

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 10-K**

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**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For The Fiscal Year Ended December 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 corporation or organization)

**59-0763055**

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

**1415 E. Sunrise Blvd.**

**Ft. Lauderdale, Florida 33304**

(Address of principal executive offices)

**954-713-2500**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:     None

Securities registered pursuant to Section 12(g) of the Act:     None

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 ☐

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

As of February 28, 2002, there were 100 shares of the registrant's common stock outstanding, all of which were owned by one shareholder. Accordingly there is no current market for any such shares.

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

## **PART I**

### **ITEM 1. BUSINESS**

#### **(A) GENERAL DEVELOPMENT OF BUSINESS**

Sun International North America, Inc. ("SINA") was incorporated in Delaware in 1958. As a result of a merger transaction, SINA has been a wholly-owned subsidiary of Sun International Hotels Limited, a corporation organized and existing under the laws of the Commonwealth of The Bahamas, ("SIHL") since December 1996. SIHL, through its subsidiaries, develops and operates premier casinos, resorts and luxury hotels. In the United States, SIHL owns and operates its properties and investments through SINA and its subsidiaries. In this Form 10-K, the words "Company", "we", "our" and "us" refer to SINA, together with its subsidiaries as the context requires.

We earn income based on the gross revenues of a casino operated by an unaffiliated entity in Connecticut, which is further described below under "ITEM 1. BUSINESS (C) NARRATIVE DESCRIPTION OF BUSINESS – Connecticut". In addition, we provide management services to certain of our affiliated companies and we own a tour operator that wholesales tour packages and provides reservation services. Prior to April 25, 2001, we owned a resort and casino property in Atlantic City New Jersey ("Resorts Atlantic City"), which we sold to an unaffiliated entity.

#### **Forward Looking Statements**

Certain information included in this Form 10-K filing contains 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 may 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 future results 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, 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).

## **Sale of Resorts Atlantic City**

On April 25, 2001, we sold Resorts Atlantic City, a 644-room casino and hotel property, and certain related assets to an affiliate of Colony Capital LLC ("Colony") for a purchase price of approximately \$144 million, including accrued interest (the "Resorts Atlantic City Sale"). We believe that Resorts Atlantic City was a property that no longer fit into our overall business strategy. Subsequent to our acquisition by SIHL, we planned to develop Resorts Atlantic City into a "must-see" destination resort. However, due to the difficulty in acquiring the requisite land and other obstacles to development, we concluded our capital could be better deployed elsewhere.

The proceeds received from Colony consisted of approximately \$127 million in cash and an unsecured note receivable for \$17.5 million (the "Promissory Note"), bearing interest at a rate of 12.5% per annum. Interest was payable semi-annually, with the option to pay one-half of the interest through the issuance of additional notes. Of the cash proceeds, \$79 million was used to pay in full the borrowings outstanding by Resorts Atlantic City under a bank credit facility (the "Revolving Credit Facility"). Resorts Atlantic City, along with SIHL and Sun International Bahamas Limited ("SIB"), a wholly-owned subsidiary of SIHL outside of SINA's consolidated group, were co-borrowers under the Revolving Credit Facility. The remaining \$48 million of cash proceeds from the Resorts Atlantic City Sale was advanced to SIB and was used to permanently reduce borrowings outstanding by SIB under that facility.

We entered into the definitive agreement to sell Resorts Atlantic City in the fourth quarter of 2000, and as of December 31, 2000, we accounted for Resorts Atlantic City as an investment held for sale. The carrying value of the net assets to be disposed of was reclassified to net assets held for sale on our consolidated balance sheets and, in the fourth quarter of 2000, we 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 was no further gain or loss recorded as a result of the closing. As of January 1, 2001, the operations of Resorts Atlantic City are no longer included in our consolidated financial statements.

Pursuant to the terms of the Resorts Atlantic City Sale, we granted Colony a two-year option (the "Atlantic City Option") to acquire certain undeveloped real estate that we own adjacent to Resorts Atlantic City, for a purchase price of \$40 million, which option can be extended for an additional two years under certain circumstances. The net carrying value of the land included in the Atlantic City Option is included in property and equipment in the accompanying consolidated balance sheets. Effective April 25, 2001, the closing date of the Resorts Atlantic City Sale, Colony leases from us certain of the property included in the Atlantic City Option for \$100,000 per month.

In March 2002, we received approximately \$19 million from Colony as payment in full of the Promissory Note and all outstanding accrued interest, which included an additional note issued to Colony on October 15 as Colony elected to pay only 50% of the accrued interest due at that time in cash.

### **Mohegan Sun Casino Expansion**

The Mohegan Sun Casino is a casino resort and entertainment complex situated in the town of Uncasville, Connecticut, operated by the Mohegan Tribal Gaming Authority, an instrumentality of the Mohegan Tribe of Indians of Connecticut (the “Mohegan Tribe”).

Trading Cove Associates (“TCA”), a Connecticut general partnership that we have a 50% interest in, and are a managing partner of, was hired by the Mohegan Tribe to develop a \$960 million expansion of the Mohegan Sun Casino. In 2001, a substantial portion of the expansion was completed, which included an additional 119,000 square foot casino that opened to the public in late September 2001. The remainder of the expansion, which includes a 34-story, 1,200-room luxury hotel and 100,000 square feet of convention space, is expected to open in April 2002.

See “ITEM 1. BUSINESS (C) NARATIVE DESCRIPTION OF BUSINESS – Connecticut” for a further description of TCA and our business activities related to the Mohegan Sun Casino.

### **Trading Cove New York**

Through a wholly-owned subsidiary, we own 50% of Trading Cove New York, LLC (“TCNY”), a Delaware limited liability company. In March 2001, TCNY entered into a Development Services Agreement (the “Development Agreement”) with the Stockbridge-Munsee Band of Mohican Indians (the “Stockbridge-Munsee Tribe”) for the development of a casino project (the “Project”) in the Catskill region of the State of New York (the “State”). The Development Agreement was amended and restated in February 2002. The Stockbridge-Munsee Tribe does not currently have reservation land in the State, but is federally recognized and operates a casino on its reservation in Wisconsin and has a land claim pending in the U.S. District Court for the Northern District of New York against the State.

Pursuant to the Development Agreement, as amended, TCNY will provide preliminary funding, certain financing and exclusive development services to the Stockbridge-Munsee Tribe in conjunction with the Project. As compensation for these services, TCNY will earn a fee of 5% of revenues, as defined in the Development Agreement, beginning with the opening of the Project and continuing for a period of twenty years. TCNY has secured land and/or options on approximately 400 acres of property in the Town of Thompson, County of Sullivan (the “County”), of which approximately 333 acres is currently designated for the Project. In February 2002, the Tribe filed a Land to Trust Application with the U.S. Department of the Interior, Bureau of Indian Affairs (the “BIA”), for the Project site properties. Should the BIA approve the Land to Trust Application and the Stockbridge-Munsee Tribe obtain other required approvals, the land could be taken into trust by the Federal Government on behalf of the Stockbridge-Munsee Tribe for the purpose of conducting Class III Gaming.

In October 2001, the State enacted legislation authorizing up to three Class III Native American casinos in the counties of Sullivan and Ulster and three Native American casinos in western New

York pursuant to Tribal State Gaming Compacts to be entered into by the State and applicable Native American tribes.

In January 2002, the Stockbridge-Munsee Tribe entered into an agreement with the County pursuant to which the Stockbridge-Munsee Tribe will make certain payments to the County to mitigate any potential impacts the Project may have on the County and other local government subdivisions within the County. The payments will not commence until after the opening of the Project.

The Project is contingent upon the receipt of numerous federal, state and local approvals to be obtained by the Stockbridge-Munsee Tribe, including the execution of a Class III Gaming Compact with the State, which approvals are beyond the control of TCNY. We can make no representation as to whether any of the required approvals will be obtained by the Stockbridge-Munsee Tribe.

### **Consent Solicitation of Noteholders**

On July 10, 2001, SINA along with SIHL (together, the "Companies"), commenced a consent solicitation with holders of the Companies' \$200 million principal amount of 9.0% senior subordinated notes due 2007 (the "9% Notes") and \$100 million principal amount of 8 5/8% senior subordinated notes due 2007 (the "8 5/8% Notes"). The Companies sought proposed amendments of certain provisions of the indentures pursuant to which the 9% Notes and 8 5/8% Notes were issued.

The proposed amendments effectively eliminate (as of December 31, 2000, the date the charge was recorded) the impact of \$199.2 million of the total \$229.2 million loss recorded by SINA in connection with the Resorts Atlantic City Sale, for purposes of determining the ability of SIHL and its affiliates to make certain investments, such as certain minority investment in joint ventures. In addition, the amendments increased, from 2.0:1 to 2.5:1, the Consolidated Coverage Ratio required in order for the Companies to incur additional indebtedness. The Consolidated Coverage Ratio is defined as consolidated earnings before interest expense, income taxes, depreciation and amortization ("EBITDA") to fixed payments, as defined in the indentures. The consent solicitation, as amended and extended, was finalized on July 23, 2001.

On July 24, 2001, the Companies announced that they had received the requisite consents from the holders of their 9% Notes and 8 5/8% Notes. Accordingly, the Companies and the trustee under the indentures executed and delivered supplemental indentures containing the amendments described in the amended consent solicitation. Pursuant to the consent solicitation, the Companies paid a total of \$1.5 million in consent payments. Of this amount, we paid our proportionate share of \$1.0 million to holders of our 9% Notes.

