred and common stock of Total Sports, the Company received Quokka common stock and warrants to purchase Quokka common stock. During the fiscal year ended June 30, 2001, Quokka declared bankruptcy and discontinued its business operations. As a result, the Company reduced the book value of its investment in Quokka to zero, recording non-cash charges totaling $8,017,000. In addition to the charge taken to reduce the book value of its investment in Quokka, the Company also recognized charges totaling $939,000 associated with the estimated impairment in the value of other investments.

The net change in the value of certain derivative instruments, consisting of warrants to purchase Gray common stock and interest rate swap agreements, was $(3,345,000) and $2,988,000 for the fiscal years ended June 30, 2002 and 2001, respectively. The value of the derivative instruments declined in the fiscal year ended June 30, 2002 as a result of a decline on the value of the warrants, and a decline on the value of the interest rate swap agreements as variable interest rates declined. As a result of the previously-discussed adoption of FAS 133, the Company recognized the cumulative effect of the accounting change of $(1,120,000), representing the value of the derivatives as of July 1, 2000 of $(1,807,000), less a deferred tax provision of $687,000.

Other income for the fiscal years ended June 30, 2002 and 2001 consisted primarily of income from an option agreement with Gray whereby Gray had the right to acquire the Company s investment in Tarzian. In December 2001, Gray exercised its option and acquired the investment in Tarzian for $10,000,000.

In the fiscal year ended June 30, 2002, the Company recognized an extraordinary loss of $(627,000), net of tax, as its proportionate share of an extraordinary loss recognized by Gray related to a charge resulting from Gray s early extinguishment of debt.

In the fiscal year ended June 30, 2002, the Company recognized the cumulative effect of an accounting change of $(2,620,000), net of tax, as its proportionate share of a cumulative effect adjustment recognized by Gray in January 2002 in connection with a change in Gray s accounting for goodwill and other intangible assets.

Interest Expense and Debt Related Costs

Interest expense decreased to $9,713,000 for the fiscal year ended June 30, 2002 from $11,545,000 for the prior fiscal year, as a result of a reduction in long-term debt and declines in variable interest rates on which a significant amount of the debt is subject.

Debt issue cost amortization of $2,830,000 and $2,410,000 for the fiscal years ended June 30, 2002 and 2001, respectively, resulted from the amortization of costs paid in connection with obtaining bank financing, as well as amortization of the value of shares of the Company s common stock issued to the Company s Chairman, who has personally guaranteed the Company s debt under its bank credit agreement. During the fiscal years ended June 30, 2002 and 2001, the Company issued approximately 1,055,000 shares and 874,000 shares, respectively, of common stock to the Company s Chairman to compensate him for his personal guarantee. The value of the shares issued, approximately $753,000 in fiscal 2002 and $1,449,000 in fiscal 2001, is amortized over the period for which the shares provide compensation, and approximately $1,565,000 and $1,262,000 is included in debt issue cost amortization for the fiscal years ended June 30, 2002 and 2001, respectively.

Income Taxes
As of June 30, 2002, the Company had a net operating loss carryforward for tax purposes of approximately $48.5 million to reduce Federal taxable income in the future, and other tax credit carryforwards totaling approximately $600,000 to reduce regular Federal income tax liabilities in the future. As of June 30, 2002, the Company had a net deferred tax asset of $21,400,000, net of a valuation allowance established in the fiscal year ended June 30, 2002 of $1,275,000, primarily due to a net operating loss carryforward for federal tax purposes that expire beginning in 2018. The Company believes it will generate adequate taxable income from operations or the sale or other disposition of appreciated nonoperating assets in an amount sufficient to realize the deferred tax asset prior to expiration of the net operating loss carryforward. The principal differences between the federal statutory tax rate of 34% and the effective tax rate are nondeductible intangibles amortization expense, state income taxes and, for the fiscal year ended June 30, 2002, a change in the amount of the valuation allowance.

