

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

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

Commission File No. 1-4748

**SUN INTERNATIONAL NORTH AMERICA, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

59-0763055

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

1415 E. Sunrise Blvd., Ft. Lauderdale, FL

(Address of principal executive offices)

33304

(Zip Code)

(954) 713-2500

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

Yes ☒ No ☐

Number of shares outstanding of registrant's common stock as of March 31, 2001: 100, all of which are owned by one shareholder. Accordingly there is no current market for any of such shares.

The registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format permitted by that General Instruction.

Total number of pages 12

Exhibit index is on page 12

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**PART I. – FINANCIAL INFORMATION****Item 1. Financial Statements**

**SUN INTERNATIONAL NORTH AMERICA, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(In thousands of dollars, except par value)**

	<b>March 31, 2001</b>	<b>December 31, 2000</b>
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash (including cash equivalents)	\$ 2,923	\$ 1,276
Receivables, net	3,261	1,434
Inventories	131	71
Prepaid expenses	291	872
Due from affiliates	3,773	7,506
Net assets held for sale	138,350	138,350
Total current assets	148,729	149,509
Property and equipment, net	69,881	70,536
Deferred charges and other assets, net	6,782	6,076
Total assets	<u>\$ 225,392</u>	<u>\$ 226,121</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 79,059	\$ 58
Accounts payable and accrued liabilities	23,412	28,214
Due to affiliates	11,094	5,771
Total current liabilities	113,565	34,043
Long-term debt, net of current maturities	199,435	278,420
Total liabilities	<u>313,000</u>	<u>312,463</u>
Shareholder's equity:		
Common stock – \$.01 par value	-	-
Capital in excess of par	192,635	192,635
Accumulated deficit	(280,243)	(278,977)
Total shareholder's equity	(87,608)	(86,342)
Total liabilities and shareholder's equity	<u>\$ 225,392</u>	<u>\$ 226,121</u>

See Notes to Consolidated Financial Statements.

**SUN INTERNATIONAL NORTH AMERICA, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands of dollars)  
(Unaudited)

	<b>Quarter Ended March 31,</b>	
	<b>2001</b>	<b>2000</b>
Revenues:		
Casino and resort revenues	\$ -	\$ 61,963
Less promotional allowances	-	(5,509)
Net casino and resort revenues	-	56,454
Tour operations	7,609	6,236
Management fees and other income	6,342	5,191
	<u>13,951</u>	<u>67,881</u>
Expenses:		
Casino and resort expenses	-	47,715
Tour operations	6,489	5,672
Selling, general and administrative	3,670	11,604
Depreciation and amortization	1,094	4,821
	<u>11,253</u>	<u>69,812</u>
Operating income (loss)	2,698	(1,931)
Other income (expenses):		
Interest income	2,170	421
Interest expense, net	(6,016)	(6,082)
Loss before income taxes	(1,148)	(7,592)
Income tax expense	(118)	(354)
Net loss	<u>\$ (1,266)</u>	<u>\$ (7,946)</u>

See Notes to Consolidated Financial Statements.

**SUN INTERNATIONAL NORTH AMERICA, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands of dollars)  
(Unaudited)

	<b>Quarter Ended</b>	
	<b>March 31,</b>	
	<b>2001</b>	<b>2000</b>
Cash flows from operating activities:		
Reconciliation of net loss to net cash used in operating activities:		
Net loss	\$ (1,266)	\$ (7,946)
Depreciation and amortization	1,254	4,965
Provision for doubtful receivables	21	301
Provision for discount on CRDA obligation, net	-	215
Loss (gain) on disposition of assets	15	(14)
Net change in working capital accounts:		
Receivables	(1,848)	(271)
Inventories and prepaid expenses	521	356
Due from affiliates	3,733	-
Accounts payable and accrued liabilities	(4,361)	(5,480)
Net change in deferred charges	(957)	(1,043)
Net cash used in operating activities	<u>(2,888)</u>	<u>(8,917)</u>
Cash flows from investing activities:		
Payments for major capital projects	-	(2,887)
Other capital expenditures	(465)	(1,914)
Other	-	(885)
Net cash used in investing activities	<u>(465)</u>	<u>(5,686)</u>
Cash flows from financing activities:		
Advances from affiliates	5,015	10,273
Repayment of debt	(15)	(557)
Net cash provided by financing activities	<u>5,000</u>	<u>9,716</u>
Net increase (decrease) in cash and cash equivalents	1,647	(4,887)
Cash and cash equivalents at beginning of period	1,276	22,669
Cash and cash equivalents at end of period	<u>\$ 2,923</u>	<u>\$ 17,782</u>

See Notes to Consolidated Financial Statements.

SUN INTERNATIONAL NORTH AMERICA, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. General

The accompanying consolidated interim financial statements, which are unaudited, include the operations of Sun International North America, Inc. ("SINA") and its subsidiaries. The term "Company" as used herein includes SINA and its subsidiaries. SINA is a wholly owned subsidiary of Sun International Hotels Limited.