## **Refinancing of SIHL**

### *8 7/8% Notes*

On August 14, 2001, the Companies issued \$200 million principal amount of 8 7/8% senior subordinated notes due 2011 (the "8 7/8% Notes") which, after costs, resulted in net proceeds to the Companies of approximately \$194 million. The 8 7/8% Notes, which are unsecured obligations, are unconditionally guaranteed by substantially all of the wholly-owned subsidiaries of the Issuers (the "Guarantors"). Interest on the 8 7/8% Notes is payable on August 15 and February 15 in each year, commencing February 15, 2002. The indenture for the 8 7/8% Notes contains certain covenants, including limitations on the ability of the Companies and the Guarantors to, among other things: (i) incur additional indebtedness, (ii) incur certain liens, and (iii) make certain other restricted payments.

All of proceeds received from the issuance of the 8 7/8 % Notes were advanced to SIB to further repay amounts outstanding by SIB under the Revolving Credit Facility. Therefore, interest expense related to the 8 7/8% Notes is offset by affiliated interest income from SIB.

### *Fourth Amended and Restated Credit Facility (the "CIBC Revolving Credit Facility")*

As previously stated, SINA, SIHL and SIB, were co-borrowers on the Revolving Credit Facility, for which the maximum amount of borrowings outstanding was \$500 million prior to 2001. In January 2001, the Revolving Credit Facility was amended. In accordance with the amendment, the maximum amount of borrowings outstanding was reduced by the amount of cash proceeds received pursuant to the Resorts Atlantic City Sale, which upon closing of that sale, reduced the maximum amount of borrowings that could be outstanding to \$373 million. This limitation on borrowings was to be further reduced by the cash proceeds received from Colony if they exercised the Atlantic City Option. The term of the Revolving Credit Facility was through August 12, 2002, at which time we would have been required to pay in full any borrowings outstanding under that facility.

On November 13, 2001, SIHL, SINA and SIB, as co-borrowers, entered into the CIBC Revolving Credit Facility with a syndicate of banks (the "Lenders"), with Canadian Imperial Bank of Commerce ("CIBC") acting as administrative agent. The borrowings then-outstanding under the previous Revolving Credit Facility, all of which were reflected on the balance sheet of SIB, were paid in full. Under the CIBC Revolving Credit Facility, the maximum amount of borrowings that may be outstanding is \$200 million. An additional \$150 million of borrowings may be available under certain circumstances, subject to approval by all of the Lenders.

Loans under the CIBC Revolving Credit Facility bear interest at (i) the higher of (a) CIBC's base rate or (b) the Federal Funds rate plus ½ of one percent, in either case plus an additional 0.25% to 1.75% based on a debt to earnings ratio during the period, as defined (the "Leverage Ratio") or (ii) LIBO rate plus 1.25% to 2.75% based on the Leverage Ratio. After each drawdown on the CIBC Revolving Credit Facility, interest is due every three months for the first six months and is due monthly thereafter. Loans under the CIBC Revolving Credit Facility may be prepaid and reborrowed at any time and are due in full in November 2006.

The CIBC Revolving Credit Facility contains restrictive covenants that include: (a) restrictions on the payment of dividends, (b) minimum levels of SIHL's consolidated EBITDA, and (c) a minimum relationship between SIHL's consolidated EBITDA and interest expense and debt.

The amount of borrowings outstanding as of December 31, 2001 on the CIBC Revolving Credit Facility was \$24 million, all of which was drawn by SIB and is reflected on SIB's balance sheet.

## **(B) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS**

Not applicable.

## **(C) NARRATIVE DESCRIPTION OF BUSINESS**

### **Connecticut**

Until December 31, 1999, TCA had a management agreement (the "Management Agreement") with the Mohegan Tribe to operate the Mohegan Sun Casino. Under the Management Agreement TCA received between 30% and 40% of the net profits, as defined, of the Mohegan Sun Casino. TCA is obligated to pay certain amounts to its partners and certain of their affiliates, as priority payments. These amounts are paid as TCA receives sufficient cash to meet those distributions.

In 1998, the Mohegan Tribe appointed TCA to develop its \$960 million expansion of the Mohegan Sun Casino for a fee of \$14 million. In addition, TCA and the Mohegan Tribe entered into an agreement (the "Relinquishment Agreement") whereby it was agreed that effective January 1, 2000, TCA would turn over management of the Mohegan Sun Resort Complex, including its expansion, to the Mohegan Tribe. The term of the Management Agreement was seven years beginning in October 1996, the date the Mohegan Sun Casino opened. Pursuant to the Relinquishment Agreement, the Management Agreement was terminated and, effective January 1, 2000, TCA receives payments of five percent of the gross revenues of the Mohegan Sun Resort Complex for a 15-year period. Pursuant to subcontracts for management services, organization and administrative services and marketing services provided to TCA, we receive certain priority payments from TCA. In addition, for seven years beginning January 1, 2000, TCA pays us the first \$5.0 million of the profits it receives pursuant to the Relinquishment Agreement as a priority payment prior to making pro rata distributions to its partners.

We are one of two managing partners of TCA. All decisions of the managing partners require the concurrence of us and the other managing partner, Waterford Gaming, L.L.C. In the event of deadlock there are mutual buy-out provisions.

### *Description of Property*

Prior to the expansion, the Mohegan Sun Casino featured a 176,500 square foot casino with 3,655 slot machines and 158 table games, as well as guest parking for 7,500 cars. The expansion includes a 119,000 square foot casino containing 2,564 slot machines and 82 table games, a 34-

story, 1,200-room luxury hotel, 100,000 square feet of convention space, a 10,000-seat arena, 4,600 additional parking spaces, 130,000 square feet of retail space, specialty retail shops and additional restaurants. The new casino opened in late September 2001, and the remainder of the expansion is expected to open by April 2002.

We believe the Native American-themed Mohegan Sun Casino is one of the premier casino gaming properties in the Northeast and one of the most profitable casinos in the United States. The property incorporates its historical Native American theme through unique architectural features and the use of natural design elements such as timber, stone and water. As a result of the expansion, the gaming area comprises approximately 296,000 square feet of gaming space and features more than 6,200 slot machines, 240 table games and 42 poker tables. We believe the Mohegan Sun Casino benefits from a superior location and strong demographics. It is located approximately one mile from the interchange of Interstate 395 and Connecticut Route 2A in Uncasville, Connecticut and is within 150 miles of approximately 22 million adults. The Mohegan Tribe spent \$40.0 million for infrastructure improvements providing direct highway access to the property from Boston, Providence and New York.

#### *Seasonality and Weather*

Inclement weather can adversely affect the operations in Connecticut as the principal means of transportation to this property is by automobile or bus. Higher revenues and earnings are typically realized from the Connecticut operations during the middle third of the year.

#### *Competition*

The Connecticut market is the fourth largest gaming market in the United States, with approximately 22 million adults within 150 miles of the Mohegan Sun Casino. The Mohegan Sun Casino and Foxwoods Resort and Casino ("Foxwoods"), at present are the only two casinos in the Connecticut market. Foxwoods has approximately 6,500 slot machines, and for the year ended December 31, 2001 reported slot revenue of approximately \$783 million. The Oneida Nation operates a casino near Syracuse, New York and other Native American tribes in the states of New York, Rhode Island, Massachusetts and Connecticut are seeking approvals to establish gaming operations which would further increase competition, particularly for day-trip patrons. Mohegan Sun also competes with Atlantic City and several small Native American gaming facilities throughout the northeast United States.

The Mohegan Sun Casino has primarily targeted day-trip customers. However, the new 1,200-room hotel, as part of the current \$960 million expansion, is scheduled to open in April 2002. We expect that, to some extent, the availability of these hotel rooms will allow the Mohegan Sun Casino to compete with casino properties throughout the United States.

In Connecticut, under the tribal-state compacts between the State and each of the Mohegan Tribe and the other Native American casino in the State, Mohegan Sun is subject to a 25% gaming fee on slot revenues payable to the State of Connecticut so long as the State does not issue any further licenses for gaming operations with slot machines or other commercial casino games (other than to a Native American tribe on Native American land). In March 2000, two additional



Native American tribes in Connecticut, the Eastern Pequots and the Paucatuck Eastern Pequots, received a proposed positive recommendation by the Federal Bureau of Indians Affairs to receive federal recognition as tribes. The applications for federal recognition are pending. If either of the two tribes receives federal recognition, they could seek to obtain trust land and approvals to conduct casino gaming in Connecticut.

Casino gaming in the northeastern United States may be conducted by federally recognized Indian tribes operating under the Indian Gaming Regulatory Act of 1988. A federally recognized tribe in Rhode Island and a federally recognized tribe in Massachusetts are each seeking to establish gaming operations in their respective states. Also, as previously discussed, in October 2001, the State of New York enacted legislation authorizing up to three Native American casinos in certain counties. The Stockbridge-Munsee Tribe is seeking to develop a casino project in the Catskill region of New York. We cannot predict whether any of these tribes will be successful in establishing gaming operations and, if established, whether such gaming operations will have a material adverse effect on the operations of the Mohegan Sun Casino.

### *Regulation*

The Mohegan Tribe is a federally recognized Native American tribe whose federal authorities recognition became effective May 15, 1994. In May 1994, the Mohegan Tribe and the State of Connecticut entered into a gaming compact to authorize and regulate Class III gaming operations (slot machines and table games). Under this tribal-state compact, Mohegan Sun is subject to a 25% gaming fee on slot revenues payable to the State of Connecticut so long as the State does not issue any further licenses for gaming operations with slot machines or other commercial casino games (other than to a Native American tribe on Native American land).

Each of the partners of TCA must be licensed by relevant tribal and state authorities. Each of the partners of TCA has received a gaming registration from the Commissioner of Revenue Services of the State of Connecticut that is renewed annually.

