

ADAMS GOLF INC
Form 10-Q
August 06, 2003

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

FORM 10-Q

(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2003

☐ 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: 0-24583

ADAMS GOLF, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

75-2320087

(I.R.S. Employer Identification No.)

300 Delaware Avenue, Suite 572, Wilmington,
Delaware

(Address of principal executive offices)

19801

(Zip Code)

(302) 427-5892

(Registrant's telephone number, including area code)

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

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required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act)

☐ Yes ☒ No

The number of outstanding shares of the registrant's common stock, par value \$.001 per share, was 22,480,071 on August 4, 2003.

ADAMS GOLF, INC. AND SUBSIDIARIES

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ADAMS GOLF, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

ASSETS

	June 30, <u>2003</u> (unaudited)	December 31, <u>2002</u>
Current assets:		
Cash and cash equivalents	\$ 3,134	\$ 5,611
Trade receivables, net of allowance for doubtful accounts of \$719 (unaudited) and \$662 in 2003 and 2002, respectively	18,537	8,533
Inventories (note 2)	9,955	9,127
Prepaid expenses	509	934
Income tax receivable	9	18
Other current assets	<u>34</u>	<u>136</u>
Total current assets	32,178	24,359
Property and equipment, net	1,390	1,937
Other assets, net	<u>158</u>	<u>142</u>
	\$ 33,726	\$ 26,438

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Short-term borrowings (note 3)	\$ --	\$ --
Accounts payable	2,675	933
Accrued expenses (note 4)	<u>7,340</u>	<u>5,326</u>
Total current liabilities	10,015	6,259
Other non-current liabilities	<u>613</u>	<u>703</u>
Total liabilities	<u>10,628</u>	<u>6,962</u>
Stockholders' equity:		
Preferred stock, \$0.01 par value; authorized 5,000,000 shares; none issued	--	--
Common stock, \$0.001 par value; authorized 50,000,000 shares;	23	23

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23,137,571 shares issued and 22,480,071 shares outstanding		
Additional paid-in capital	87,531	87,381
Deferred compensation	(509)	(671)
Accumulated other comprehensive loss	(680)	(653)
Accumulated deficit	(60,131)	(63,468)
Treasury stock, 657,500 common shares, at cost	<u>(3,136)</u>	<u>(3,136)</u>
Total stockholders' equity	<u>23,098</u>	<u>19,476</u>
Contingencies (note 12)	\$ 33,726	\$ 26,438

See accompanying notes to unaudited condensed consolidated financial statements.

ADAMS GOLF, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net sales	\$ 17,580	\$ 11,262	\$ 33,325	\$ 23,679
Cost of goods sold		<u>7,762</u>	<u>17,472</u>	<u>14,113</u>
	<u>9,468</u>			
Gross profit	8,112	3,500	15,853	9,566
Operating expenses:				
Research and development expenses	417	349	838	673
Selling and marketing expenses	4,524	3,338	8,450	6,796
General and administrative expenses:				
Provision for bad debts	293	174	453	331
Other	<u>1,436</u>	<u>2,056</u>	<u>2,781</u>	<u>3,564</u>
		<u>5,917</u>		<u>11,364</u>
Total operating expenses	<u>6,670</u>		<u>12,522</u>	
Operating income (loss)	<u>1,442</u>	<u>(2,417)</u>	<u>3,331</u>	<u>(1,798)</u>
Other income (expense):				
Interest income (expense), net	(22)	(11)	(32)	29
Other income (expense), net	<u>90</u>	<u>(44)</u>	<u>133</u>	<u>(54)</u>
Income (loss) before income taxes	1,510	(2,472)	3,432	(1,823)
Income tax expense (note 9)	<u>14</u>		<u>95</u>	<u>(471)</u>
		<u>(510)</u>		

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Net income (loss)	\$ 1,496	\$ (1,962)	\$ 3,337	\$ (1,352)
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Net income/loss per common share - basic and diluted (note 5)	\$ 0.07	\$ (0.09)	\$ 0.15	\$ (0.06)
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See accompanying notes to unaudited condensed consolidated financial statements.

ADAMS GOLF, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

Six months ended June 30, 2003
(unaudited)

	Shares of Common <u>Stock</u>	Common <u>Stock</u>	Additional Paid-in <u>Capital</u>	Deferred <u>Compensation</u>	Accumulated Other Comprehensive <u>Loss</u>	Accumulated <u>Deficit</u>	Comprehensive <u>Income</u>	Cost of Treasury <u>Stock</u>	To Stockh <u>Equ</u>
Balance, December 31, 2002	23,137,571	\$ 23	\$ 87,381	\$ (671)	\$ (653)	\$ (63,468)		\$ (3,136)	\$ 1
Comprehensive income:									
Net income	--	--	--	--	--	3,337	\$ 3,337	--	
Other comprehensive income, net of tax:									
Foreign currency translation	--	--	--	--	(27)	--	(27)	--	
Comprehensive income	--	--	--	--	--	--	\$ 3,310	--	
Stock option forfeitures	--	--	(29)	29	--	--	--	--	
Issuance of stock options	--	--	179	(179)	--	--	--	--	
Amortization of deferred compensation	--	--	--	312	--	--	--	--	
Balance, June 30, 2003	23,137,571	\$ 23	\$ 87,531	\$ (509)	\$ (680)	\$ (60,131)		\$ (3,136)	\$

See accompanying notes to unaudited condensed consolidated financial statements.

ADAMS GOLF, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended June 30,	
	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Net income (loss)	\$ 3,337	\$ (1,352)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization of property and equipment and intangible assets	758	1,024
Amortization of deferred compensation	312	473
Provision for doubtful accounts	453	331
Changes in assets and liabilities:		
Trade receivables	(10,457)	(8,982)
Inventories	(828)	1,192
Prepaid expenses	425	269
Income tax receivable	9	--
Other current assets	102	36
Other assets	(26)	34
Accounts payable	1,742	1,559
Accrued expenses	1,998	466
Other non-current liabilities	<u>(90)</u>	<u>--</u>
Net cash used in operating activities	(2,265)	(4,950)
Cash flows from investing activities:		
Purchases of equipment	<u>(172)</u>	<u>(88)</u>
Net cash used in investing activities	(172)	(88)
Cash flows from financing activities:		
Principal payments under capital lease obligation	(16)	(36)
Debt financing costs	<u>(24)</u>	<u>(135)</u>
Net cash used in financing activities	(40)	(171)
Net decrease in cash and cash equivalents	(2,477)	(5,209)
Cash and cash equivalents at beginning of period	<u>5,611</u>	<u>9,245</u>
Cash and cash equivalents at end of period	\$ 3,134	\$ 4,036
Supplemental disclosure of cash flow information		
Interest paid	\$ 22	\$ 22
Income taxes paid	\$ 86	\$ 37
Supplemental disclosure of non-cash investing and financing activities -	\$ 31	\$ --

equipment financed with capital lease

See accompanying notes to unaudited condensed consolidated financial statements.

ADAMS GOLF, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The unaudited condensed consolidated financial statements of Adams Golf, Inc. and its subsidiaries (the "Company" or "Adams Golf") for the three and six month periods ended June 30, 2003 and 2002 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The information included reflects all adjustments (consisting only of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly state the operating results for the respective periods. However, these operating results are not necessarily indicative of the results expected for the full fiscal year. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to SEC rules and regulations. The notes to the unaudited condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements contained in the Company's 2002 Annual Report on Form 10-K filed with the SEC on April 1, 2003.

Founded in 1987, Adams Golf, Inc. initially operated as a component supplier and contract manufacturer. Thereafter, the Company established its custom fitting operation. Today it designs, assembles, markets and distributes premium quality, technologically innovative golf clubs, including the recently introduced Redline drivers and fairway woods, the Tight Lies family of fairway woods and drivers, the Adams Golf Idea Irons and i-Woods, the Tight Lies GT irons and i-Woods, the Tom Watson signature series of wedges, the GT Spec Putters and certain accessories. The Company was incorporated in 1987 and re-domesticated in Delaware in 1990. The Company completed an internal reorganization in 1997 and now conducts its operations through several direct and indirect wholly-owned subsidiaries, agencies, and distributorships.