RESULTS OF CONTINUING OPERATIONS FISCAL YEAR ENDED JUNE 30, 2001 COMPARED TO FISCAL YEAR ENDED JUNE 30, 2000

Results Derived from Operating Businesses
Total revenues for the fiscal years ended June 30, 2001 and 2000 are summarized as follows (amounts in $000 s):

	Year Ended June 30,	
	2001	2000
Collegiate Marketing and Production Services	$ 85,019	$54,443
Affinity Events	24,177	11,312
Affinity Management Services	11,117	4,934
Consulting	24	1,311
	$120,337	$72,000

Total revenues for the fiscal year ended June 30, 2000 included revenues of companies acquired in the Host-USA Acquisition only for the period from December 17, 1999 (date of acquisition) through June 30, 2000. Therefore, whereas the operating results for the year ended June 30, 2001 include operating results for the Collegiate Marketing and Production Services, Affinity Events and the Affinity Management Services business segments for an entire fiscal year, the results for these three segments reported for the year ended June 30, 2000 only include the results for the period from December 17, 1999 (date of acquisition) through June 30, 2000. Had the Host-USA Acquisition occurred as of or prior to July 1, 1999, the results for the fiscal year ended June 30, 2001 would have reflected a decline in total revenue of approximately 9.3% from $129,711,000 pro forma revenue for the fiscal year ended June 30, 2000.

The Company believes that the weak U.S. economy resulted in a decline in corporate spending for advertising and sponsorships during the year ended June 30, 2001 compared to the previous fiscal year. Sales of corporate sponsorships associated with the NCAA Corporate Sponsor Program were also negatively affected in the fiscal year ended June 30, 2001 by the fact that during that year, there was a period of time during which Host had publicly announced that it had ceased negotiations with CBS Sports on an extension of Host s representation of the NCAA in connection with the Corporate Partner Program. The Company believes that since prospective corporate sponsors had to then assume that Host might not continue its administration of this Program, and since the Company believes that corporate sponsors strongly prefer multi-year renewable commitments over what was then a two-year maximum arrangement, Host s ability to sign new NCAA corporate sponsors for the then remaining two years of the Host-NCAA Contract was negatively affected. Total revenue, in comparison with pro forma revenue for the fiscal year ended June 30, 2000, was unfavorably impacted somewhat due to the elimination of certain loss-generating projects in the fiscal year ended June 30, 2001 (which likewise resulted in a reduction in pro forma operating costs and expenses).

There were no significant transactions consummated by Gray during the fiscal year ended June 30, 2001, therefore consulting fee income on services provided to Gray was only $24,000. In the fiscal year ended June 30, 2000, the Company recognized consulting fee income of $1,311,000, primarily in connection with Gray s acquisition of three television stations.

Total operating costs and expenses for the fiscal years ended June 30, 2001 and 2000 are summarized as follows (amounts in $000 s):

	Year Ended June 30,	
	2001	**2000**
Direct operating costs of services rendered	$ 81,421	$49,437
Selling, general and administrative	38,527	21,891
Amortization of acquisition intangibles	4,267	2,602
	$124,215	$73,930

Prior year operating costs and expenses included those of the companies acquired in the Host-USA Acquisition only for the period from December 17, 1999 through June 30, 2000. Operating costs and expenses attributable to companies acquired in the Host-USA Acquisition were $117,769,000 for the fiscal year ended June 30, 2001 and $68,320,000 in the prior fiscal year. Had the Host-USA Acquisition occurred as of or prior to July 1, 1999, the results for the fiscal year ended June 30, 2001 would have reflected a decrease in total operating costs and expenses of approximately 6.6% from the $133,028,000 total operating costs and expenses for the fiscal year ended June 30, 2000 on a pro forma basis.

Direct operating costs of services rendered for the fiscal year ended June 30, 2001 represent a decline from the total pro forma direct costs and expenses for the fiscal year ended June 30, 2000, due to the elimination of certain loss-generating projects (resulting in a decline in total pro forma revenue as well), headcount reductions occurring in January 2000 as Host and USA operations were merged and reductions in certain operating costs associated with the Company s Affinity Events business which were enacted late in the fiscal year ended June 30, 2000. The overall reduction in pro forma direct operating costs and expenses was lessened by the increase in total guaranteed rights fees and profit-sharing fees under the terms of multi-year contracts and contract renewals.