### *Waiver of Sovereign Immunity*

Pursuant to the Relinquishment Agreement, the Mohegan Tribe has waived sovereign immunity for the purpose of permitting a suit by TCA in any court of competent jurisdiction for the purpose of enforcing the Relinquishment Agreement and any judgments arising out of the Relinquishment Agreement, including (i) the enforcement of the Tribe's payment obligation to TCA with an award of actual damages in connection with any breach thereof and (ii) an action to prohibit the Tribe from taking any action that would prevent the operation of the Relinquishment Agreement. The only assets subject to payment or encumbrances for the payment of Tribal obligations under the Relinquishment Agreement are any cash and the undistributed and future revenues derived from the Mohegan Sun Casino.

### *Gaming Disputes Court*

The Mohegan Tribe's Constitution (the "Mohegan Constitution") provides for the governance of the Mohegan Tribe by a tribal council, in which the legislative and executive powers of the

Mohegan Tribe are vested, and a constitutional review board. On July 20, 1995, the tribal council enacted a tribal ordinance creating the Gaming Disputes Court (the "Court"), which is composed of a trial and an appellate branch. The Mohegan Constitution and the tribal ordinance establishing the Court give the Court exclusive jurisdiction for the Mohegan Tribe over all disputes and controversies related to gaming between any person or entity and the MTGA, the Mohegan Tribe or TCA. The Court has been authorized by the Mohegan Constitution to consist of at least four judges, none of whom may be members of the Mohegan Tribe and each of whom must be either a retired federal judge or Connecticut Attorney Trial Referee (who is an attorney appointed by the Connecticut Supreme Court).

### **Atlantic City Real Estate**

As described under the Resorts Atlantic City Sale in "ITEM 1. BUSINESS, (a) GENERAL DEVELOPMENT OF BUSINESS - Sale of Resorts Atlantic City", effective April 25, 2001, we lease certain of the property included in the Atlantic City Option to Colony. Pursuant to the lease agreement, Colony pays us a fee of \$100,000 per month, which is due on the first day of each month. We also own certain other undeveloped parcels of land in Atlantic City, which are available for sale. See "ITEM 2. PROPERTIES" for a further description of land owned by SINA.

### **Florida**

Through our offices in Florida, we provide general and administrative support services, marketing services, travel reservations and wholesale tour services for SIHL's properties in The Bahamas. To a much lesser extent, we also provide travel reservation services for unaffiliated properties in The Bahamas.

### **New York**

Through one of our subsidiaries, we lease office space in New York City for our corporate marketing and public relations office which provides services to SINA as well as its affiliated companies.

## **(D) FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS**

Not applicable.

## **ITEM 2. PROPERTIES**

### **Atlantic City**

We own in fee simple approximately 13 acres of real property immediately adjacent to Resorts Atlantic City. These properties, which are included in the Atlantic City Option, are zoned for casino hotel use and available for future expansion. Certain of these properties are being leased by Colony for a fee of \$100,000 per month.

We own in fee simple approximately 5 acres of undeveloped property in the Southeast Inlet section of Atlantic City. In addition, we own in fee simple approximately 45 acres of property located in Atlantic City on Blackhorse Pike, a portion of which may be considered to be wetlands.

All of the property that we own in Atlantic City, except for that which is subject to the Atlantic City Option, is available for sale.

### **ITEM 3. LEGAL PROCEEDINGS**

#### **US District Court Action - SINA v. Lowenschuss**

As previously reported, in September 1989 SINA filed an action in the US District Court for the Eastern District of Pennsylvania to recover certain sums paid to the defendant, as trustee for two Individual Retirement Accounts and the Fred Lowenschuss Associates Pension Plan (the "Pension Plan"), for SINA stock in a 1988 merger, in which SINA was acquired by Merv Griffin. This action was transferred to the NJ Bankruptcy Court in connection with the Company's former bankruptcy case commenced there in 1989.

In February 1992, the NJ Bankruptcy Court issued an opinion granting partial summary judgment in favor of SINA on one of its six causes of action. The NJ Bankruptcy Court reserved the issue of remedies for trial.

In August 1992, Fred Lowenschuss filed for Chapter 11 reorganization in the US Bankruptcy Court for the District of Nevada (the "Nevada Bankruptcy Court"). As a result, the NJ Bankruptcy Court stayed SINA's action against Lowenschuss.

The Nevada Bankruptcy Court confirmed Fred Lowenschuss' plan of reorganization in October 1993. SINA appealed certain portions of the confirmation order and other orders of the Nevada Bankruptcy Court. In June 1994, the US District Court for the District of Nevada (the "Nevada District Court") granted SINA's appeal in all respects. In October 1995, the US Court of Appeals for the Ninth Circuit affirmed the Nevada District Court's ruling in all respects, and in November 1995, the Court of Appeals denied Fred Lowenschuss' petition for rehearing. On June 10, 1996, the United States Supreme Court denied Fred Lowenschuss' petition for a writ of certiorari.

All interested parties, including SINA, filed motions with the Nevada Bankruptcy Court about their respective claims and priority rights under the US Bankruptcy Code. The Nevada Bankruptcy Court ruled on these motions, and SINA and other parties appealed, first to the Nevada District Court and then to the Court of Appeals for the Ninth Circuit. At the time that the United States Supreme Court denied SINA's petition for a writ of certiorari, on November 29, 1999 (see discussion below), SINA had three appeals pending, one in the Court of Appeals and two in the Nevada District Court. SINA voluntarily dismissed all three appeals and simultaneously withdrew its proofs of claim in Lowenschuss' bankruptcy case.

On November 2 and 3, 1995, the NJ Bankruptcy Court held a trial on the merits of SINA's claims against the trustee of the Pension Plan. On April 22, 1997, the NJ Bankruptcy Court issued a final opinion in SINA's favor, and on May 20, 1997 entered a judgment in SINA's favor finding that the trustee for the two Individual Retirement Accounts and the Pension Plan committed fraud against SINA and that SINA was entitled to restitution. The NJ Bankruptcy Court awarded SINA \$3.8 million plus prejudgment interest and \$250,000 punitive damages, for a total award of approximately \$5.7 million. On July 7, 1997 the NJ Bankruptcy Court amended the judgment to apportion the damages between the Pension Plan and the Individual Retirement Accounts. The NJ Bankruptcy Court also denied Defendant's request for a stay of enforcement of the judgment. Subsequently, the Defendants filed an appeal of the NJ Bankruptcy Court's decision in the US District Court for the District of New Jersey (the "New Jersey District Court"). On March 26, 1998, The New Jersey District Court reversed the judgment of the NJ Bankruptcy Court. SINA filed an appeal of the New Jersey District Court's decision with the US Court of Appeals for the Third Circuit (the "Circuit Court"). On June 30, 1999, the Circuit Court issued an opinion affirming the New Jersey District Court's decision. SINA's subsequent petition for a writ of certiorari to the United States Supreme Court was denied on November 29, 1999, thereby concluding this litigation.

In connection with that litigation, Laurance Lowenschuss, as trustee for the Pension Plan, and Fred Lowenschuss, as trustee of the Trusts and as custodian, filed an action in May 1996 against SINA for preliminary and permanent injunctive relief. The Lowenschusses sought an order from the US Bankruptcy Court for the District of Delaware (the "Delaware Bankruptcy Court") to extend the post-confirmation bar date of the Plan and to secure the return of certain escrowed distributions to holders of Old Series Notes (as defined in the Plan).

On May 9, 1996, the Delaware Bankruptcy Court entered an order, to which the parties had stipulated, extending the Lowenschuss' date of surrender for Old Series Notes through November 10, 1996. By further stipulations, the date of surrender was further extended through May 12, 2000.

On March 8, 1996, Fred Lowenschuss, as trustee of various Lowenschuss children's trusts (the "Trusts"), and Laurance Lowenschuss, as trustee for the Pension Plan, filed a counterclaim and a third party claim against SINA and First Interstate Trust Company in the NJ Bankruptcy Court alleging that the Pension Plan and the Trusts timely surrendered certain securities for exchange under the Company's 1990 plan of reorganization and that those securities were wrongfully dishonored and returned. The Company replied to the counterclaims in April 1996 and denied the allegations. Since 1996, the parties have voluntarily stayed this litigation, pending the resolution of Lowenschuss' bankruptcy case in Nevada.

The foregoing litigation and bankruptcy proceedings have spawned additional and related litigation, including the following: (a) an injunction action brought by Fred Lowenschuss, wherein the Nevada Bankruptcy Court enjoined SINA from proceeding against Fred Lowenschuss individually; the Nevada District Court dismissed appeals by both SINA and Fred Lowenschuss, and the Ninth Circuit, on March 6, 1997, affirmed the District Court's dismissal of Fred Lowenschuss' appeal; (b) a malicious prosecution action brought by Fred Lowenschuss against SINA and its counsel that was dismissed by the Nevada Bankruptcy Court and the

Nevada District Court; on March 6, 1997, the Ninth Circuit affirmed the District Court's dismissal of Lowenschuss' appeal and awarded SINA monetary sanctions, finding that the Lowenschuss' appeal was frivolous; and (c) an action filed by Laurance Lowenschuss, as trustee of the Pension Plan, in the Nevada District Court against SINA, which was transferred to the NJ District Court; in January, 1996, the NJ District Court referred the matter to the NJ Bankruptcy Court. In February 2001, the NJ Bankruptcy Court granted SINA's motion to dismiss Lowenschuss' action for malicious prosecution in Adversary Proceeding No. 96-2350 and denied SINA's motion to dismiss certain counterclaims in Adversary Proceeding No. 90-1005 related to the exchange of bonds in the Delaware Bankruptcy Court proceeding discussed above.

In December 2001, SINA and Lowenchuss entered into a Stipulation and Settlement Agreement to end all outstanding disputes between the parties, which Stipulation and Settlement is pending NJ Bankruptcy Court approval.