2. Inventories

Inventories consisted of the following (in thousands):

	June 30, <u>2003</u> (unaudited)	December 31, <u>2002</u>
Finished goods	\$ 3,772	\$ 3,545
Component parts	<u>6,183</u>	<u>5,582</u>
Total Inventory	\$ 9,955	\$ 9,127

3. Short-term Borrowings

During the first quarter of 2003, the Company entered into a revolving credit agreement with First Community Financial Corporation to provide up to \$1.0 million in short-term debt. Advances under this facility are limited to 50% of the eligible accounts receivable that are less than 60 days old. The agreement is collateralized by all assets of the Company and requires, among other things, the Company to maintain certain financial performance levels relative to net worth and accounts receivable collections. The agreement is for an initial term of one year and requires minimum monthly interest expense of \$3,750 per month for the first six months and \$2,000 per month for the last six months. During the first quarter of 2003, the Company elected to draw \$0.5 million of the credit facility to facilitate component purchases and working capital requirements. As of July 31, 2003, there is no outstanding loan balance.

under this credit facility.

ADAMS GOLF, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Accrued Expenses

Accrued Expenses consisted of the following (in thousands):

	June 30, <u>2003</u> (unaudited)	December 31, <u>2002</u>
Payroll and commissions	\$ 1,304	\$ 965
Royalties	--	26
Advertising	1,018	322
Product warranty expense and sales returns	595	566
Professional services	130	149
Restructuring costs	294	465
Faldo settlement costs	1,110	1,004
Deferred revenue	1,224	682
Other	<u>1,665</u>	<u>1,147</u>
Total Accrued Liabilities	\$ 7,340	\$ 5,326

During 2002, the Company executed an operational restructuring plan, which resulted in the closure of the Adams Golf UK, Limited wholly owned subsidiary. The operational restructuring plan resulted in a restructuring charge of \$850,000 for severance, a write off of goodwill and other related exit costs. Approximately \$294,000 remains in accrued expenses associated with the operational restructuring. The Company continues to sell its products in the UK through a distributor.

5. Income per Common Share

The weighted average common shares used for determining basic and diluted income per common share were 22,480,071 and 24,167,881, respectively, for the three months ended June 30, 2003 and 22,480,071 and 22,480,071, respectively, for the three months ended June 30, 2002. The effect of all warrants and options to purchase shares of the Company's common stock for the three months ended June 30, 2003 resulted in additional dilutive shares of 1,687,810. For the three months ended June 30, 2003, approximately 1,825,730 options and 100,000 warrants were excluded from the calculation of dilutive shares, as the effect of inclusion would have been antidilutive.

The weighted average common shares used for determining basic and diluted income per common share were 22,480,071 and 23,434,090, respectively, for the six months ended June 30, 2003 and 22,480,071 and 22,480,071, respectively, for the six months ended June 30, 2002. The effect of all warrants and options to purchase shares of the Company's common stock for the six months ended June 30, 2003 resulted in additional dilutive shares of 954,019. For the six months ended June 30, 2003, approximately 1,825,730 options and 100,000 warrants were excluded

from the calculation of dilutive shares, as the effect of inclusion would have been antidilutive.

6. Comprehensive Income

Comprehensive income for the six months ended June 30, 2003 was \$3.3 million and for the six months ended June 30, 2002 the Company reported a comprehensive loss of \$1.3 million.

ADAMS GOLF, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Stock Compensation

At June 30, 2003, the Company has one stock-based compensation plan that replaced four predecessor plans. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. The Company has elected to continue to apply the intrinsic value-based method of accounting for employee stock option grants and has adopted the SFAS No.148 disclosure requirements. Non-Employee option grants are accounted for using the fair-value based method. The following table illustrates the effect on net income (loss) and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 *Accounting for Stock Based Compensation*, to stock-based employee compensation for the six months ended June 30, 2003 and the six months ended June 30, 2002 (in thousands, except for per share amounts):

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Net income (loss):		
As reported	\$ 3,337	\$ (1,352)
Add: Stock-based compensation expenses included in reported net income (loss), net of related tax effects	312	473
Deduct: Total Stock-based compensation expense determined under the fair value method	<u>(324)</u>	<u>(491)</u>
Pro forma	<u>\$ 3,325</u>	<u>\$ (1,370)</u>
	=====	=====
Diluted income (loss) per common share:		
As reported	\$ 0.15	\$ (0.06)
Pro forma	0.15	(0.06)

8. Geographic Segment and Data

The Company generates substantially all revenues from the design, assembly, marketing and distribution of premium quality, technologically innovative golf clubs and accessories. The Company's products are distributed in both domestic and international markets. Net sales by customer domicile for these markets consisted of the following (in thousands):

	Three Months Ended June 30, <u>2003</u> <u>2002</u> (unaudited)		Six Months Ended June 30, <u>2003</u> <u>2002</u> (unaudited)	
United States	\$ 14,750	\$ 8,194	\$ 28,641	\$ 18,458
Rest of World	<u>2,830</u>	<u>3,068</u>	<u>4,684</u>	<u>5,221</u>

Total Net Revenue	\$ 17,580	\$ 11,262	\$ 33,325	\$ 23,679
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ADAMS GOLF, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. Income Taxes

In assessing the realizability of deferred income tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Due to the historical operating results of the Company, management is unable to conclude on a more likely than not basis that all deferred income tax assets generated through operating losses through June 30, 2003 will be realized. Accordingly, the Company has recognized a valuation allowance equal to the entire deferred income tax asset.

10. New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 143, *Accounting for Asset Retirement Obligations*, which addresses the accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company adopted the provisions in the first quarter of 2003, which had no impact on the consolidated financial statements.

In July 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which addresses the financial accounting and reporting for costs associated with exit or disposal activities to be recorded at fair values when a liability has been incurred. This standard applies to all activities occurring on or after January 1, 2003. The Company adopted the provisions in the first quarter of 2003, which had no impact on the consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure*, which provides three alternative transition methods for companies that choose to adopt the fair value measurement provisions of SFAS No. 123. Other than additional disclosure requirements that the Company adopted the provisions in the first quarter of 2003, which had no impact on the consolidated financial statements.

11. Liquidity

The Company's anticipated sources of liquidity over the next twelve months are expected cash reserves, projected cash flow from operations, and available borrowings under the Company's revolving credit facility. The adequacy of these available sources are dependent upon, among other things, the consumer acceptance of the Company's products, the Company's ability to manage working capital requirements, changes in the current economic environment, and changes in the competitive landscape of the golf industry. These and other factors within and outside the Company's control could impact the Company's anticipated sources of liquidity, including, specifically, the projected amount of cash to be generated from operations in future periods. Management believes, however, that these sources of liquidity will provide cash resources sufficient to meet the Company's requirements through the next twelve months. Should the Company at some point in the future require additional financing, no assurance can be given that any additional financing would be available on acceptable terms, or at all. Should the Company be unable to obtain additional financing, it may be required to further reduce costs associated with its current infrastructure, decrease spending on

marketing and advertising campaigns, curtail component part purchasing and research and development programs and/or halt all other discretionary spending programs, any of which could reduce sales and adversely affect the Company's liquidity and operations.

On January 3, 2003, the Company terminated its credit agreement with General Electric Capital Corp. without any penalties or other fees. The line of credit was no longer viable for the business and the Company wanted to pursue other sources of working capital financing.

ADAMS GOLF, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Liquidity (continued)

In March 2003, the Company entered into a revolving credit agreement with First Community Financial Corporation to provide up to \$1.0 million in short-term debt. Advances under this facility are limited to 50% of the eligible accounts receivable that are less than 60 days old. The agreement is collateralized by all assets of the Company and requires, among other things, the Company to maintain certain financial performance levels relative to net worth and accounts receivable collections. The credit facility bears interest at the rate of prime plus 4% per year with a minimum annual rate of 8.25%. The prime rate as of July 31, 2003 was 4.25%. The agreement is for an initial term of one year and requires minimum monthly interest expense of \$3,750 per month for the first six months and \$2,000 per month for the last six months. In addition, the agreement contains restrictions on the Company's acquisition of its capital stock and the payment of dividends, among other things, without the prior written consent of the lender. The agreement is guaranteed by the Company and certain of its wholly-owned subsidiaries.

During March 2003, the Company elected to draw \$0.5 million of the credit facility to facilitate component purchases and working capital requirements. As of July 31, 2003, there is no outstanding loan balance under this credit facility.

Tom Watson currently holds a second lien on no more than \$1.0 million worth of the Company's assets to secure payments owed to him under his Golf Consultant Agreement.