Selling, general and administrative costs remained relatively constant in the fiscal year ended June 30, 2001 in comparison with the previous fiscal year on a pro forma basis, with the exception of a nonrecurring expense of $1,460,000 in the fiscal year ended June 30, 2000 for costs associated with a potential transaction involving one of the Company s investments.

Amortization of acquisition intangibles, primarily attributable to the Host-USA Acquisition, were approximately the same for the fiscal year ended June 30, 2001 as the pro forma expense for the fiscal year ended June 30, 2000.

Operating income (loss) for the fiscal years ended June 30, 2001 and 2000 is summarized as follows (amounts in 000 s):

	Year Ended June 30,	
	2001	2000
Collegiate Marketing and Production Services	$ 4,795	$ 4,354
Affinity Events	(3,837)	(2,551)
Affinity Management Services	1,681	568
Consulting	24	1,311
Amortization of acquisition intangibles	(4,267)	(2,602)
Unallocated general and administrative costs	(2,274)	(3,010)
	$(3,878)	$(1,930)

Had the Host-USA Acquisition occurred on or prior to July 1, 1999, the results for the fiscal year ended June 30, 2001 would have reflected an increase in the loss from operations of approximately $561,000 from $3,317,000 for the fiscal year ended June 30, 2000 presented on a pro forma basis.

Results Derived from Investments and Derivative Instruments

Equity in earnings (losses) of affiliated companies, totaling $(4,235,000) for the fiscal year ended June 30, 2001 and $(2,533,000) for the fiscal year ended June 30, 2000 included (a) the Company s proportionate share of the earnings or losses of (i) Gray; (ii) Rawlings; (iii) subsequent to December 17, 1999, iHigh and certain other equity investments; and (iv) prior to December 17, 1999, Host and Capital, net of (b) amortization charges totaling $684,000 in 2001 and $699,000 in 2000.

In January 1999, USA sold its investment in broadcast.com, inc., recognizing a gain of approximately $40 million. As a result of Host s equity investment in USA and the Company s equity investment in Host reported on a six-month lag basis, the Company recognized approximately $1.9 million in equity in earnings of affiliates in the fiscal year ended June 30, 2000 due to USA s gain on the sale.

Rawlings recognized an after-tax charge of approximately $12.8 million associated with its decision to sell its Vic hockey business in its fiscal quarter ended May 31, 2000. As a result, the Company s pretax equity in earnings (losses) of Rawlings was negatively impacted in the fiscal year ended June 30, 2000 by approximately $1.3 million.

Interest and dividend income of $810,000 and $958,000 for the fiscal years ended June 30, 2001 and 2000, respectively, was primarily derived from dividends paid on the Company s investment in Gray s series A and series B preferred stock. Dividend income decreased from the previous fiscal year due to Gray s redemption of a portion of its series A preferred stock in December 2000 for $5,000,000, resulting in a gain to the Company of $2,160,000.

In the fiscal year ended June 30, 2001,the Company reduced the book value of its investment in Quokka to zero, recording non-cash charges totaling $8,017,000. In the fiscal year ended June 30, 2000, the Company recognized an expense of $2,850,000 associated with the impairment in the value of the Company s investment in a warrant for Rawlings common stock. The determination to reduce the carrying value of the Company s investment in the Rawlings warrant was made based on management s assessment that the likelihood that the warrant would vest prior to its expiration date, in accordance with the present terms of the warrant, was remote. As a result of this assessment, management believed its ability to recover any of the carrying value of the investment in the warrant was remote. The warrant expired unexercised in November 2001.