While the accompanying interim financial information is unaudited, management of the Company believes that all adjustments necessary for a fair presentation of these interim results have been made and all such adjustments are of a normal recurring nature. The seasonality of the business is described in Management's Discussion and Analysis of Financial Condition and Results of Operations in SINA's 2000 Form 10-K. The results of operations for the three-month periods presented are not necessarily indicative of the results to be expected for the entire fiscal year ending December 31, 2001.

The notes presented herein are intended to provide supplemental disclosure of items of significance occurring subsequent to December 31, 2000 and should be read in conjunction with the Notes to Consolidated Financial Statements contained in SINA's 2000 Form 10-K.

B. Sale of Resorts Atlantic City

During the fourth quarter of 2000, the Company entered into a definitive agreement to sell the Resorts Casino Hotel in Atlantic City, New Jersey ("Resorts Atlantic City") to an affiliate of Colony Capital LLC ("Colony") for a purchase price of \$140 million plus accrued interest through closing at an annual rate of 6% (the "Resorts Atlantic City Sale"). As of December 31, 2000, the Company accounted for Resorts Atlantic City as an investment held for sale. Accordingly, the carrying value of the net assets to be disposed of were reclassified to net assets held for sale on SINA's consolidated balance sheets and, as of January 1, 2001, the operations of Resorts Atlantic City are no longer included in the consolidated financial statements of SINA.

On April 25, 2001, the parties closed the transaction and the Company received approximately \$127 million in cash and \$17.5 million of unsecured subordinated notes (the "Notes"). The Notes have a term of seven years and accrue interest at an annual rate of 12.5%. Accrued interest on the Notes is payable semi-annually, one-half in cash and one-half in additional notes. Of the \$127 million cash proceeds received at closing, \$79 million was used to pay in full borrowings outstanding by the Company under a bank credit facility, and \$48 million was advanced to SIHL to permanently reduce its borrowings under that bank credit facility, which advance is due on demand. Accordingly, as of March 31, 2001, borrowings by SINA under the bank credit facility have been classified as a current liability on the accompanying consolidated balance sheets. In the fourth quarter of 2000, the Company recorded a loss of \$229.2 million resulting from the write-down of net assets held for sale to their realizable value. Therefore, the net proceeds received at closing equaled the carrying value of the net assets disposed of, and accordingly, except for interest income earned during 2001 on the proceeds, there will be no further gain or loss recorded as a result of the closing.

Pursuant to terms of the Resorts Atlantic City Sale, Colony also has a two year option to acquire certain undeveloped real estate owned by the Company, adjacent to Resorts Atlantic City, for a purchase price of \$40 million (the "Atlantic City Option") which option can be extended for an additional two

years under certain circumstances. The carrying value of the land included in the Atlantic City Option is included in property, plant and equipment in the accompanying consolidated balance sheets.

C. Trading Cove New York

Trading Cove New York, LLC ("TCNY"), a Delaware limited liability company, is 50% owned by Sun Cove Limited, a wholly-owned subsidiary of SINA. In March 2001, TCNY entered into a Development Services Agreement (the "Development Agreement") with the Stockbridge-Munsee Band of Mohican Indians (the "Mohican Tribe") for development of a casino project in the Catskill region of New York (the "NY Project"). Pursuant to the Development Agreement, TCNY will provide preliminary NY Project funding, certain NY Project financing and development services. TCNY has secured land and/or options on approximately 340 acres of property in the town of Thompson for the NY Project. The Mohican Tribe does not currently have reservation land in the State of New York, but is federally recognized and operates a casino on its reservation in Wisconsin. The NY Project is contingent upon numerous federal, state and local approvals to be obtained by the Mohican Tribe, which approvals are beyond the control of TCNY. The Company can make no representation as to whether any of the required approvals will be obtained by the Mohican Tribe.

D. Reverse Repurchase Agreements

Cash equivalents at March 31, 2001 included \$2.4 million of reverse repurchase agreements (federal government securities purchased under agreements to resell those securities) under which the Company had not taken delivery of the underlying securities. These agreements matured during the first week of April 2001.

E. Statements of Cash Flows

Supplemental disclosures required by Statement of Financial Accounting Standards No. 95 "Statement of Cash Flows" are presented below.

(In thousands of dollars)	Quarter Ended March 31,	
	2001	2000
Interest paid, net of capitalization	\$10,350	\$10,935
Income taxes paid	873	556
Non-cash investing and financing activities:		
Property and equipment acquired under capital lease obligations	16	73
Increase in liabilities for additions to other assets	-	16

F. Comprehensive Income

Comprehensive income is equal to net loss for all periods presented.

G. Commitments and Contingencies:

*Litigation*

SINA and certain of its subsidiaries are defendants in certain litigation. In the opinion of management, based upon advice of counsel, the aggregate liability, if any, arising from such litigation will not have a material adverse effect on the accompanying consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition  
and Results of Operations

RESULTS OF OPERATIONS - Quarter Ended March 2001 Compared to 2000

Casino and Resort Revenues and Expenses

Casino and resort revenues and expenses for the quarter ended March 31, 2000 reflect the operations of the Resorts Casino Hotel in Atlantic City, New Jersey ("Resorts Atlantic City"). As described in Note B of Notes to Consolidated Financial Statements herein, the Company completed the sale of Resorts Atlantic City on April 25, 2001 (the "Resorts Atlantic City Sale") to an affiliate of Colony Capital LLC. Pursuant to the terms and conditions of the Resorts Atlantic City Sale, the loss resulting from this transaction was recorded during the fourth quarter of 2000, and additionally, as of January 1, 2001, the operations of Resorts Atlantic City are no longer included in the consolidated financial statements of SINA.