The Company's anticipated sources of liquidity over the next twelve months are expected cash reserves, projected cash flow from operations, and available borrowings under the new revolving credit facility. Cash flow from operations consists primarily of collections from outstanding trade receivables. These sources of liquidity will primarily be used to support ongoing purchases of component parts for the Company's current and future product lines. The Company anticipates that cash requirements to support current purchasing activities will continue at current levels, taking into consideration the seasonality of the industry and consumer acceptance of the Company's products. It is anticipated the operating cash flows and current cash reserves will also fund planned capital expenditure programs. In addition, the Company expects to require less cash flow to support compensation and related expenditures as a result of the operational restructurings executed during 2002 and 2001. The expected collections of outstanding trade receivables, other operating cash flow, current cash reserves, and borrowings available under the new credit facility are expected to allow the Company to meet working capital requirements during periods of low cash flows resulting from the seasonality of the industry.

Management believes that sufficient resources will be available to meet the Company's cash requirements through the next twelve months, based upon, among other things, management's estimates regarding the collectability of outstanding accounts receivable, projected cash flow from operations and anticipated expenditures. However, no assurances can be given that the Company will have sufficient cash resources beyond twelve months. To the extent our cash requirements or assumptions change, the Company may have to raise additional capital and/or further reduce

its operating expenses including further operational restructurings, possibly during the next twelve months. The Company may need to raise additional funds through the issuance of equity securities, in which case the percentage ownership of the stockholders of the Company would be reduced, stockholders may experience additional dilution, and/or such equity securities may have rights, preferences or privileges senior to the Company's common stock. Nevertheless, given the current market price for the Company's common stock and the state of the capital markets generally, the Company does not expect that it would be able to raise funds through the issuance of its capital stock in the foreseeable future. The Company may also find it difficult to secure additional debt financing. There can be no assurance that financing will be available if needed on terms favorable to the Company, or at all. Accordingly, it is possible that the only sources of funding are current cash reserves, projected cash flows from operations and up to \$1.0 million of borrowings available under the Company's revolving credit facility.

ADAMS GOLF, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Liquidity (continued)

If adequate funds are not available or not available on acceptable terms, the Company may be unable to continue operations; develop, enhance and market products; retain qualified personnel; take advantage of future opportunities; or respond to competitive pressures, any of which could have a material adverse effect on the Company's business, operating results, financial condition and/or liquidity.

12. Contingencies

Beginning in June 1999, the first of seven class action lawsuits was filed against the Company, certain of its current and former officers and directors, and the three underwriters of the Company's initial public offering ("IPO") in the United States District Court of the District of Delaware. The complaints alleged violations of Sections 11, 12(a)(2) and 15 of the Securities Act of 1933, as amended, in connection with the Company's IPO. In particular, the complaints alleged that the Company's prospectus, which became effective July 9, 1998, was materially false and misleading in at least two areas. Plaintiffs alleged that the prospectus failed to disclose that unauthorized distribution of the Company's products (gray market sales) threatened the Company's long-term profits. Plaintiffs also alleged that the prospectus failed to disclose that the golf equipment industry suffered from an oversupply of inventory at the retail level, which had an adverse impact on the Company's sales. On May 17, 2000, these cases were consolidated into one amended complaint, and a lead plaintiff was appointed. The plaintiffs were seeking unspecified amounts of compensatory damages, interests and costs, including legal fees. On December 10, 2001, the United States District Court for the District of Delaware dismissed the consolidated, amended complaint citing the plaintiffs failed to plead any facts supporting their claim that the Company or its officers and directors violated the federal securities laws. On January 14, 2002, the plaintiffs filed a motion for leave to file an amended complaint. In the motion, plaintiffs allege that, if given another opportunity, they would be able to amend the original causes of action to state actionable claims. On January 24, 2002, the Company filed an opposition to the plaintiffs' motion and is awaiting a response from the court. Currently, the Company has not received any further updates from the courts system or opposing legal counsel.

The Company maintains directors' and officers' and corporate liability insurance to cover certain risks associated with these securities claims filed against the Company or its directors and officers.

At this time it is not possible to predict whether the Company will incur any liability or to estimate the damages, or the range of damages, that the Company might incur in connection with the action. The Company is also not able to estimate the amount, if any, of reimbursements that it would receive from insurance policies should damages with

respect to the above actions be incurred.

From time to time, the Company is engaged in various other legal proceedings in the normal course of business. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However, the Company, based on consultation with legal counsel, is of the opinion that there are no other matters pending or threatened which could have a material adverse effect on the Company's financial condition, results of operations and/or liquidity.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the attached unaudited condensed consolidated financial statements and notes thereto, and with the Company's consolidated financial statements and notes thereto for the year ended December 31, 2002 included in the Company's Annual Report on Form 10-K.

Overview

Founded in 1987, Adams Golf, Inc (the "Company" or "Adams Golf") operated initially as a component supplier and contract manufacturer. Thereafter, the Company established its custom fitting operation. Today it designs, assembles, markets and distributes premium quality, technologically innovative golf clubs, including the Redline fairway woods and drivers, the Tight Lies family of fairway woods and drivers, the Adams Golf Idea irons and i-woods, the Tight Lies GT irons and i-Woods, the Tom Watson signature series of wedges, the GT Spec Putters and certain accessories. The Company was incorporated in 1987 and re-domesticated in Delaware in 1990. The Company completed an internal reorganization in 1997 and now conducts its operations through several direct and indirect wholly owned subsidiaries.

The Company's net sales are primarily derived from sales to on- and off- course golf shops and sporting goods retailers and, to a lesser extent, international distributors. No assurances can be given that demand for the Company's current products or the introduction of new products will allow the Company to achieve historical levels of sales in the future.

The Company manages all stages of manufacturing, from sourcing to assembly, in order to maintain a high level of product quality and consistency. The Company establishes product specifications, selects the material used to produce the components, and tests the specifications of components received by the Company.

As part of the Company's quality control program, the Company has reviewed the quality assurance programs at the manufacturing facilities of its component part suppliers to monitor adherence to design specifications. Upon arrival at the Company's facilities in Plano, Texas, the components used in the Company's clubs are again checked to ensure consistency with strict design specifications. Golf clubs are then assembled using the appropriate component parts.

The Company has redundant sources of supply for each of the component parts used in the assembly of the original Tight Lies product line. Components used to manufacture all other product lines are sourced from multiple vendors, many of which are the sole source on specific component parts. Therefore, for all products other than the original Tight Lies, the Company effectively has a single source of supply. Substantially all of the Company's fairway wood, driver, iron, i-wood, wedge and putter component parts are manufactured in Taiwan, China and Mexico. Both multi-material shafts used in some of the Company's product lines (specifically, the Graphite Tip (GT) shaft and the BiMatrx Steel Tip (ST) shaft) are available from a sole supplier, True Temper Sports.

The Company could, in the future, experience shortages of components or periods of increased price pressures, which

could have a material adverse effect on the Company's business, results of operations, financial position and/or liquidity. To date, the Company has not experienced any material interruptions in supply from any sole supplier.

Costs of the Company's clubs consist primarily of component parts, including the head, shaft and grip. To a lesser extent, the Company's cost of goods sold includes contract labor, occupancy and shipping costs in connection with the inspection, testing, assembly and distribution of its products and certain promotional and advertising costs given in the form of additional merchandise as consideration to customers.

Critical Accounting Policies and Estimates

Inventories

Inventories are valued at the lower of cost or market and primarily consist of finished golf clubs and component parts. Cost is determined using the first-in, first-out method. The inventory balance, which includes material, labor and assembly overhead costs, is recorded net of an estimated allowance for obsolete inventory. The estimated allowance for obsolete inventory is based upon management's understanding of market conditions and forecasts of future product demand. If the actual amount of obsolete inventory significantly exceeds the estimated allowance, the Company's costs of goods sold and gross profit would be significantly adversely affected.

Revenue Recognition

The Company recognizes revenue when the product is shipped. At that time, the title and risk of loss transfer to the customer, and collectability is reasonably assured. Collectability is evaluated on an individual customer basis taking into consideration historical payment trends, current financial position, results of independent credit evaluations and payment terms. Additionally, an estimate of product returns and warranty costs are recorded when revenue is recognized. Estimates are based on historical trends taking into consideration current market conditions. The Company also records estimated reductions in revenue for sales programs such as co-op advertising and spiff incentives. If actual sales returns and sales programs significantly exceed the recorded estimated allowances, the Company's sales would be adversely affected.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. An estimate of uncollectable amounts is made by management based upon historical bad debts, current customer receivable balances, the customer's financial condition and current economic conditions. If a significant number of customers with significant receivable balances in excess of the allowance fail to make required payments, the Company's operating results would be significantly adversely affected.