#### **ITEM 4. MATTERS OF A VOTE TO SECURITY HOLDERS**

Not applicable.

### **PART II**

#### **ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS**

There is no trading market for SINA common stock, all of which is owned by SIHL.

No dividends were paid on SINA common stock during the last two fiscal years. The indentures for certain of SINA's indebtedness contain certain restrictions as to the payment of dividends by SINA.

#### **ITEM 6. SELECTED FINANCIAL DATA**

The disclosure required by Item 6 has been omitted pursuant to General Instruction I of Form 10-K.

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

### **CRITICAL ACCOUNTING POLICIES**

Our critical accounting policies are those which we believe require our most subjective or complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. We prepare our Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States. Certain of our accounting policies, including the estimated lives assigned to our assets, the determination of bad debt, asset impairment, the calculation of our income tax liabilities, and estimation of contingencies and other liabilities, require that we apply significant judgment in defining the appropriate assumptions for calculating financial estimates. We periodically assess the potential liabilities related to any lawsuits or claims brought against us. While it is typically very difficult to determine the timing and ultimate outcome of these actions, we use our best judgment to determine if it is probable that we will incur an expense related to the settlement of final adjudication of such matters and whether a reasonable estimation of such probable loss, if any, can be made. There can be no assurance that actual results will not differ from our estimations. To provide an understanding of the methodology we apply, our significant accounting policies are discussed where appropriate and in the notes to our Consolidated Financial Statements.

### **RESULTS OF OPERATIONS**

#### **COMPARISON OF YEARS ENDED DECEMBER 31, 2001 AND 2000**

##### **Casino and Resort Revenues and Expenses**

Casino and resort revenues and expenses for the year 2000 reflect the operations of Resorts Atlantic City. As described previously, we sold Resorts Atlantic City on April 25, 2001. As of December 31, 2000, we accounted for Resorts Atlantic City as an investment held for sale, and the loss resulting from this transaction was recorded during the fourth quarter of 2000. Accordingly, as of January 1, 2001, the operations of Resorts Atlantic City are no longer included in our consolidated financial statements.

##### **Tour Operations**

Revenues and expenses from our tour operations increased slightly in 2001 compared to 2000, resulting in a slight increase in earnings. This was a result of increased occupancy over the first eight months of 2001, compared to the same period in 2000 at resort properties in The Bahamas operated by certain of our unconsolidated affiliates. The increased earnings were substantially curtailed due to a significant decline in occupancy at the Bahamian properties as a result of the events of September 11.

By the first quarter of 2002, call volumes at our tour operator had returned to the level they were prior to September 11. This was partly due to an aggressive marketing campaign by SIHL in late 2001 to promote its properties in The Bahamas. In addition, the number of people traveling has

been steadily increasing compared to the significant disruption in the travel industry in the aftermath of September 11. While it is not significant to our financial condition, we anticipate that there will be some growth in our earnings from tour operations. However, we cannot be assured that the return to pre September 11 business volume will have a positive impact on our future earnings. In addition, we cannot be assured that other travel disruption events which we cannot predict and are out of our control, and which could negatively impact our earnings, will not occur in the future.

### **Management Fees and Other**

Management fees and other income in 2001 increased by \$6.6 million (26.2%) over the previous year. Payments received by TCA in 2001, pursuant to the Relinquishment Agreement, were \$15.6 million compared to \$5.9 million in 2000, an increase of \$9.7 million. This increase was partially offset by a decrease in development fees from TCA of \$3.8 million received in 2000.

As described in "ITEM 1. BUSINESS (C) NARATIVE DESCRIPTION OF BUSINESS – Connecticut", payments received by TCA pursuant to the Relinquishment Agreement represent 5% of gross revenues of the Mohegan Sun Casino. We have a 50% interest in TCA, and we receive payments as TCA distributes cash to its partners. As a result of the recent \$960 million expansion, which included an additional 119,000 square foot casino that opened in late September 2001 and a new 34-story, 1,200-room luxury hotel which is expected to open in April 2002, we anticipate that gross revenues of the Mohegan Sun Casino Complex will increase in 2002. If such increase occurs, TCA will receive increased payments pursuant to the Relinquishment Agreement in future periods, as compared to 2001, and accordingly, the amount of cash distributed to us will increase. However, we cannot be assured as to the effect of the expansion on the Mohegan Sun Casino or that other events which we cannot control or predict will negatively impact business levels at that property.

In 2001, we received \$820,000 of lease payments from Colony with respect to land in Atlantic City that they lease from us effective April 25, 2001. The lease payment is \$100,000 per month, and the lease terms are concurrent with the Atlantic City Option. As previously stated, Colony has two years from April 25, 2001 to exercise such option, and under certain conditions can extend the Atlantic City Option for an additional two years. If Colony does not exercise the Atlantic City Option, upon its expiration, the land lease will continue on a month-to-month basis. At that time the lease can be terminated by either Colony or us with thirty days notice, subject to certain conditions.

Management fees earned for services we provide to our unconsolidated affiliates in The Bahamas amounted to approximately \$15.1 million in 2001, and were virtually flat compared to 2000. Such fees equal 3% of gross revenues, as defined, and therefore are largely dependent on occupancy levels at SIHL's properties in The Bahamas. As was mentioned previously, in 2001, the occupancy levels at the Bahamian properties were negatively impacted by the events of September 11. While business levels in 2002 have returned to that of pre September 11, we cannot be assured that other events, which we cannot predict, and which could negatively impact our occupancy in The Bahamas, will not occur in the future.

### **Selling, General and Administrative**

Selling, general and administrative costs in 2001 decreased by \$33.2 million (68.5%) compared to 2000. This was primarily due to the Resorts Atlantic City Sale. In the prior year, selling, general and administrative costs included \$29.3 million at Resorts Atlantic City. In addition, corporate and administrative costs decreased by \$3.9 million, primarily due to lower payroll and related costs, and a reduction of costs related to corporate information technology projects.

### **Depreciation and Amortization**

Depreciation and amortization expense in 2001 decreased by \$14.3 million compared to the prior year. In 2000, depreciation and amortization expense at Resorts Atlantic City was \$16.2 million. This was offset by an increase in depreciation expense resulting from depreciation of new computer software placed into service at the beginning of 2001.

### **Other Non-Recurring Operating Expenses**

In 2001, restructuring costs were comprised of severance payments made to employees who were terminated due to the lower occupancy levels at SIHL's properties in The Bahamas subsequent to September 11. Expenses in 2000 included a write-down of assets related to the Resorts Atlantic City Sale and Atlantic City Option to their realizable value. As a result of entering into the agreement to sell Resorts Atlantic City at a purchase price less than its carrying value, the Company recorded a loss of \$229.2 million in the fourth quarter of 2000. Purchase termination costs of \$11.2 million in 2000 related to the cancellation of the Company's agreement to acquire the Desert Inn Hotel and Casino in Las Vegas from Starwood Hotels and Resorts Worldwide, Inc. These costs included \$7.2 million paid to Starwood pursuant to the Termination Agreement.

### **Other Income (Expense)**

Interest income in 2001 increased by \$2.4 million. In 2001, interest income included \$2.7 million earned on the proceeds of the Resorts Atlantic City Sale and \$1.5 million of interest earned on the \$18 million principal amount of notes due from Colony. These increases were partially offset by a decrease of \$1.6 million as the prior year included interest earned at Resorts Atlantic City.

Affiliated interest income is comprised of amounts due from SIB. As described previously, the proceeds received from the issuance of the 8 7/8% Notes were advanced to SIB and were used to pay down borrowings by SIB on the Revolving Credit Facility. We earn interest on the advance of proceeds to SIB equal to interest expense we incur on the 8 7/8% Notes.

Interest expense in 2001 increased by \$3.0 million (12.3%) as compared to 2000. Interest expense related to the 8 7/8% Notes issued in August 2001 was \$6.9 million. This increase was partially offset by a decrease in interest expense related to the Revolving Credit Facility as



proceeds from the Resorts Atlantic City Sale were used to pay off borrowings outstanding by us under that facility.

### **Income Taxes**

We recorded a net tax benefit of \$2.8 million in the year 2001 compared to income tax expense of \$1.1 million in the prior year. In the fourth quarter of 2001, we released \$3.9 million of the valuation allowance on our deferred tax assets, resulting in a tax benefit.

See Note 12 of Notes to Consolidated Financial Statements for a further discussion of our income taxes for the years 2001 and 2000.

### **LIQUIDITY, CAPITAL RESOURCES AND CAPITAL SPENDING**

#### **Liquidity**

At December 31, 2001, our working capital was \$25.2 million, including unrestricted cash and cash equivalents of \$3.1 million. As of December 31, 2001, the amounts due from affiliates on our consolidated balance sheet included \$29.7 million of non-interest bearing, due on demand advances made to certain unconsolidated affiliated companies.

#### **Capital Resources and Other Sources and Uses of Funds**

##### **Sale of Resorts Atlantic City**

On April 25, 2001, we sold Resorts Atlantic City and certain related assets to Colony for a purchase price of approximately \$144 million, including accrued interest. The proceeds received from Colony consisted of approximately \$127 million in cash and the \$17.5 million Promissory Note. Of the cash proceeds, \$79 million was used to pay in full the borrowings outstanding by Resorts Atlantic City under the Revolving Credit Facility. The remaining \$48 million of cash proceeds was advanced to SIB and was used to permanently reduce borrowings outstanding by SIB under that facility. The cash proceeds received from Colony were offset by approximately \$6 million in cost paid by us after closing, which included employee termination costs and legal fees.

Pursuant to the terms of the Resorts Atlantic City Sale, we granted Colony a two-year option to acquire certain undeveloped real estate that we own adjacent to Resorts Atlantic City, for a purchase price of \$40 million, which option can be extended for an additional two years under certain circumstances. Effective April 25, 2001, the closing date of the Resorts Atlantic City Sale, Colony leases from us certain of the property included in the Atlantic City Option for \$100,000 per month.