The net change in the value of certain derivative instruments, consisting of warrants to purchase Gray common stock and interest rate swap agreements, was $2,988,000 for the fiscal year ended June 30, 2001, as a result of an increase in the value of the warrants, net of a reduction in the value of the interest rate swap agreements as variable interest rates declined. As a result of the previously-discussed adoption of FAS 133, the Company recognized the cumulative effect of the accounting change of $(1,120,000), representing the value of the derivatives as of July 1, 2000 of $(1,807,000), less a deferred tax provision of $687,000.

As a result of Gray s issuance of shares of its class B common stock in October 1999 in connection with consideration paid in the acquisition of three television stations, the Company s common equity ownership of Gray was reduced from 16.9% to 13.1%, resulting in a pretax gain for the Company of $490,000 in the fiscal year ended June 30, 2000. There can be no assurance that such sales or such gains of a material nature will occur in the future.

As a result of accounting errors discovered by the Company in the financial statements of USA subsequent to the Host-USA Acquisition, the Company recorded a charge of $11,330,000 in December 1999, reflecting the extent to which USA s net tangible current assets as of the date of the Host-USA Acquisition were overstated. The errors resulted from inaccurate computations of prepaid costs and expenses, sponsor contract receivables and deferred revenue associated with the Company s (and prior to the Host-USA Acquisition, USA s) Affinity Events business.

Other income for the fiscal years ended June 30, 2001 and 2000 consisted primarily of income from an option agreement with Gray whereby Gray has the right to acquire the Company s investment in Tarzian.

Interest Expense and Debt Related Costs

Interest expense was $11,545,000 and $8,746,000 for the fiscal years ended June 30, 2001 and 2000, respectively, increasing over the prior fiscal year due to increased borrowing in order to effect the Host-USA Acquisition in December 1999.

Debt issue cost amortization of $2,410,000 and $953,000 for the fiscal years ended June 30, 2001 and 2000, respectively, resulted from the amortization of costs paid in connection with obtaining bank financing primarily for the Host-USA Acquisition, as well as amortization of the value of shares of the Company s common stock issued to the Company s Chairman, who personally guaranteed the Company s debt under its bank credit agreement. During the fiscal years ended June 30, 2001 and 2000, the Company issued approximately 874,000 shares and 305,000 shares, respectively, of common stock to the Company s Chairman to compensate him for his personal guarantee. The value of the shares issued, approximately $1,449,000 in fiscal 2001 and $1,219,000 in fiscal 2000, is amortized over one year, and approximately $1,262,000 and $610,000 is included in debt issue cost amortization for the fiscal years ended June 30, 2001 and 2000, respectively.

Income Taxes

The principal differences between the federal statutory tax rate of 34% and the effective tax rate are nondeductible goodwill amortization and state income taxes, and in the fiscal year ended June 30, 2000 only, correction of purchase price.

RESULTS OF DISCONTINUED OPERATIONS

Revenue from Datasouth s computer printer operations was $4,406,000 for the period July 1, 2000 to September 29, 2000, the date on which the operating business was sold to another computer printer company. Gross profit from printer operations was 23.2% for the period.

Operating expenses associated with discontinued operations for the period July 1, 2000 to September 29, 2000 of $1,221,000 represent 27.7% or revenue. Estimated operating losses during the disposal period were accrued as of June 30, 2000 and included as a component of the estimated loss on the disposal of the discontinued segment. Under the terms of the sale, Datasouth continued to employ personnel and operate Datasouth s manufacturing and administration facility on behalf of the purchaser during a transition period subject to a transition services agreement. The purchaser reimbursed Datasouth for substantially all personnel and operating costs incurred during the transition period. The transition period ended on June 30, 2001, at which time all remaining employees of Datasouth became employees of the purchaser.

Revenue from Datasouth s computer printer operations of $24,959,000 for the fiscal year ended June 30, 2000 and the gross profit margin from printer operations was 24.8% of revenue. Operating expenses associated with discontinued operations of $6,507,000 for the fiscal year ended June 30, 2000 represented 26.1% of revenue. Operating expenses included non-cash goodwill amortization expense of $555,000 for the fiscal year ended June 30, 2000.