Product Warranty

The Company's golf equipment is sold under warranty against defects in material and workmanship for a period of one year with the exception of the graphite tipped (GT) and BiMatrx steel tipped (ST) shafts which carry a five year warranty. An allowance for estimated future warranty costs is recorded in the period products are sold. In estimating its future warranty obligations, the Company considers various relevant factors, including the Company's stated warranty policies, the historical frequency of claims, and the cost to replace or repair the product.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying

amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted rates recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the enactment date. In assessing the realizability of deferred income tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Due to the historical operating results of the Company, management is unable to conclude on a more likely than not basis that all deferred income tax assets generated through operating losses through June 30, 2003 will be realized. Accordingly, the Company has recognized a valuation allowance equal to the entire deferred income tax asset.

Impairment of Long-Lived Assets

The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of June 30, 2003, there was no impairment of long-lived assets.

Results of Operations

The following table sets forth operating results expressed as a percentage of net sales for the periods indicated. All information is derived from the accompanying unaudited condensed consolidated financial statements. Results for any one or more periods are not necessarily indicative of annual results or continuing trends. See "Business Risks - Seasonality and Quarterly Fluctuations" below.

	Three Months Ended <u>2003</u> (unaudited)	June 30, <u>2002</u>	Six Months Ended <u>2003</u> (unaudited)	June 30, <u>2002</u>
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	<u>53.9</u>	<u>68.9</u>	<u>52.4</u>	<u>59.6</u>
Gross profit	46.1	31.1	47.6	40.4
Operating expenses:				
Research and development expenses	2.4	3.1	2.5	2.8
Sales and marketing expenses	25.7	29.6	25.4	28.7
General and administrative expenses:				
Provision for bad debts	1.7	1.5	1.4	1.4
Other	<u>8.2</u>	<u>18.3</u>	<u>8.3</u>	<u>15.1</u>
Total operating expenses	<u>38.0</u>	<u>52.5</u>	<u>37.6</u>	<u>48.0</u>
Interest income (expense), net	(0.1)	(0.1)	(0.1)	0.1
Other income (expense), net	<u>0.5</u>	<u>(0.4)</u>	<u>0.4</u>	<u>(0.2)</u>
Income (loss) before income taxes	8.6	(21.9)	10.3	(7.7)

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Income tax expense (benefit)	<u>0.1</u>	<u>(4.5)</u>	<u>0.3</u>	<u>(2.0)</u>
Net income (loss)	8.5 %	(17.4)%	10.0 %	(5.7)%

Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002

Total net sales increased 56.1% to \$17.6 million for the three months ended June 30, 2003 from \$11.3 million for the comparable period of 2002. The increase is primarily attributable to the successful launch of the Redline fairway woods and driver product lines and continued strong sales of the Adams Idea Irons that were introduced in the fall of 2002.

Net sales of drivers increased to \$3.4 million, or 19.6% of total net sales, for the three months ended June 30, 2003, from \$2.7 million, or 24.4% of total net sales, for the comparable period of 2002. A large portion of the driver net sales for the three month period ended June 30, 2003, was generated by the recently introduced Redline driver product line, which was partially offset by a decline in the Tight Lies GT driver sales. Net sales of irons increased to \$7.8 million, or 44.5% of total net sales, from \$2.0 million, or 17.5% of total net sales, for the three month periods ended June 30, 2003 and 2002, respectively resulting from the recent introduction of the Adams Idea Irons. Net sales of fairway woods decreased to \$5.6 million, or 31.8% of total net sales, from \$6.0 million, or 52.8% of total net sales, for the three month periods ended June 30, 2003, and 2002, respectively. The decrease is due primarily to lower net sales of maturing product lines, primarily the Tight Lies GT fairway woods, partially offset by net sales generated from the recently introduced Redline fairway woods.

Domestic net sales of the Company's products increased 80.0% to \$14.8 million from \$8.2 million for the three months ended June 30, 2003 and 2002, respectively. Net sales of the Company's products outside the U.S. decreased 7.8% to \$2.8 million, from \$3.0 million for the three months ended June 30, 2003 and 2002, respectively.

For the three months ended June 30, 2003, nine customers collectively comprised approximately 26.0% of total net sales; however, only one customer individually represented greater than 5% but less than 10% of total net sales, and no customers represented greater than 10% of total net sales. Should these or the Company's other customers fail to meet their obligations to the Company, the Company's results of operations and cash flows would be adversely impacted.

Cost of goods sold, as a percentage of total net sales, decreased to 53.9% for the three months ended June 30, 2003, from 68.9% for the comparable period of 2002. The decrease as a percentage of total net sales is primarily due to changes in the product mix to products yielding higher gross margins.

Selling and marketing expenses, as a percentage of total net sales, decreased to 25.7% from 29.6% for the three months ended June 30, 2003 and 2002, respectively. Selling and marketing expenses were \$4.5 million for the three months ended June 30, 2003 and \$3.3 million for the comparable period in 2002. The dollar increase is primarily the result of additional advertising costs largely related to the promotion of the new Redline and Adams Idea product lines coupled with increased commission expenses related to the increased sales volume.

General and administrative expenses, including provisions for bad debts, decreased to \$1.7 million for the three months ended June 30, 2003 from \$2.2 million for the comparable period in 2002. The decrease in administrative related costs is attributable to the Company's continued efforts in scaling back infrastructure to provide additional costs savings after the operational restructurings executed in 2002 and 2001.

Research and development expenses, primarily consisting of costs associated with development of new products, were \$0.4 million for the three months ended June 30, 2003 compared to \$0.3 million for the same period of 2002.

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Income tax benefit of \$0.5 million in 2002 resulted from a tax contingency recognized as an expense in 2001 and reversed during the second quarter of 2002 due to a favorable outcome from the IRS on an audit of tax periods 1997 through 1999.

As a result, the Company reported a net income of \$1.5 million for the three months ended June 30, 2003 compared to a net loss of \$2.0 million for the three months ended June 30, 2002.

Six Months Ended June 30, 2003, Compared to Six Months Ended June 30, 2002

Total net sales increased 40.7% to \$33.3 million for the six months ended June 30, 2003 from \$23.7 million for the comparable period of 2002. The increase is primarily attributable to the successful launch of the Adams Idea Irons and Redline drivers that were introduced in the fall of 2002 and first quarter of 2003, respectively.

Net sales of drivers increased to \$7.1 million, or 21.5% of total net sales, for the six months ended June 30, 2003 from \$6.7 million, or 28.4% of total net sales, for the comparable period of 2002. A large portion of the driver net sales for the six month period ended June 30, 2003, was generated by the recently introduced Redline driver product line, which was partially offset by a decline in the Tight Lies GT driver sales. Net sales of irons increased to \$12.7 million, or 38.2% of total net sales, from \$3.7 million, or 15.7% of total net sales, for the six month periods ended June 30, 2003 and 2002, respectively, resulting from the recent introduction of the Adams Idea Irons. Net sales of fairway woods remained constant at \$11.7 million, or 35.1% of total net sales, from \$11.7 million, or 49.6% of total net sales, for the six month periods ended June 30, 2003 and 2002, respectively. The decrease as a percentage of sales is due primarily to lower net sales of maturing product lines, primarily the Tight Lies GT fairway woods, partially offset by net sales generated from the recently introduced Redline fairway woods.

Domestic net sales of the Company's products increased 43% to \$28.6 million from \$18.4 million for the six months ended June 30, 2003 and 2002, respectively. Net sales of the Company's products outside the U.S. decreased 10.3% to \$4.7 million, from \$5.2 million for the six months ended June 30, 2003 and 2002, respectively.

For the six months ended June 30, 2003, seven customers collectively comprised approximately 22.0% of total net sales; however, only one customer individually represented greater than 5% but less than 10% of total net sales, and no customers represented greater than 10% of total net sales. Should these or the Company's other customers fail to meet their obligations to the Company, the Company's results of operations and cash flows would be adversely impacted.

Cost of goods sold, as a percentage of total net sales, decreased to 52.4% for the six months ended June 30, 2003 from 59.6% for the comparable period of 2002. The decrease as a percentage of total net sales is primarily due to changes in the product mix to products yielding higher gross margins.

Selling and marketing expenses, as a percentage of total net sales, decreased to 25.4% from 28.7% for the six months ended June 30, 2003 and 2002, respectively. Selling and marketing expenses were \$8.4 million for the six months ended June 30, 2003 and \$6.8 million for the comparable period in 2002. The dollar increase is primarily the result of additional advertising costs largely related to the promotion of the new Redline and Adams Idea product lines coupled with increased commission expenses related to the increased sales volume.