In March 2002, we received approximately \$19 million from Colony as payment in full of the Promissory Note and all outstanding accrued interest, which included an additional note issued to Colony on October 15 as Colony elected to pay only 50% of the accrued interest due at that time in cash.

#### Fourth Amended and Restated Credit Facility (CIBC Revolving Credit Facility)

On November 13, 2001, SIHL, SINA and SIB, as co-borrowers, entered into the CIBC Revolving Credit Facility with a syndicate of banks, with CIBC acting as administrative agent. As a result of the CIBC Revolving Credit Facility, the previous bank facility for which SIHL, SINA and SIB were co-borrowers was paid in full. Under the CIBC Revolving Credit Facility, the maximum amount of borrowings that may be outstanding is \$200 million. An additional \$150 million of borrowings may be available under certain circumstances, subject to approval by all of the Lenders.

Loans under the CIBC Revolving Credit Facility bear interest at (i) the higher of (a) CIBC's base rate or (b) the Federal Funds rate plus  $\frac{1}{2}$  of one percent, in either case plus an additional 0.25% to 1.75% based on the Leverage Ratio, a debt to earnings ratio during the period, as defined or (ii) LIBO rate plus 1.25% to 2.75% based on the Leverage Ratio. After each drawdown on the CIBC Revolving Credit Facility, interest is due every three months for the first six months and is due monthly thereafter. Loans under the CIBC Revolving Credit Facility may be prepaid and reborrowed at any time and are due in full in November 2006.

The amount of borrowings outstanding as of December 31, 2001 on the CIBC Credit Facility was \$24 million, all of which was drawn by SIB and is reflected on SIB's balance sheet.

#### Other Sources and Uses of Funds for 2002

During the next twelve months, we expect the primary source of funds from operations to be payments received from TCA pursuant to the Relinquishment Agreement. In addition, we will continue to earn management fees for services provided to certain of our unconsolidated affiliates. With respect to our long-term debt at December 31, 2001, we are required to make cash interest payments each year amounting to \$35.8 million. Included in this amount is \$17.8 million of interest related to the 8  $\frac{7}{8}$ % Notes which is paid by SIB. We currently do not have any immediate plans for significant capital expenditures during the next twelve months.

We believe that available cash on hand at December 31, 2001, combined with funds generated from operations and, if required, funds available under the CIBC Revolving Credit Facility will be sufficient to finance our cash needs for at least the next twelve months.

## **Future Commitments and Funding Sources**

At December 31, 2001, our contractual obligations, with initial or remaining terms in excess of one year, were as follows (in thousands)(a):

<u>Contractual Cash Obligation</u>	<u>Total</u>	<u>2002</u>	<u>2003</u>	<u>2004- 2005</u>	<u>2006</u>	<u>Thereafter</u>
Long-term debt on SINA's consolidated balance sheet	\$ 400,000	\$ -	\$ -	\$ -	\$ -	\$ 400,000
Long-term debt on SIHL's consolidated balance sheet(b)	100,000	-	-	-	-	100,000
CIBC Revolving Credit Facility on SIB's consolidated balance sheet (c)	24,000	-	-	-	24,000	-
Capital leases	89	70	19	-	-	-
Total contractual cash obligations	<u>\$ 524,089</u>	<u>\$ 70</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ 500,000</u>

- (a) See Note 7 of Notes to Consolidated Financial Statements herein for a further description of our debt commitments.
- (b) SINA is a guarantor and co-issuer of the \$100 million aggregate principal amount of the 8 5/8% Notes.
- (c) SINA is a co-borrower and guarantor of borrowings outstanding on the CIBC Revolving Credit Facility. At December 31, 2001, all of the outstanding borrowings on this facility, which totaled \$24 million, were drawn by SIB and are reflected on SIB's balance sheet.

## **Other Matters**

### **Trading Cove New York**

Through a wholly-owned subsidiary, we own 50% of TCNY. In March 2001, TCNY entered into the Development Agreement with the Stockbridge-Munsee Tribe for the development of a casino project in the Catskill region of the State of New York. The Development Agreement was amended and restated in February 2002. The Stockbridge-Munsee Tribe does not currently have reservation land in the State, but is federally recognized and operates a casino on its reservation in Wisconsin and has a land claim pending in the U.S. District Court for the Northern District of New York against the State.

Pursuant to the Development Agreement, as amended, TCNY will provide preliminary funding, certain financing and exclusive development services to the Stockbridge-Munsee Tribe in conjunction with the Project. As compensation for these services, TCNY will earn a fee of 5% of revenues, as defined in the Development Agreement, beginning with the opening of the Project and continuing for a period of twenty years. TCNY has secured land and/or options on

approximately 400 acres of property in the Town of Thompson, County of Sullivan, of which approximately 333 acres is currently designated for the Project. In February 2002, the Tribe filed a Land to Trust Application with the U.S. Department of the Interior, Bureau of Indian Affairs, for the Project site properties. Should the BIA approve the Land to Trust Application and the Stockbridge-Munsee Tribe obtain other required approvals, the lands could be taken into trust by the Federal Government on behalf of the Stockbridge-Munsee Tribe for the purpose of conducting Class III Gaming.

In October 2001, the State enacted legislation authorizing up to three Class III Native American casinos in the counties of Sullivan and Ulster and three Native American casinos in western New York pursuant to Tribal State Gaming Compacts to be entered into by the State and applicable Native American tribes.

In January 2002, the Stockbridge-Munsee Tribe entered into an agreement with the County pursuant to which the Stockbridge-Munsee Tribe will make certain payments to the County to mitigate any potential impacts the Project may have on the County and other local government subdivisions within the County. The payments will not commence until after the opening of the Project.

The Project is contingent upon the receipt of numerous federal, state and local approvals to be obtained by the Stockbridge-Munsee Tribe, including the execution of a Class III Gaming Compact with the State, which approvals are beyond the control of TCNY. We can make no representation as to whether any of the required approvals will be obtained by the Stockbridge-Munsee Tribe.

#### New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133, as amended, is effective for fiscal years beginning after June 15, 2000. SFAS 133 requires that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. Changes in the derivative's fair values will be recognized in income unless specific hedge accounting criteria are met. We adopted SFAS 133, as amended, beginning January 1, 2001. Currently, we do not have any derivative financial instruments and therefore, there is no impact on our consolidated financial statements.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations" ("SFAS 141") and SFAS No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. SFAS 142 is effective for fiscal years beginning after December 15, 2001 with respect to goodwill recognized on an entity's balance sheet as of the beginning of that fiscal year. Under SFAS 142 goodwill will no longer be amortized, but rather tested at least annually for impairment using a fair value based test. A loss resulting from impairment of such goodwill should be recognized as the effect of a change in accounting principal in the initial period of adopting SFAS 142. In subsequent reporting periods, goodwill impairment losses are to be recognized on a separate line item on the income statement included in income from operations.

As a result of the Resorts Atlantic City Sale, all of the goodwill previously recognized by SINA was written off in its entirety in the fourth quarter of 2000. Therefore, this new pronouncement currently has no impact on our consolidated financial statements.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This pronouncement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. We believe the adoption of SFAS No. 143 will not have a material impact on our consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" effective for fiscal years beginning after December 15, 2001. For long-lived assets to be held and used, SFAS No. 144 retains the existing requirements to (a) recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and (b) measure an impairment loss as the difference between the carrying amount and the fair value of the asset. SFAS No. 144 establishes one accounting model to be used for long-lived assets to be disposed of by sale. We do not expect that the effect of adopting SFAS No. 144 will have a material effect on our consolidated financial statements.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our major market risk exposure is interest rate risk associated with our long-term debt. As previously noted, we are part of a consolidated group for which SIHL is the parent corporation. SIHL attempts to limit the exposure of the consolidated group to interest rate risk by managing the mix of fixed and floating rate debt, and by entering into variable rate swap agreements to hedge certain of its fixed rate debt.

As of December 31, 2001, the carrying value of long-term debt reflected on our balance sheet is \$399.4 million and is entirely comprised of fixed rate debt, the 9% Notes and the 8 7/8% Notes. SIHL has entered into fixed-to-variable rate interest rate swap agreements designated as fair value hedges of our 8 7/8% Notes. The effects of these interest rate swap agreements are reflected on the financial statements of SIHL as such agreements were entered into by SIHL. Under the terms of these agreements, SIHL makes payments based in specified spreads over six-month LIBOR, and receives payments equal to the interest payments due on the fixed rate debt. Giving effect to these agreements, our fixed rate and floating rate debt as of December 31, 2001 represent approximately 50% each of total debt.