The Company allocated an income tax benefit to the discontinued segment of $10,000 for the fiscal year ended June 30, 2000, representing an effective tax rate of 3.0%. The effective tax rate was low due since nondeductible goodwill amortization in the period nearly equaled the amount of pretax loss.

INTEREST RATE AND MARKET RATE RISK

The Company is exposed to changes in interest rates due to the Company s financing of its acquisitions, investments and operations. Interest rate risk is present with both fixed and floating rate debt. The Company uses interest rate swap agreements (as described in Liquidity and Capital Resources above) to manage its debt profile.

Interest rate swap agreements generally involve exchanges of underlying face (notional) amounts of designated hedges. The Company continually evaluates the credit quality of counterparties to interest rate swap agreements and does not believe there is a significant risk of nonperformance by any of the counterparties to the agreements.

Based on the Company s debt profile as of each fiscal year end, a 1% increase in market interest rates would increase interest expense and decrease the income before income taxes (or alternatively, increase interest expense and increase the loss before income taxes) by $519,000, $668,000 and $538,000 for the fiscal years ended June 30, 2002, 2001 and 2000, respectively. These amounts were determined by calculating the effect of the hypothetical interest rate on the Company s floating rate debt, after giving effect to the Company s interest rate swap agreements. These amounts do not include the effects of certain potential results of increased interest rates, such as a reduced level of overall economic activity or other actions management may take to mitigate the risk. Furthermore, this sensitivity analysis does not assume changes in the Company s financial structure that could occur if interest rates were higher.

The Company holds investments in certain common stocks, preferred stocks and options to purchase common stock. The Company is exposed to changes in market values of these investments, some of which are publicly traded common stocks. In each case where there exists a quoted market price for a publicly-traded security in which the Company holds investments, the investment is accounted for under the equity method, whereby changes in the quoted market price of the security do not impact the carrying value of the investment. However, fluctuations in market prices of investments could ultimately affect the amounts the Company might realize upon a disposal of some or all of its investments. Based on management s estimates of the aggregate fair value of the Company s investments in affiliated companies (as described in Note 13 to the consolidated financial statements), a 10% change in the aggregate market value of such investments would increase or decrease such aggregate market value by approximately $4,600,000 and $7,700,000 as of June 30, 2002 and 2001, respectively.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this report, the words believes, expects, anticipates, estimates and similar words and expressions are generally intended to identify forward-looking statements. Statements that describe the Company s future strategic plans, goals or objectives are also forward-looking statements. Readers of this Report are cautioned that any forward-looking statements, including those regarding the intent, belief or current expectations of the Company or management, are not guarantees of future performance, results or events, and involve risks and uncertainties. The forward-looking statements included in this report are made only as of the date hereof. The Company undertakes no obligation to update such forward-looking statements to reflect subsequent events or circumstances. Actual results and events may differ materially from those in the forward-looking statements as a result of various factors including, but not limited to the following: (i) the Company s and Gray s leverage may adversely affect their ability to obtain financing, thereby impairing their ability to withstand economic downturns or competitive pressures; (ii) Gray s business depends, in part, on sales of advertising time and space and on its relationships with, and success of, its national network affiliates; (iii) significant segments of the Company s business are seasonal; (iv) the Company s business depends on short term contracts and the inability to renew or extend these contracts could adversely affect its business; (v) the Company may lose money on some of its contracts, because it guarantees certain payments thereunder; (vi) war or acts of terrorism or a continued domestic economic downturn or recession could materially adversely impact corporate discretionary spending, such as sponsorships and advertising sold by the Company and Gray.