General and administrative expenses, including provisions for bad debts, decreased to \$3.2 million for the six months ended June 30, 2003 from \$3.9 million for the comparable period in 2002. The decrease in administrative related costs is attributable to the Company's continued efforts in scaling back infrastructure to provide additional costs savings after the operational restructurings executed in 2002 and 2001.

Research and development expenses, primarily consisting of costs associated with development of new products, were \$0.8 million for the six months ended June 30, 2003, compared to \$0.7 million for the same period of 2002.

Income tax benefit of \$0.5 million in 2002 resulted from a tax contingency recognized as an expense in 2001 and reversed during the second quarter of 2002 due to a favorable outcome from the IRS on an audit of tax periods 1997 through 1999.

As a result, the Company reported a net income of \$3.3 million for the six months ended June 30, 2003 compared to a net loss of \$1.4 million for the six months ended June 30, 2002.

Liquidity and Capital Resources

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Cash and cash equivalents decreased to \$3.1 million at June 30, 2003, from \$5.6 million at December 31, 2002. The decrease is primarily due to cash used in operating activities of \$2.3 million. During the six months ended June 30, 2003, accounts receivable increased \$10.5 million, due primarily to an increase in sales. In addition, for the six months ended June 30, 2003, inventory increased \$0.8 million. However, the increases were partially offset by an increase in accrued expenses and accounts payable of \$3.7 million associated in part with component purchases, advertising expenditures and compensation related costs.

On January 3, 2003, the Company terminated its credit agreement with General Electric Capital Corp. without any penalties or other fees. The line of credit was no longer viable for the business, and the Company wanted to pursue other sources of working capital financing.

In March 2003, the Company entered into a revolving credit agreement with First Community Financial Corporation to provide up to \$1.0 million in short-term debt. Advances under this facility are limited to 50% of the eligible accounts receivable that are less than 60 days old. The agreement is collateralized by all assets of the Company and requires, among other things, the Company to maintain certain financial performance levels relative to net worth and accounts receivable collections. The credit facility bears interest at the rate of prime plus 4% per year with a minimum annual rate of 8.25%. The prime rate as of July 31, 2003, was 4.25%. The agreement is for an initial term of one year and requires minimum monthly interest expense of \$3,750 per month for the first six months and \$2,000 per month for the last six months. In addition, the agreement contains restrictions on the Company's acquisition of its capital stock and the payment of dividends, among other things, without the prior written consent of the lender. The agreement is guaranteed by the Company and certain of its wholly-owned subsidiaries.

During March 2003, the Company elected to draw \$0.5 million of the credit facility to facilitate component purchases and working capital requirements. As of July 31, 2003, there is no outstanding loan balance under this credit facility.

Tom Watson currently holds a second lien on no more than \$1.0 million worth of the Company's assets to secure payments owed to him under his Golf Consultant Agreement.

Working capital increased at June 30, 2003, to \$21.6 million compared to \$18.1 million at December 31, 2002. However, approximately 58% of the Company's current assets are comprised of accounts receivable. Due to industry sensitivity to consumer buying trends and available disposable income, the Company has in the past extended payment terms for specific purchases. Issuance of these terms (i.e. greater than 30 days or specific dating) is dependent on the Company's relationship with the customer and the customer's payment history. Payment terms are extended to selected customers typically during off-peak times in the year in order to promote the Company's brand name and to assure adequate product availability, often to coincide with planned promotions or advertising campaigns. Although a significant amount of the Company's sales are not affected by these terms, the extended terms do have a negative impact on the Company's financial position and liquidity. The Company expects to continue to selectively offer extended payment terms in the future, depending upon known industry trends and the Company's financial condition. The Company generates cash flow from operations primarily by collecting outstanding trade receivables. Because the Company has limited cash reserves, if collections of a significant portion of trade receivables are unexpectedly delayed, the Company would have a limited amount of funds available to further expand production until such time as the Company could collect a significant portion of the trade receivables. If the Company's cash needs in the near term exceed the available cash and cash equivalents on hand, and the available borrowing under the credit facility, the Company would be required to obtain additional financing or limit expenditures to the extent of available cash on hand, all of which could significantly interfere with the Company's current growth plans and result in a material adverse effect on the Company's results of operations.

The Company's anticipated sources of liquidity over the next twelve months are expected cash reserves, projected cash flow from operations, and available borrowings under the Company's revolving credit facility. Cash flow from operations consists primarily of collections from outstanding trade receivables. These sources of liquidity will primarily be used to support ongoing purchases of component parts for the Company's current and future product lines. The Company anticipates that cash requirements to support current purchasing activities will continue at current levels, taking into consideration the seasonality of the industry and consumer acceptance of the Company's products. It is anticipated the operating cash flows and current cash reserves will also fund planned capital expenditure programs. In addition, the Company expects to require less cash flow to support compensation and related expenditures as a result of the operational restructurings executed during 2002 and 2001. The expected collections of outstanding trade receivables, other operating cash flow, current cash reserves, and borrowings available under the Company's credit facility are expected to allow the Company to meet working capital requirements during periods of low cash flows resulting from the seasonality of the industry.

Management believes that sufficient resources will be available to meet the Company's cash requirements through the next twelve months, based upon, among other things, management's estimates regarding the collectability of outstanding accounts receivable, projected cash flow from operations and anticipated expenditures. However, no assurances can be given that the Company will have sufficient cash resources beyond twelve months. To the extent

our cash requirements or assumptions change, the Company may have to raise additional capital and/or further reduce its operating expenses including further operational restructurings, possibly during the next twelve months. The Company may need to raise additional funds through the issuance of equity securities, in which case the percentage ownership of the stockholders of the Company would be reduced, stockholders may experience additional dilution, and/or such equity securities may have rights, preferences or privileges senior to the Company's common stock. Nevertheless, given the current market price for the Company's common stock and the state of the capital markets generally, the Company does not expect that it would be able to raise funds through the issuance of its capital stock in the foreseeable future. The Company may also find it difficult to secure additional debt financing. There can be no assurance that financing will be available if needed on terms favorable to the Company, or at all. Accordingly, it is possible that the only sources of funding are current cash reserves, projected cash flows from operations and up to \$1.0 million of borrowings available under the Company's revolving credit facility.

If adequate funds are not available or not available on acceptable terms, the Company may be unable to continue operations; develop, enhance and market products; retain qualified personnel; take advantage of future opportunities; or respond to competitive pressures, any of which could have a material adverse effect on the Company's business, operating results, financial condition and/or liquidity.

New Accounting Pronouncements

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 100 on Derivative Instruments and Hedging Activities*, which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. The Company will adopt the provisions of this standard in the third quarter of 2003 and does not expect this standard to have an impact on the consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The Company will adopt the provisions of this standard in the third quarter of 2003 and does not expect this standard to have an impact on the consolidated financial statements.

Business Risks

As indicated below, this Form 10-Q contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from the results discussed in the forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in this section and elsewhere throughout this Form 10-Q.

Need for Additional Capital

Management believes that sufficient resources will be available to meet the Company's cash requirements through the next twelve months, based upon, among other things, management's estimates regarding the collectability of outstanding accounts receivable, projected cash flow from operations and anticipated expenditures. However, no assurances can be given that the Company will have sufficient cash resources beyond twelve months. To the extent our cash requirements or assumptions change, the Company may have to raise additional capital and/or further reduce its operating expenses including further operational restructurings, possibly during the next twelve months. The Company may need to raise additional funds through the issuance of equity securities, in which case the percentage ownership of the stockholders of the Company would be reduced, stockholders may experience additional dilution, and/or such equity securities may have rights, preferences or privileges senior to the Company's common stock. Nevertheless, given the current market price for the Company's common stock and the state of the capital markets generally, the Company does not expect that it would be able to raise funds through the issuance of its capital stock in the foreseeable future. The Company may also find it difficult to secure additional debt financing. There can be no assurance that financing will be available if needed on terms favorable to the Company, or at all. Accordingly, it is possible that the only sources of funding are current cash reserves, projected cash flows from operations and up to \$1.0 million of borrowings available under the Company's revolving credit facility.

Future Market for Capital Stock

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On May 19, 2003, Nasdaq notified the Company that the Company's securities were to be delisted from the Nasdaq SmallCap Market at the opening of business on May 22, 2003 for failure to regain compliance with the minimum \$1.00 closing bid price for a ten consecutive trading days. The Company's stock is now being traded using OTC Bulletin Board (OTCBB). The OTCBB is a regulated quotation service that displays real-time quotes, last-sales prices and volumes information for eligible securities.