We are a co-borrower on the CIBC Revolving Credit Facility, and therefore, have future borrowing capacity comprised of variable rate debt based on LIBO rate. As of December 31, 2001, SINA had not drawn any amounts on this facility.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The Company's consolidated financial statements are presented on the following pages:

<b>Financial Statements</b>	<b>Page Reference</b>
Report of Independent Public Accountants	23
Consolidated Balance Sheets at December 31, 2001 and 2000	24
Consolidated Statements of Operations for the years ended December 31, 2001, 2000 and 1999	25
Consolidated Statements of Changes in Shareholder's Deficit for the years ended December 31, 2001, 2000 and 1999	26
Consolidated Statements of Cash Flows for the years ended December 2001, 2000 and 1999	27
Notes to Consolidated Financial Statements	28
Financial Statement Schedule: Schedule II: Consolidated Valuation and Qualifying Accounts for the years ended December 31, 2001, 2000 and 1999	46

## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To Sun International North America, Inc.:

We have audited the accompanying consolidated balance sheets of Sun International North America, Inc. (a Delaware corporation) and subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of operations, changes in shareholder's deficit and cash flows for each of the three years in the period ended December 31, 2001. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sun International North America, Inc. and subsidiaries as of December 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index to the financial statements is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Roseland, New Jersey  
January 25, 2002

**SUN INTERNATIONAL NORTH AMERICA, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of Dollars, except share data)

	<b>December 31,</b>	
	<b>2001</b>	<b>2000</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,084	\$ 1,276
Receivables, net	1,477	1,434
Inventories	91	71
Prepaid expenses	712	872
Due from affiliates	43,542	7,506
Deferred tax assets	3,874	-
Net assets held for sale	-	138,350
Total current assets	<u>52,780</u>	<u>149,509</u>
Property and equipment, net	63,151	70,536
Due from affiliate non-current	200,000	-
Subordinated notes receivable	18,018	-
Deferred charges and other assets, net	12,750	6,076
Total assets	<u><u>\$ 346,699</u></u>	<u><u>\$ 226,121</u></u>
<b>LIABILITIES AND SHAREHOLDER'S DEFICIT</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 70	\$ 58
Accounts payable and accrued liabilities	32,435	28,214
Due to affiliates	-	5,771
Total current liabilities	<u>32,505</u>	<u>34,043</u>
Long-term debt, net of unamortized discounts	399,438	278,420
Total liabilities	<u>431,943</u>	<u>312,463</u>
Commitments and contingencies (see Notes 7 and 14)		
Shareholder's deficit:		
Common stock – 100 shares		
outstanding - \$.01 par value	-	-
Capital in excess of par	192,635	192,635
Accumulated deficit	(277,879)	(278,977)
Total shareholder's deficit	<u>(85,244)</u>	<u>(86,342)</u>
Total liabilities and shareholder's deficit	<u><u>\$ 346,699</u></u>	<u><u>\$ 226,121</u></u>

See Notes to Consolidated Financial Statements.



**SUN INTERNATIONAL NORTH AMERICA, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In Thousands of Dollars)

	<b>For the Year Ended December 31,</b>		
	<b>2001</b>	<b>2000</b>	<b>1999</b>
Revenues:			
Casino and resort revenues	\$ -	\$ 283,251	\$ 269,763
Less promotional allowances	-	(25,288)	(26,632)
Net casino and resort revenues	-	257,963	243,131
Tour operations	26,091	25,048	23,766
Management fees and other	31,565	25,007	22,000
	<u>57,656</u>	<u>308,018</u>	<u>288,897</u>
Expenses:			
Casino and resort expenses	-	203,695	199,753
Tour operations	22,241	21,815	22,543
Selling, general and administrative	15,275	48,514	45,715
Depreciation and amortization	4,445	18,714	18,219
Restructuring expense	300	-	-
Pre-opening expenses	-	-	5,398
Purchase termination costs	-	11,202	-
Write-down of assets to be sold	-	229,208	-
	<u>42,261</u>	<u>533,148</u>	<u>291,628</u>
Operating income (loss)	15,395	(225,130)	(2,731)
Other income (expenses):			
Interest income	4,355	1,945	1,839
Affiliated interest income	6,930	-	-
Interest expense, net of capitalized interest	(27,742)	(24,704)	(21,000)
Other, net	(684)	(687)	(729)
Loss before benefit (provision) for income taxes	(1,746)	(248,576)	(22,621)
Benefit (provision) for income taxes	2,844	(1,080)	(2,845)
Net income (loss)	<u>\$ 1,098</u>	<u>\$ (249,656)</u>	<u>\$ (25,466)</u>

See Notes to Consolidated Financial Statements.

**SUN INTERNATIONAL NORTH AMERICA, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S DEFICIT**  
**For the Years Ended December 31, 2001, 2000 and 1999**  
**(In Thousands of Dollars)**

	<u>Common stock</u>	<u>Capital in excess of par</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance at December 31, 1998	\$ -	\$ 193,008	\$ (3,855)	\$ 189,153
Shares canceled	-	(373)	-	(373)
Net loss for year 1999	-	-	(25,466)	(25,466)
Balance at December 31, 1999	-	192,635	(29,321)	163,314
Net loss for year 2000	-	-	(249,656)	(249,656)
Balance at December 31, 2000	-	192,635	(278,977)	(86,342)
Net income for year 2001	-	-	1,098	1,098
Balance at December 31, 2001	<u>\$ -</u>	<u>\$ 192,635</u>	<u>\$ (277,879)</u>	<u>\$ (85,244)</u>

See Notes to Consolidated Financial Statements.

**SUN INTERNATIONAL NORTH AMERICA, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands of Dollars)

	<b>For the Year Ended December 31,</b>		
	<b>2001</b>	<b>2000</b>	<b>1999</b>
Cash flows from operating activities:			
Net income (loss )	\$ 1,098	\$ (249,656)	\$ (25,466)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,445	18,714	18,219
Amortization of debt discount and issue costs	1,036	606	429
Write-down of net assets held for sale	-	229,208	-
Write-off of Desert Inn purchase termination costs	-	11,202	-
Utilization of deferred tax benefit	(3,874)	-	-
Loss on disposition of assets	684	687	729
Provision for doubtful receivables	84	1,250	1,543
Provision for discount on CRDA obligations, net	-	799	587
Net change in deferred tax liability	-	205	(30)
Net change in working capital accounts:			
Receivables	(645)	(3,284)	(1,131)
Due from affiliates	(4,558)	323	(7,443)
Inventories and prepaid expenses	140	359	(1,628)
Accounts payable and accrued liabilities	4,039	(167)	2,945
Net change in deferred charges	(1,849)	(1,293)	(288)
Net cash provided by (used in) operating activities	<u>600</u>	<u>8,953</u>	<u>(11,534)</u>
Cash flows from investing activities:			
Payments for major capital projects	-	(10,360)	(34,943)
Operating capital expenditures	(1,393)	(9,047)	(11,408)
Proceeds received from the sale of Resorts Atlantic City, net	120,850	-	-
Acquisition of other fixed assets	-	-	(9,433)
Deposit refunded (paid) for proposed Desert Inn acquisition	-	7,750	(16,117)
Proceeds from sale of assets	2,196	395	5,052
Reclassification of cash to assets held for sale	-	(21,453)	-
Other	-	(2,695)	(2,746)
Net cash provided by (used in) investing activities	<u>121,653</u>	<u>(35,410)</u>	<u>(69,595)</u>
Cash flows from financing activities:			
Borrowings	200,000	6,000	73,000
Repayment of borrowings	(79,063)	(1,908)	(8,710)
Advances from (repayments to) affiliates	(235,132)	972	14,348
Debt issue and modification costs	(6,250)	-	-
Net cash provided by (used in) financing activities	<u>(120,445)</u>	<u>5,064</u>	<u>78,638</u>
Net increase (decrease) in cash and cash equivalents	1,808	(21,393)	(2,491)
Cash and cash equivalents at beginning of period	1,276	22,669	25,160
Cash and cash equivalents at end of period	<u>\$ 3,084</u>	<u>\$ 1,276</u>	<u>\$ 22,669</u>

See Notes to Consolidated Financial Statements

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

**NOTE 1 - General**

**Basis of Accounting**

Sun International North America, Inc. ("SINA") was incorporated in the state of Delaware in 1958. As a result of a merger transaction, SINA has been a wholly-owned subsidiary of Sun International Hotels Limited ("SIHL") since December 1996. SIHL, a developer and operator of premier casinos, resorts and luxury hotels, is a corporation organized and existing under the laws of the Commonwealth of The Bahamas. SINA is a holding company through which SIHL owns and operates its properties and investments in the United States. In these notes to consolidated financial statements, the words "Company", "we", "our" and "us" refer to SINA, together with its subsidiaries as the context may require.

We earn income based on the gross revenues of a casino operated by an unaffiliated entity in Connecticut (see below). In addition, we provide management services to certain of our affiliated companies and we own a tour operator which wholesales tour packages and provides reservation services. Prior to April 25, 2001, we owned a resort and casino property in Atlantic City, New Jersey ("Resorts Atlantic City") which we sold to an unaffiliated entity.

**Connecticut**

We have a 50% interest in, and are a managing partner of, Trading Cove Associates ("TCA"), a Connecticut general partnership that developed and until December 31, 1999, had a management agreement (the "Management Agreement") with the Mohegan Tribal Gaming Authority, an instrumentality of the Mohegan Tribe of Indians of Connecticut (the "Mohegan Tribe") to operate a casino resort and entertainment complex situated in the town of Uncasville, Connecticut (the "Mohegan Sun Casino"). The Management Agreement which covered management, marketing and administrative services, provided that TCA was entitled to receive between 30% and 40% of the net profits, as defined, of the Mohegan Sun Casino. TCA is obligated to pay certain amounts to its partners and certain of their affiliates, as priority payments. These amounts are paid as TCA receives sufficient cash to meet those priority distributions.

In 1998, the Mohegan Tribe appointed TCA to develop its \$960 million expansion of the Mohegan Sun Casino for a fee of \$14 million. In addition, TCA and the Mohegan Tribe entered into an agreement (the "Relinquishment Agreement") whereby it was agreed that effective January 1, 2000, TCA would turn over management of the Mohegan Sun Resort Complex, including its expansion, to the Mohegan Tribe. The term of the Management Agreement was seven years beginning in October 1996, the date the Mohegan Sun Casino opened. Pursuant to the Relinquishment Agreement, the Management Agreement was terminated and, effective January 1, 2000, TCA receives payments of five percent of the gross revenues of the Mohegan Sun Resort Complex for a 15-year period. Pursuant to subcontracts for management services,

organization and administrative services and marketing services provided to TCA, we receive certain priority payments from TCA.