<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>

See Interest Rate and Market Rate Risk in Item 7 Management s Discussion and Analysis.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT ACCOUNTANTS

BOARD OF DIRECTORS AND STOCKHOLDERS OF BULL RUN CORPORATION:

We have audited the accompanying consolidated balance sheets of Bull Run Corporation as of June 30, 2002 and 2001, and the related consolidated statements of operations, stockholders equity and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Gray Television, Inc. (a corporation in which the Company has a 13% interest), as of December 31, 2000 and for the year then ended, and the financial statements of Rawlings Sporting Goods Company, Inc. (a corporation in which the Company has a 10% interest), as of August 31, 2000 and for the year then ended. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts for the periods ended December 31, 2000 and August 31, 2000 included for Gray Television, Inc. and Rawlings Sporting Goods Company, Inc., respectively, is based solely on their reports.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bull Run Corporation at June 30, 2002 and 2001, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

PRICEWATERHOUSECOOPERS LLP

Atlanta, Georgia
September 12, 2002, except as to Note 9,
for which the date is October 11, 2002

REPORT OF INDEPENDENT AUDITORS

BOARD OF DIRECTORS AND STOCKHOLDERS OF BULL RUN CORPORATION:

We have audited the accompanying consolidated statements of operations, stockholders equity and cash flows of Bull Run Corporation for the year ended June 30, 2000. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Rawlings Sporting Goods Company, Inc., (a corporation in which the Company has a 10% interest), as of August 31, 1999 and for the year then ended, have been audited by other auditors whose report has been furnished to us; insofar as our opinion relates to data included for Rawlings Sporting Goods Company, Inc., it is based solely on their report.

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

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of Bull Run Corporation for the year ended June 30, 2000, in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

Charlotte, North Carolina
September 28, 2000, except for Note 3 as to which the date is
July 26, 2001

BULL RUN CORPORATION
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	June 30, 2002	June 30, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 653	$ 2,637
Accounts receivable, net of allowance of $444 and $545 as of June 30, 2002 and 2001, respectively	16,296	29,547
Inventories	644	494
Prepaid costs and expenses	2,674	3,117
Income taxes receivable	4,187	4,626
Deferred income taxes		121
Net current assets of discontinued segment	104	
Total current assets	24,558	40,542
Property and equipment, net	5,398	6,623
Investment in affiliated companies	25,115	50,399
Goodwill	57,862	57,862
Customer base and trademarks	17,202	25,026
Deferred income taxes	21,400	9,191
Other assets	9,464	14,313
Net noncurrent assets of discontinued segment		2,582
	$160,999	$206,538
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 15,000	$ 20,590
Accounts payable	7,212	6,060
Deferred revenue	9,624	16,889
Accrued and other liabilities	19,549	13,942
Net current liabilities of discontinued segment		11
Total current liabilities	51,385	57,492
Long-term debt	98,091	107,693
Other liabilities	1,992	3,749
Total liabilities	151,468	168,934
Commitments and contingencies		
Redeemable Series B convertible preferred stock, $.01 par value, (authorized 100 shares; issued and outstanding 5 shares; $5,400 aggregate liquidation value)	5,400	
Stockholders equity:		
Series A preferred stock, $.01 par value (authorized 100 shares; issued and outstanding 3 shares; $3,000 aggregate liquidation value)		2,178
Common stock, $.01 par value (authorized 100,000 shares; issued 38,108 and 36,526 shares as of June 30, 2001 and 2000, respectively)	381	365
Additional paid-in capital	78,698	78,380
Treasury stock, at cost (542 shares)	(1,393)	(1,393)
Other comprehensive accumulated loss	(2,080)	

Retained earnings (accumulated deficit)	(71,475)	(41,926)
Total stockholders equity	4,131	37,604
	$160,999	$206,538

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

BULL RUN CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share data)

	Year Ended June 30,		
	2002	2001	2000
Revenue from services rendered	$113,072	$120,337	$72,000
Operating costs and expenses:			
Direct operating costs of services rendered	88,531	81,421	49,437
Selling, general and administrative	32,773	38,527	21,891
Amortization of acquisition intangibles	7,824	4,267	2,602
	129,128	124,215	73,930
Operating loss	(16,056)	(3,878)	(1,930)
Other income (expense):			
Equity in earnings (losses) of affiliated companies	(1,962)	(4,235)	(2,533)
Gain on issuance of shares by affiliate			490
Gain on disposition of investments	3,064	2,160	
Reduction in valuation of investment in affiliate	(2,822)	(8,956)	(2,850)
Correction of purchase price allocation			(11