The effect of delisting from the Nasdaq Stock Market could adversely affect the ability or willingness of investors to purchase the common stock, which, in turn, would likely severely affect the market liquidity of the Company's securities. Given the current market price for the Company's common stock and the state of the capital markets generally, we do not expect that we would be able to raise funds through the issuance of our capital stock.

Dependence on New Product Introductions; Uncertain Consumer Acceptance

Although some of the Company's new product introductions have experienced modest success, the Company's ultimate success depends, in large part, on its ability to successfully develop and introduce new products widely accepted in the marketplace. Historically, a large portion of new golf club technologies and product designs have been met with consumer rejection. Certain products previously introduced by the Company have not met the level of consumer acceptance anticipated by management. No assurance can be given that the Company's current or future products will be met with consumer acceptance. Failure by the Company to timely identify and develop innovative new products that achieve widespread market acceptance would adversely affect the Company's continued viability. Additionally, successful technologies, designs and product concepts are likely to be copied by competitors. Accordingly, the Company's operating results could fluctuate as a result of the amount, timing, and market acceptance of new product introductions by the Company or its competitors. The design of new golf clubs is also greatly influenced by the rules and interpretations of the USGA. Although the golf equipment standards established by the USGA generally apply only to competitive events sanctioned by the organization, the Company believes that it is critical for its future success that new clubs introduced by the Company comply with USGA standards.

Uncertainty Regarding Continuation of Profitability

Although the Company generated net income during the years ended December 31, 1996 and 1998, it has historically experienced net losses from operations. In addition, even though the Company experienced an increase in revenues for the year ended December 31, 2001 and the six months ended June 30, 2003 and decreasing operating losses for the year ended December 31, 2002, the Company experienced declining sales and increasing operating losses for the years ended December 31, 1999 and 2000. While the Company generated income during the first six months of 2003, there can be no assurance that the Company will be able to increase revenues or continue such profitability on a quarterly or annual basis in the future. An inability to continue such improvements the Company's financial performance could jeopardize the Company's ability to develop, enhance, and market products, retain qualified personnel, and take advantage of future opportunities or respond to competitive pressures.

Competition

The golf club market is highly competitive. The Company competes with a number of established golf club manufacturers, some of which have greater financial and other resources. The Company's competitors include Callaway Golf Company, adidas-Salomon AG (Taylor Made - adidas Golf), Nike, Inc. (Nike Golf), Fortune Brands, Inc. (Titleist and Cobra) and Karsten Assembly Company (PING), among others. The Company competes primarily on the basis of performance, brand name recognition, quality and price. The Company believes that its ability to market its products through multiple distribution channels, including on- and off- course golf shops and other retailers is important to the manner in which the Company competes. The purchasing decisions of many golfers are often the result of highly subjective preferences, which can be influenced by many factors, including, among others, advertising, media, promotions and product endorsements. These preferences may also be subject to rapid and unanticipated changes. The Company could face substantial competition from existing or new competitors who introduce and successfully promote golf clubs that achieve market acceptance. Such competition could result in significant price erosion or increased promotional expenditures, either of which could have a material adverse effect on the Company's business, operating results and/or financial condition. There can be no assurance that Adams Golf will be able to compete successfully against current and future sources of competition or that its business, operating results or financial condition will not be adversely affected by increased competition in the market in which it operates.

The golf club industry is generally characterized by rapid and widespread imitation of popular technologies, designs and product concepts. Due to the success of the Tight Lies fairway woods, several competitors introduced products similar to the Tight Lies fairway woods. Should the Company's recently introduced product lines achieve widespread market success, the Company has no reason not to believe that our competitors will move quickly to introduce similar products that would directly compete with the new product lines. The Company may face competition from

manufacturers introducing other new or innovative products or successfully promoting golf clubs that achieve market acceptance. The failure to successfully compete in the future could result in a material deterioration of customer loyalty and the Company's image, and could have a material adverse effect on the Company's business, results of operations, financial position and/or liquidity.

The introduction of new products by the Company or its competitors can be expected to result in closeouts of existing inventories at both the wholesale and retail levels. Such closeouts are likely to result in reduced margins on the sale of older products, as well as reduced sales of new products given the availability of older products at lower prices. As the new Redline product line of fairway woods and drivers were introduced this year, older product lines such as the original Tight Lies and Tight Lies ST fairway woods and drivers experienced reductions in price and are being closed out to both wholesale and retail levels.

Dependence on Key Personnel and Endorsements

The Company's success depends to an extent upon the performance of its management team. With the exception of the Company's President and Chief Executive Officer, Oliver G. (Chip) Brewer and the Company's Chairman of the Board, Byron H (Barney). Adams, none of the Company's officers and employees are bound by employment agreements and the relations of such officers and employees are, therefore, at will. There is strong competition for qualified personnel in the golf club industry, and the inability to continue to attract, retain and motivate other key personnel could adversely affect the Company's business, operating results or financial condition.

The Company believes that acceptance of its products by touring professionals is an important aspect of its marketing strategy and ultimately validates the products in the mind of the consumer. The Company has entered into endorsement arrangements with certain members of the PGA Tour and the Champions PGA Tour, including Tom Watson, Bruce Lietzke, Allen Doyle, Larry Nelson and other notable players. As is typical in the golf industry generally, the agreements with these professional golfers do not necessarily require that they use the Company's golf clubs at all times during the terms thereof, including, in certain circumstances, at times when the Company is required to make payments to them. The failure of certain individuals to use the Company's products on one or more occasions has resulted in negative publicity involving the Company. While the Company does not believe this publicity has resulted in any significant erosion in the net sales of the Company's products to date, no assurance can be given that the Company's business would not be adversely affected in a material way by further such publicity or by the failure of its known professional endorsers to carry and use its products.

Change in Marketing Strategy

Historically, the Company has relied on infomercials or broad, brand-based advertising as the cornerstone of its marketing strategy. During 2001, the Company modified its marketing strategy to focus principally on golf related events and publications. For the years ended December 31, 2002, 2001 and 2000, the Company had significantly reduced its marketing expenditures over the course of the three year period. Although advertising has slightly increased for the six months ended June 30, 2003 as compared to the same period in 2002, the overall reduction in advertising expenditures as compared to historical periods could have a material adverse effect on the Company's operating results and/or financial condition. Additionally, there can be no assurances that a decrease in the levels of advertising will not result in a material decline in sales of the Company's products.

Source of Supply

The Company has redundant sources of supply for each of the component parts used in the manufacture of the original Tight Lies. However, components used to manufacture various product lines are sourced from multiple vendors, some of which are the sole source on specific component parts. Substantially all of the Company's fairway wood, driver, iron, i-wood, wedge and putter component parts are manufactured in Taiwan, China and Mexico. Both multi-material shafts used in some of the Company's product lines, (specifically, Graphite Tip (GT) and

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BiMatrx steel tip (ST) shafts), are available from a sole supplier, True Temper Sports. The Company has not entered into a long-term supply agreement with any of its component part suppliers, including True Temper Sports.

The Company could, in the future, experience shortages of components or periods of increased price pressures, which could have a material adverse effect on the Company's business, results of operations, financial position and/or liquidity. To date, the Company has not experienced any material interruptions in supply from any sole supplier.

Product Warranties

The Company provides a limited one year product warranty on all of its golf clubs with the exception of the graphite tip (GT) and BiMatrx steel tip (ST) shafts used in a variety of the Company's product lines. These shafts carry a five year warranty for defects in quality and workmanship. The Company closely monitors the level and nature of warranty claims, and, where appropriate, seeks to incorporate design and production changes to assure its customers of the highest quality available in the market. Significant increases in the incidence of such claims may adversely affect the Company's sales and its reputation with golfers. The Company establishes a reserve for warranty claims, which it believes is sufficient to meet future claims. However, there can be no assurance that these reserves will be sufficient if the Company were to experience an unusually high incidence of problems with its products.

Risks Associated with Intellectual Property

Imitation of popular club design is widespread in the golf industry. No assurance can be given that other golf club manufacturers will not be able to successfully sell golf clubs that imitate the Company's products without infringing on the Company's copyrights, patents, trademarks or trade dress. Many of the Company's competitors have obtained patent, trademark, copyright or other protection of intellectual property rights pertaining to golf clubs. No assurance can be given that the Company will not be adversely affected by the assertion by competitors that the Company's designs infringe on such competitor's intellectual property rights. This effect could include alteration or withdrawal of the Company's existing products and delayed introduction of new products.