### **Sun Resorts**

Through our wholly-owned subsidiary Sun International Resorts, Inc., we provide general and administrative support services, marketing services, travel reservations and wholesale tour services for SIHL's properties in The Bahamas. To a much lesser extent, we also provide travel reservation services for unaffiliated properties in The Bahamas.

### **Sale of Resorts Atlantic City**

On April 25, 2001, we sold Resorts Atlantic City, a 644-room casino and hotel property, to an affiliate of Colony Capital LLC ("Colony") for a purchase price of approximately \$144 million, including accrued interest (the "Resorts Atlantic City Sale"). The proceeds received from Colony consisted of approximately \$127 million in cash and an unsecured note receivable for \$17.5 million (the "Promissory Note"), bearing interest at a rate of 12.5% per annum. Interest is payable semi-annually, with the option to pay one-half of the interest through the issuance of additional notes, the principal balance and all outstanding interest of the note and the additional notes to be paid in April 2008. Of the cash proceeds, \$79 million was used to pay in full the borrowings outstanding by Resorts Atlantic City under a bank credit facility (the "Revolving Credit Facility"). Resorts Atlantic City, along with SIHL and Sun International Bahamas Limited ("SIB"), a wholly-owned subsidiary of SIHL outside of SINA's consolidated group, were co-borrowers under the Revolving Credit Facility. The remaining \$48 million of cash proceeds was advanced to SIB and was used to permanently reduce borrowings outstanding by SIB under that facility.

We entered into the definitive agreement to sell Resorts Atlantic City in the fourth quarter of 2000, and as of December 31, 2000, we accounted for Resorts Atlantic City as an investment held for sale. The carrying value of the net assets to be disposed of was reclassified to net assets held for sale on our consolidated balance sheets and, in the fourth quarter of 2000, we 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 was no further gain or loss recorded as a result of the closing. As of January 1, 2001, the operations of Resorts Atlantic City are no longer included in our consolidated financial statements.

If this transaction had been consummated on January 1, 2000, on a pro forma basis, our results of operations for the year ended December 31, 2000 would be as follows (unaudited): Revenues - \$46.2 million, net loss - \$22.0 million. The pro forma information is not necessarily indicative of future results or what our results of operation would actually have been had the Resorts Atlantic City Sale occurred at the beginning of the year.

Components of net assets held for sale as of December 31, 2000 are as follows (in thousands of US dollars):

Current assets	\$ 34,534
Non-current assets	173,233
Current liabilities	(26,989)
Non-current liabilities	(42,428)
	<u>\$ 138,350</u>

Pursuant to the terms of the Resorts Atlantic City Sale, we granted Colony a two-year option (the "Atlantic City Option") to acquire certain undeveloped real estate which we own, adjacent to Resorts Atlantic City, for a purchase price of \$40 million, which option can be extended for an additional two years under certain circumstances. The net carrying value of the land included in the Atlantic City Option is included in property and equipment in the accompanying consolidated balance sheets. Effective April 25, 2001, the closing date of the Resorts Atlantic City Sale, Colony leases from us certain of the property included in the Atlantic City Option for \$100,000 per month.

On October 15, 2001, interest due from Colony on the Promissory Note amounted to approximately \$1 million. Colony elected to pay one half of the interest in cash, while paying one half through the issuance of an additional note (the "Accrued Interest Note"). Accordingly, effective October 15, 2001, the total principal amount due from Colony on the Promissory Note and the Accrued Interest Note was approximately \$18.0 million.

### **Termination of Desert Inn Acquisition Agreement**

On March 2, 2000, SIHL and Starwood Hotels and Resorts Worldwide Inc. ("Starwood") announced that they had agreed to terminate their agreement (the "Termination Agreement") under which we were to acquire the Desert Inn Hotel and Casino in Las Vegas (the "Desert Inn") for \$275 million. In connection with the proposed acquisition of the Desert Inn, we had previously placed a \$15 million deposit with Starwood (the "Deposit"). Pursuant to the Termination Agreement, the amount, if any, that we would be required to pay from the Deposit was based on the ultimate sales price of the Desert Inn to another party.

In June 2000, Starwood closed on the sale of the Desert Inn for approximately \$270 million, subject to certain post-closing adjustments, to an unrelated party. As a result, we were required to pay to Starwood \$7.2 million from the Deposit. The remaining \$7.8 million of the Deposit was refunded to us in August 2000. Purchase termination costs in the accompanying consolidated statement of operations included the \$7.2 million paid to Starwood and \$4.0 million of further costs related to the Desert Inn transaction.

### **Trading Cove New York**

Through a wholly-owned subsidiary, we own 50% of Trading Cove New York, LLC ("TCNY"), a Delaware limited liability company. In March 2001, TCNY entered into a Development Services Agreement (the "Development Agreement") with the Stockbridge-Munsee Band of

Mohican Indians (the “Stockbridge-Munsee Tribe”) for the development of a casino project (the “Project”) in the Catskill region of the State of New York (the “State”). The Development Agreement was amended and restated in February 2002. The Stockbridge-Munsee Tribe does not currently have reservation land in the State, but is federally recognized and operates a casino on its reservation in Wisconsin and has a land claim pending in the U. S. District Court for the Northern District of New York against the State.

Pursuant to the Development Agreement, as amended, TCNY will provide preliminary funding, certain financing and exclusive development services to the Stockbridge-Munsee Tribe in conjunction with the Project. As compensation for these services, TCNY will earn a fee of 5% of revenues, as defined in the Development Agreement, beginning with the opening of the Project and continuing for a period of twenty years. TCNY has secured land and/or options on approximately 400 acres of property in the Town of Thompson, County of Sullivan (the “County”), of which approximately 333 acres is currently designated for the Project. In February 2002, the Tribe filed a Land to Trust Application with the U.S. Department of the Interior, Bureau of Indian Affairs (the “BIA”), for the Project site properties. Should the BIA approve the Land to Trust Application and the Stockbridge-Munsee Tribe obtain other required approvals, the land could be taken into trust by the Federal Government on behalf of the Stockbridge-Munsee Tribe for the purpose of conducting Class III Gaming.

In October 2001, the State enacted legislation authorizing up to three Class III Native American casinos in the counties of Sullivan and Ulster and three Native American casinos in western New York pursuant to Tribal State Gaming Compacts to be entered into by the State and applicable Native American tribes.

In January 2002, the Stockbridge-Munsee Tribe entered into an agreement with the County pursuant to which the Stockbridge-Munsee Tribe will make certain payments to the County to mitigate any potential impacts the Project may have on the County and other local government subdivisions within the County. The payments will not commence until after the opening of the Project.

The Project is contingent upon the receipt of numerous federal, state and local approvals to be obtained by the Stockbridge-Munsee Tribe, including the execution of a Class III Gaming Compact with the State, which approvals are beyond the control of TCNY. We can make no representation as to whether any of the required approvals will be obtained by the Stockbridge-Munsee Tribe.

## **NOTE 2 – Summary of Significant Accounting Policies**

### **Principles of Consolidation**

The consolidated financial statements include the accounts of SINA and our subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

## **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

We provide allowances for doubtful accounts arising from casino, hotel and other services, which are based upon a specific review of certain outstanding receivables. In determining the amounts of the allowances, we are required to make certain estimates and assumptions and actual results may differ from those estimates and assumptions.

## **Revenue Recognition**

We recognize the net win from casino gaming activities (the difference between gaming wins and losses) as gaming revenues. Revenues from hotel and related services are recognized at the time the related service is performed. Revenues from tour operations include commissions on the sale of travel reservations and are recognized at the time of departure. Management fees and other operating revenues include fees charged to unconsolidated affiliates primarily for executive management services. Revenues are recorded at the time the service is performed.

## **Promotional Allowances**

The retail value of accommodations, food, beverage and other services provided to customers without charge is included in gross revenues and deducted as promotional allowances. The estimated departmental costs of providing such promotional allowances for the years ended December 31 are included in casino and resort expenses as follows:

(In Thousands of Dollars)	<u>2001</u>	<u>2000</u>	<u>1999</u>
Rooms	\$ -	\$ 8,407	\$ 5,536
Food and beverage	-	15,502	14,634
Other	-	3,201	6,704
	<u>\$ -</u>	<u>\$ 27,110</u>	<u>\$ 26,874</u>

Promotional allowances in the years 2000 and 1999 related to Resorts Atlantic City.

## **Derivative Financial Instruments**

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133, as amended, is effective for fiscal years beginning after June 15, 2000. SFAS 133 requires that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. Changes in the derivative's fair values will be recognized in income unless specific hedge accounting criteria are met. As we



had no derivative instruments as of December 31, 2001, the effect of adopting SFAS 133 had no impact on our consolidated financial statements.

### **Cash Equivalents**

We consider all of our short-term money market securities purchased with original maturities of three months or less to be cash equivalents.

### **Inventories**

Inventories of provisions, supplies and spare parts are carried at the lower of cost (first-in, first-out) or market.

### **Property and Equipment**

Property and equipment are stated at cost and are depreciated over the estimated useful lives reported below using the straight-line method for financial reporting purposes.

Land improvements	14 years
Hotels and other buildings	40 years
Furniture, machinery and equipment	2-5 years

### **Deferred Charges and Other Assets**

Deferred charges related to the Mohegan Sun Casino are amortized over the term of the Management Agreement. Debt issuance costs are amortized over the terms of the related indebtedness.

### **Goodwill**

Prior to January 1, 2002, goodwill was amortized on a straight line basis over 40 years. Amortization expense included in the accompanying consolidated statements of operations related to goodwill was \$-0-, \$2.6 million and \$2.6 million for the years ended December 31, 2001, 2000 and 1999, respectively. We will account for goodwill under SFAS 142 effective January 1, 2002.