Tour Operations

Revenues and expenses of the Company's tour operator subsidiary increased by \$1.4 million and \$.8 million, respectively, for the quarter ended March 31, 2001 as compared to the first quarter of 2000. This was a result of increased occupancy at resort properties in The Bahamas operated by an unconsolidated affiliate of the Company.

Management Fees and Other Income

Management fees and other income in the first quarter of 2001 increased by \$1.2 million over the previous year. The Company has a fifty percent interest in Trading Cove Associates ("TCA"), a Connecticut general partnership. TCA receives payments pursuant to a relinquishment agreement related to the Mohegan Sun Casino in Uncasville, Connecticut. The Company recorded payments due from TCA of \$1.5 million during the first quarter of 2001, as compared to payments of \$.7 million in the first quarter of 2000. In addition, the first quarter of 2001 included \$4.9 million of fees for services provided to certain unconsolidated affiliated companies, compared to \$4.5 million, for the first quarter of 2000.

Selling, General and Administrative

Selling, general and administrative costs in the first quarter of 2001 decreased by \$7.9 million as compared to the previous year. This was primarily due to the Resorts Atlantic City Sale. In the prior year, selling, general and administrative costs included \$7.5 million at Resorts Atlantic City. In addition, corporate costs decreased by \$.4 million in the first quarter of 2001, primarily due the lower payroll and related costs, compared to the same period in 2000.



## Depreciation and Amortization Expense

Depreciation and amortization expense decreased by \$3.7 million in the first quarter of 2001 as compared to the prior year. In the first quarter of 2000, depreciation and amortization expense at Resorts Atlantic City was \$4.3 million.

## Other Income (Expense)

In the first quarter of 2001, interest income increased by \$1.7 million over the previous year. This was due to an increase of \$2.1 million for interest due from Colony pursuant to the Resorts Atlantic City Sale, partially offset by a decrease of \$.4 million, as the prior year included interest earned at Resorts Atlantic City.

## Forward Looking Statements

The statements contained herein include forward looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations, estimates, projections, management's beliefs and assumptions made by management. Words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and variations of such words and similar expressions are intended to identify such forward-looking statements. Such statements include information relating to plans for future expansion and other business development activities as well as other capital spending, financing sources and the effects of regulation (including gaming and tax regulation) and competition. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and accordingly, such results may differ from those expressed in any forward-looking statements made herein. These risks and uncertainties include, but are not limited to, those relating to development and construction activities, dependence on existing management, leverage and debt service (including sensitivity to fluctuations in interest rates), availability of financing, democratic or global economic conditions, pending litigation, changes in tax laws or the administration of such laws and changes in gaming laws or regulations (including the legalization of gaming in certain jurisdictions).

## PART II. - OTHER INFORMATION

### Item 1. Legal Proceedings

The following is an update of the status of certain litigation which was previously described in "Item 3. Legal Proceedings" of the SINA 2000 Form 10-K.

### US District Court Action SINA vs. Lowenschuss

On March 30, 2001, Lowenschuss appealed the New Jersey Bankruptcy Court's decision in Adversary Proceeding No. 96-2350. In addition, on April 18, 2001, a Motion to Intervene was filed with the New Jersey Bankruptcy Court by the Nevada Chapter 11 Trustee of the Fred Lowenschuss Bankruptcy Estate and Custodian of the Fred Lowenschuss Associates Pension Plan asserting rights to the assets that are the subject of that proceeding. The appeal and motion are pending.

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

The following Part I exhibits are filed herewith:

Exhibit Number	Exhibit
(10)	Promissory Note for \$17,500,000 between SINA and Colony dated as of April 25, 2001 (incorporated by reference to Exhibit 2 of Sun International Hotel Limited's Form 6-K dated May 3, 2001, file number 1-04226).

b. Reports on Form 8-K

No Current Report on Form 8-K was filed by SINA covering an event during the first quarter of 2001. No amendments to previously filed Forms 8-K were filed during the first quarter of 2001.

## SIGNATURES

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

SUN INTERNATIONAL NORTH AMERICA, INC.

(Registrant)

/s/ John R. Allison

John R. Allison

Executive Vice President - Finance

(Authorized Officer of Registrant  
and Chief Financial Officer)

Date: May 14, 2001

SUN INTERNATIONAL NORTH AMERICA, INC.

Form 10-Q for the quarterly period  
ended March 31, 2001

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit</u>	<u>Page Number in Form 10-Q</u>
10	Promissory Note for \$17,500,000 between SINA and Colony dated as of April 25, 2001	Incorporated by reference to Exhibit 2 of Sun International Hotel Limited's Form 6-K dated May 3, 2001 in file number 1-04226).