The Company attempts to maintain the secrecy of its confidential business information, including engaging in the practice of having prospective vendors and suppliers sign confidentiality agreements when producing components of new technology. No assurance can be given that the Company's confidential business information will be adequately protected in all instances. The unauthorized use of the Company's confidential business information could adversely affect the Company.

Unauthorized Distribution and Counterfeit Clubs

Despite the Company's efforts to limit its distribution to selected retailers, some quantities of the Company's products have been found in unapproved outlets or distribution channels. The existence of a "gray market" in the Company's products can undermine the sales of authorized retailers and foreign wholesale distributors who promote and support the Company's products, and can injure the Company's image in the minds of its customers and consumers. Adams Golf makes efforts to limit or deter unauthorized distribution of its products, but does not believe the unauthorized distribution of its products can be totally eliminated. The Company does not believe that the unauthorized distribution of its clubs has had or will have a material adverse effect on the Company's results of operations, financial condition or competitive position, although there can be no assurance as to future results.

In addition, the Company is occasionally made aware of the existence of counterfeit copies of its golf clubs particularly in foreign markets. The Company takes action in these situations through local authorities and legal counsel where practical. The Company does not believe that the availability of counterfeit clubs has had or will have a material adverse effect on the Company's results of operations, financial condition or competitive position, although there can be no assurance as to future results.

Industry Specific Requirements

The Company performs ongoing credit evaluation of its wholesale customers' financial condition and generally provides credit without the requirement of collateral from these customers. The Company believes it has adequate reserves for potential credit losses. Due to industry sensitivity to consumer buying trends and available disposable income, the Company has in the past extended payment terms for specific retail customers. Issuance of these terms (i.e. greater than 30 days or specific dating) is dependent on the Company's relationship with the customer and the customer's payment history. Payment terms are extended to selected customers typically during off-peak times in the year in order to promote the Company's brand name and to assure adequate product availability often to coincide with planned promotions or advertising campaigns. Although a significant amount of the Company's sales are not affected

by these terms, the extended terms do have a negative impact on the Company's financial position and liquidity. The Company expects to continue to selectively offer extended payment terms in the future, depending upon known industry trends and the Company's financial condition.

In addition to extended payment terms, the nature of the industry also requires that the Company carry a substantial level of inventory due to the lead times associated with purchasing components overseas coupled with the seasonality of customer demand. The Company's inventory balances were approximately \$9,127,000 and \$17,418,000 at December 31, 2002 and December 31, 2001, respectively. The decrease in inventory levels is a result of improved processes over the purchasing, production and distribution timing of new product lines in addition to the closeout of maturing product lines.

Certain Risks of Conducting Business Abroad

The Company imports a significant portion of its component parts, including heads, shafts, headcovers, and grips from companies in Taiwan, China and Mexico. In addition, the Company sells its products to certain distributors located outside the United States. The Company's international business is currently centered in Canada and Europe and management intends to focus its international efforts through agency and distributor relationships. The Company's business is subject to the risks generally associated with doing business abroad, such as foreign government relations, foreign consumer preferences, import and export control, political unrest, disruptions or delays in shipments and changes in economic conditions and exchange rates in countries in which the Company purchases components or sells its products. Recent foreign events, including, without limitation, continuing U.S. military operations and the resulting instability in Iraq, could potentially cause a delay in imports or exports due to heightened security with customs.

Seasonality and Quarterly Fluctuations

Golf generally is regarded as a warm weather sport, and net sales of golf equipment have been historically strongest for the Company during the first and second quarters, which ensures adequate levels of inventory at retail locations for the golf season. In addition, net sales of golf clubs are dependent on discretionary consumer spending, which may be affected by general economic conditions. A decrease in consumer spending generally could result in decreased spending on golf equipment, which could have a material adverse effect on the Company's business, operating results and financial condition. In addition, the Company's future results of operations could be affected by a number of other factors, such as unseasonable weather patterns; demand for and market acceptance of the Company's existing and future products; new product introductions by the Company's competitors; competitive pressures resulting in lower than expected selling prices; and the volume of orders that are received and which can be fulfilled in a quarter. Any one or more of these factors could adversely affect the Company or result in the Company failing to achieve its expectations as to future sales or operating results.

Because most operating expenses are relatively fixed in the short term, the Company may be unable to adjust spending sufficiently in a timely manner to compensate for any unexpected sales shortfall that could materially adversely affect quarterly results of operations and liquidity. If technological advances by competitors or other competitive factors require the Company to invest significantly greater resources than anticipated in research and development or sales and marketing efforts, the Company's business, operating results and/or financial condition could be materially adversely affected. Accordingly, the Company believes that period-to-period comparisons of its results of operations should not be relied upon as an indication of future performance. In addition, the results of any quarter are not indicative of results to be expected for a full fiscal year. As a result of fluctuating operating results or other factors discussed in this report, in certain future quarters the Company's results of operations may be below the expectations of public market analysts or investors. In such event, the market price of the Company's common stock could be materially adversely affected.

Anti-Takeover Provisions

The Company's Certificate of Incorporation and Amended and Restated Bylaws (the "Bylaws") contain, among other things, provisions establishing a classified Board of Directors, authorizing shares of preferred stock with respect to which the Board of Directors of the Company has the power to fix the rights, preferences, privileges and restrictions without any further vote or action by the stockholders, requiring that all stockholder action be taken at a stockholders' meeting and establishing certain advance notice requirements in order for stockholder proposals or director nominations to be considered at such meetings. In addition, the Company is subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law (the "DGCL"). In general this statute prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Such provision could delay, deter or prevent a merger, consolidation, tender offer, or other business combination or change of control involving the Company that some or a majority of the Company's stockholders might consider to be in its best interest, including offers or attempted takeovers that might otherwise result in such stockholders receiving a premium over the market price for the common stock. The potential issuance of preferred stock may have the effect of delaying, deferring or preventing a change of control of the Company, may discourage bids for the common stock at a premium over the market price of the common stock and adversely affect the market price of and voting and other rights of the holders of the common stock. The Company has not issued and currently has no plans to issue shares of preferred stock.

Forward-Looking Statements

This Quarterly Report contains "forward-looking statements" made under the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The statements include, but are not limited to: statements concerning the potential benefits to be achieved from our internal restructurings; statements regarding liquidity and our ability to increase revenues or achieve satisfactory operating performance; statements regarding our future capital requirements and our ability to satisfy our capital needs; including statements regarding our ability to satisfy our cash requirements during the next twelve months, statements regarding our ability to manufacture products commercially acceptable to consumers; statements regarding our ability to source component parts from other suppliers if necessary; and statements using terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "plan," "seek" or "believe." Such statements reflect the current view of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions related to certain factors including, without limitation, product development difficulties, assembly difficulties; product introductions; market demand and acceptance of products; the impact of changing economic conditions; the future market for our capital stock, the modification of our marketing strategy, our dependence on a limited number of customers; business conditions in the golf industry; reliance on third parties including suppliers; the impact of market peers and their products; the actions of competitors, including pricing, advertising and product development risks concerning future technology; and the impact of operational restructuring on operating results and liquidity and one-time events and other factors detailed in this report under "Business Risks." Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein. Except as required by federal securities laws, Adams Golf undertakes no obligation to publicly update or revise any written or oral forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this report. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the applicable cautionary statements.

Item 4. Controls and Procedures

Within 90 days prior to the date of this report, the Company evaluated, under supervision and with the participation of management, including our Chief Executive Officer, the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934, as amended. Based upon our evaluation, the Chief Executive Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in our periodic SEC filings. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Beginning in June 1999, the first of seven class action lawsuits was filed against the Company, certain of its current and former officers and directors, and the three underwriters of the Company's initial public offering ("IPO") in the United States District Court of the District of Delaware. The complaints alleged violations of Sections 11, 12(a)(2) and 15 of the Securities Act of 1933, as amended, in connection with the Company's IPO. In particular, the complaints alleged that the Company's prospectus, which became effective July 9, 1998, was materially false and misleading in at least two areas. Plaintiffs alleged that the prospectus failed to disclose that unauthorized distribution of the Company's products (gray market sales) threatened the Company's long-term profits. Plaintiffs also alleged that the prospectus failed to disclose that the golf equipment industry suffered from an oversupply of inventory at the retail level, which had an adverse impact on the Company's sales. On May 17, 2000, these cases were consolidated into one amended complaint, and a lead plaintiff was appointed. The plaintiffs were seeking unspecified amounts of compensatory damages, interests and costs, including legal fees. On December 10, 2001, the United States District Court for the District of Delaware dismissed the consolidated, amended complaint citing the plaintiffs failed to plead any facts supporting their claim that the Company or its officers and directors violated the federal securities laws. On January 14, 2002, the plaintiffs filed a motion for leave to file an amended complaint. In the motion, plaintiffs allege that, if given another opportunity, they would be able to amend the original causes of action to state actionable claims. On January 24, 2002, the Company filed an opposition to the plaintiffs' motion and is awaiting a response from the court. Currently, the Company has not received any further updates from the courts system or opposing legal counsel.

The Company maintains directors' and officers' and corporate liability insurance to cover certain risks associated with these securities claims filed against the Company or its directors and officers.

At this time it is not possible to predict whether the Company will incur any liability or to estimate the damages, or the range of damages, that the Company might incur in connection with the action. The Company is also not able to estimate the amount, if any, of reimbursements that it would receive from insurance policies should damages with respect to the above actions be incurred.

From time to time, the Company is engaged in various other legal proceedings in the normal course of business. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However, the Company, based on consultation with legal counsel, is of the opinion that there are no other matters pending or threatened which could have a material adverse effect on the Company's financial condition, results of operations and/or liquidity.

Item 2. Changes in Securities and Use of Proceeds

During the first quarter of 2003, the Company entered into a revolving credit agreement with First Community Financial Corporation to provide up to \$1.0 million in short-term debt for an initial term of one year. In addition to other terms and conditions, this agreement contains restrictions on the Company's acquisition of its capital stock and the payment of dividends, among other things, without the prior written consent of the lender.

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

At the Company's Annual Meeting of Stockholders held on May 14, 2003, the following proposals were adopted by the margin indicated.

1. To elect one director to serve until the 2006 Annual Meeting of Stockholders and until his successor is elected and qualified.

	Number of Shares	
	<u>Vote For</u>	<u>Withheld</u>

Oliver G. Brewer, III	18,326,691	136,030
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2. To ratify the appointment of KPMG LLP as the independent auditors of the Company for the year ending December 31, 2003.

	Number of Shares		
	<u>Vote For</u>	<u>Vote Against</u>	<u>Abstained</u>

18,414,339	32,334	16,048
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Item 5. Other Information

Resignation of Mr. Keith Ford:

As of May 19, 2003, D. Keith Ford has resigned as Chief Financial Officer of Adams Golf to pursue other interests. Mr. Ford's role and responsibilities are currently being fulfilled in part by the Company's President and Chief Executive Officer, Oliver G. Brewer and the Principal Accounting Officer, Pamela High. The Company is actively taking steps to fill the position of Chief Financial Officer.

Employment Agreement for Mr. Byron H. (Barney) Adams

Effective June 16, 2003, the Company has entered into an employment agreement with Chairman of the Board of Directors, Bryon H. (Barney) Adams for a term to expire on December 31, 2005. In the capacity of Chairman of the Board, Mr. Adams shall conduct Chairman duties similar to that of a non-executive Chairman of a similarly capitalized corporation and will also actively participate in the Company's public relations efforts as well as perform consulting services in connection with the Company's Research and Design projects. For contract specifics, please see the attached exhibit 10.13 included in this filing.

Item 6. Exhibits and Reports for Form 8-K

(a). Exhibits

See exhibit index on pages 32-33.

(b). Reports on Form 8-K

None

Signatures:

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

ADAMS GOLF, INC.

Date: August 6, 2003

By: /S/ OLIVER G. BREWER
III

Oliver G. Brewer, III
Chief Executive Officer and President and
acting Chief Financial Officer

Date: August 6, 2003

By: /S/ PAMELA J.
HIGH

Pamela J. High
Controller
(Principal Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, Oliver G. Brewer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Adams Golf, Inc;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report are my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter is the case of an annual report) that has materially affected, or is likely to materially affect, the registrant's internal control over financial reporting;
5. I have disclosed, based on my most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls over financial reporting which could adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 6, 2003

By: /S/ OLIVER G. BREWER III

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Oliver G. Brewer, III
Chief Executive Officer and President and acting
Chief Financial Officer

Exhibit 32.1

Certification

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

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Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Adams Golf, Inc, a Delaware corporation (the "Company"), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (the "Periodic Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 780(d)) and information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

ADAMS GOLF, INC.

Date: August 6, 2003

By: /S/ OLIVER G. BREWER III
Oliver G. Brewer, III
Chief Executive Officer and President and acting
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Act and is not being filed as part of the Periodic Report or as a separate disclosure document

A signed original of this written statement required by Section 906 has been provided to Adams Golf, Inc. and will be retained by Adams Golf, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT INDEX

Exhibit 3.1

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	Amended and Restated Certificate of Incorporation	Incorporated by reference to Form S-1 File No. 333-51715 (Exhibit 3.1)
Exhibit 3.2	Amended and Restated By-laws	Incorporated by reference to Form S-1 File No. 333-51715 (Exhibit 3.2)
Exhibit 4.1	1998 Stock Incentive Plan of the Company dated February 26, 1998, as amended	Incorporated by reference to Form S-8 File No. 333-68129 (Exhibit 4.1)
Exhibit 4.2	1996 Stock Option Plan dated April 10, 1998	Incorporated by reference to Form S-1 File No.333-51715 (Exhibit 4.2)
Exhibit 4.3	Adams Golf, Ltd. 401(k) Retirement Plan	Incorporated by reference to Form S-1 File No.333-51715 (Exhibit 4.3)
Exhibit 4.4	1999 Non-Employee Director Plan of Adams Golf, Inc.	Incorporated by reference to 1999 Form 10-K (Exhibit 4.4)
Exhibit 4.5	1999 Stock Option Plan for Outside Consultants of Adams Golf, Inc.	Incorporated by reference to Form S-8 File No. 333-37320 (Exhibit 4.5)
Exhibit 4.6	2002 Adams Golf Equity Incentive Plan	Incorporated by reference to Annex A of the 2002 Proxy Statement (Annex A)
Exhibit 10.1	Agreement between the Registrant and Nick Faldo, dated April 22, 1998	Incorporated by reference to Form S-1 File No.333-51715 (Exhibit 10.1)
Exhibit 10.2	Commercial Lease Agreement dated December 5, 1997, between Jackson-Shaw Technology Center II and the Company	Incorporated by reference to Form S-1 File No.333-51715 (Exhibit 10.3)
Exhibit 10.3	Commercial Lease Agreement dated April 6, 1998, between Jackson-Shaw Technology Center II and the Company	Incorporated by reference to Form S-1 File No.333-51715 (Exhibit 10.4)
Exhibit 10.4	Revolving Credit Agreement between Adams Golf, Ltd. and General Electric Capital Corporation	Incorporated by reference to 2000 Form 10-K (Exhibit 10.9)
Exhibit 10.5	Amended Commercial Lease Agreement dated April 6, 1998 between Jackson-Shaw Technology	Incorporated by reference to 2000 Form 10-K (Exhibit 10.18)

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Center II and the Company

Exhibit 10.6	Settlement Agreement between Adams Golf, Ltd. and Nicholas A. Faldo	Incorporated by reference to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (Exhibit 10.19)
Exhibit 10.7	Employment Agreement - Oliver G. (Chip) Brewer	Incorporated by reference to 2001 Form 10-K (Exhibit 10.21)
Exhibit 10.8	Amendment to Revolving Credit Agreement between Adams Golf, Ltd. And General Electric Capital Corporation	Incorporated by reference to 2001 Form 10-K (Exhibit 10.22)
Exhibit 10.9*	Golf Consultant Agreement - Thomas S. Watson	Incorporated by reference to 2001 Form 10-K (Exhibit 10.23)
Exhibit 10.10	Termination Letter - Revolving Credit Agreement between Adams Golf, Ltd. And General Electric Capital Corporation	Incorporated by reference to 2002 Form 10-K (Exhibit 10.10)
Exhibit 10.11*	First Amendment to Golf Consultant Agreement - Thomas S. Watson	Incorporated by reference to 2002 Form 10-K (Exhibit 10.11)
Exhibit 10.12	Accounts Receivable Security Agreement between Adams Golf, Ltd. And First Community Financial Corporation	Incorporated by reference to 2002 Form 10-K (Exhibit 10.12)
Exhibit 10.13	Employment Agreement - Byron H. (Barney) Adams	Included in this filing
Exhibit 31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Included in this filing
Exhibit 32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Included in this filing

* Confidential