### **Capitalized Interest**

Interest is capitalized on construction expenditures and land under development at the weighted average interest rate of our long-term debt. Interest costs of \$907,000 were capitalized in the year ended December 31, 1999.

### **Casino Reinvestment Development Authority ("CRDA") Obligations**

Under the New Jersey Casino Control Act, we were obligated to purchase CRDA bonds based on gross revenues earned at Resorts Atlantic City that bore a below-market interest rate, or make an

alternative qualifying investment. We charged to expense an estimated discount related to CRDA investment obligations as of the date the obligation arose based on fair market interest rates of similar quality bonds in existence as of that date.

The discount on CRDA bonds purchased was amortized to interest income over the life of the bonds using the effective interest rate method. All of our CRDA bonds were disposed of as part of the Resorts Atlantic City Sale.

### **Long Lived Assets**

We review our long lived assets and certain related intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If changes in circumstances indicate that the carrying amount of an asset that we expect to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, an impairment would be recognized. We do not believe that any such changes have occurred except as previously described as a result of the Resorts Atlantic City Sale and the Atlantic City Option.

### **Income Taxes**

We file consolidated United States federal income tax returns.

We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". Under this standard, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities at enacted tax rates. A valuation allowance is recognized based on an estimate of the likelihood that some portion or all of the deferred tax asset will not be realized.

### **Comprehensive Income**

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

### **Recent Accounting Pronouncements**

In June 2001, FASB issued SFAS No. 141, "Business Combinations" ("SFAS 141") and SFAS No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. SFAS 142 is effective for fiscal years beginning after December 15, 2001 with respect to goodwill recognized on an entity's balance sheet as of the beginning of that fiscal year. Under SFAS 142 goodwill will no longer be amortized, but rather tested at least annually for impairment using a fair value based test. A loss resulting from impairment of such goodwill should be recognized as the effect of a change in accounting principal in the initial period of adopting SFAS 142. In subsequent reporting periods, goodwill impairment losses are to be recognized on a separate line item on the income statement included in income from operations. As a result of the Resorts Atlantic City Sale, all of the goodwill previously recognized by SINA

was written off in its entirety in the fourth quarter of 2000. Therefore, this new pronouncement currently has no impact on our consolidated financial statements.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This pronouncement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. We believe the adoption of SFAS No. 143 will not have a material impact on our consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" effective for fiscal years beginning after December 15, 2001. For long-lived assets to be held and used, SFAS No. 144 retains the existing requirements to (a) recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and (b) measure an impairment loss as the difference between the carrying amount and the fair value of the asset. SFAS No. 144 establishes one accounting model to be used for long-lived assets to be disposed of by sale. We do not expect that the effect of adopting SFAS No. 144 will have a material effect on our consolidated financial statements.

### **NOTE 3 – Receivables**

Components of receivables were as follows:

(In Thousands of Dollars)	December 31,	
	2001	2000
Interest Receivable	\$ 481	\$ -
Trade Receivable	372	569
Other	746	988
	<u>1,599</u>	<u>1,557</u>
Less allowance for doubtful accounts	(122)	(123)
	<u>\$ 1,477</u>	<u>\$ 1,434</u>

#### NOTE 4 – Property and Equipment

Components of property and equipment were as follows:

(In Thousands of Dollars)	December 31,	
	2001	2000
Land held for investment, development or resale	\$ 31,424	\$ 37,254
Land and land rights	22,151	18,623
Land improvements	-	299
Buildings and leasehold improvements	3,743	2,468
Furniture, machinery and equipment	14,478	11,670
Construction in progress	160	5,330
	<u>71,956</u>	<u>75,644</u>
Less accumulated depreciation	(8,805)	(5,108)
Net property and equipment	<u>\$ 63,151</u>	<u>\$ 70,536</u>

There were no capitalized interest costs in the years 2001 and 2000, however, interest costs of \$907,000 were capitalized in 1999. Certain of our land held for investment, development or resale was placed into service during 2001 as it is included in the land leased to Colony.

#### NOTE 5 – Accounts Payable and Accrued Liabilities

Components of accounts payable and accrued liabilities were as follows:

(In Thousands of Dollars)	December 31,	
	2001	2000
Accrued payroll and related taxes and benefits	\$ 4,342	\$ 3,659
Trade payables	2,554	5,458
Customer deposits and unearned revenues	5,338	6,247
Accrued interest	12,005	3,673
Other accrued liabilities	8,196	9,177
	<u>\$ 32,435</u>	<u>\$ 28,214</u>

## NOTE 6– Deferred Charges and Other Assets

Components of deferred charges and other assets were as follows:

(In Thousands of Dollars)	December 31,	
	2001	2000
Debt issue costs	\$ 9,898	\$ 4,677
Trading Cove New York	1,523	-
Mohegan Sun Casino	1,329	1,259
Other	-	140
	<u>\$ 12,750</u>	<u>\$ 6,076</u>

## NOTE 7 – Long-Term Debt

Components of long-term debt were as follows:

(In Thousands of Dollars)	December 31,	
	2001	2000
9% Notes	\$ 200,000	\$ 200,000
Unamortized discount	(581)	(663)
	<u>199,419</u>	<u>199,337</u>
8 7/8% Notes	200,000	-
Revolving Credit Facility	-	79,000
Other	89	141
	<u>399,508</u>	<u>278,478</u>
Less current maturities	(70)	(58)
	<u>\$ 399,438</u>	<u>\$ 278,420</u>

### 9% Notes

The 9% senior subordinated unsecured notes due 2007 (the "9% Notes") are unconditionally guaranteed by substantially all of the wholly-owned subsidiaries of SIHL. Interest on the 9% Notes is payable on March 15 and September 15 in each year. The Indenture for the 9% Notes contains certain covenants, including limitations on the ability of the issuers and the guarantors to, among other things: (i) incur additional indebtedness, (ii) incur certain liens, (iii) engage in certain transactions with affiliates and (iv) pay dividends and make certain other payments.

### 8 7/8% Notes

On August 14, 2001, SIHL and SINA (the "Issuers") issued \$200 million principal amount of 8 7/8% senior subordinated unsecured notes due 2011 (the "8 7/8 Notes") which, after costs, resulted in net proceeds to the Issuers of approximately \$194 million. The 8 7/8% Notes, which are unsecured obligations, are unconditionally guaranteed by substantially all of the wholly-

owned subsidiaries of the Issuers (the "Guarantors"). Interest on the 8 7/8 % Notes is payable on August 15 and February 15 in each year, commencing February 15, 2002. The Indenture for the 8 7/8% Notes contains certain covenants, including limitations on the ability of the Issuers and the Guarantors to, among other things: (i) incur additional indebtedness, (ii) incur certain liens, and (iii) make certain other restricted payments.

All of proceeds received from the issuance of the 8 7/8% Notes were advanced to SIB to further repay amounts outstanding by SIB under the Revolving Credit Facility. Therefore, interest expense related to the 8 7/8% Notes is offset by affiliated interest income from SIB.

### **Supplemental Condensed Consolidating Financial Statements**

Supplemental condensed consolidating financial statements of SIHL as the parent company and other guarantor subsidiaries, as required under Rule 3-10 of Regulation S-X, will be filed with the SEC as part of SIHL's Form 20-F.

### **CIBC Revolving Credit Facility**

SINA was a co-borrower along with SIHL and SIB under the previous Revolving Credit Facility. On November 13, 2001, SIHL, SINA and SIB, as co-borrowers, entered into a Fourth Amended and Restated Credit Facility (the "CIBC Revolving Credit Facility") with a syndicate of banks (the "Lenders"), with Canadian Imperial Bank of Commerce ("CIBC") acting as administrative agent. The borrowings then-outstanding on the previous Revolving Credit Facility, all of which were reflected on the balance sheet of SIB, were paid in full. Under the CIBC Revolving Credit Facility, the maximum amount of borrowings that may be outstanding is \$200 million. An additional \$150 million of borrowings may be available under certain circumstances, subject to approval by all of the Lenders.

Loans under the CIBC Revolving Credit Facility bear interest at (i) the higher of (a) CIBC's base rate or (b) the Federal Funds rate plus 1/2 of one percent, in either case plus an additional 0.25% to 1.75% based on a debt to earnings ratio during the period, as defined (the "Leverage Ratio") or (ii) LIBO rate plus 1.25% to 2.75% based on the Leverage Ratio. After each drawdown on the CIBC Revolving Credit Facility, interest is due every three months for the first six months and is due monthly thereafter. Loans under the CIBC Revolving Credit Facility may be prepaid and reborrowed at any time and are due in full in November 2006. Commitment fees are calculated at per annum rates ranging from 0.25% to 0.50%, based on the Leverage Ratio, applied to the undrawn amount of the CIBC Revolving Credit Facility and are due quarterly.

The CIBC Revolving Credit Facility contains restrictive covenants that include: (a) restrictions on the payment of dividends, (b) minimum levels of SIHL's consolidated earnings before interest expense, income taxes, depreciation and amortization ("EBITDA"), and (c) a minimum relationship between SIHL's consolidated EBITDA and interest expense and debt.

As of December 31, 2001, all amounts outstanding under the CIBC Revolving Credit Facility have been drawn down by SIB and are reflected on SIB's balance sheet.

## **8 5/8% Notes**

SINA is a co-issuer and guarantor, with SIHL, on \$100 million senior subordinated unsecured notes due December 2007 (the "8 5/8% Notes"). The 8 5/8% Notes are unconditionally guaranteed by substantially all of the wholly-owned subsidiaries of SIHL. Interest on the 8 5/8% Notes is payable on June 15 and December 15 of each year. The 8 5/8% Notes were issued pursuant to a \$300 million shelf registration for which \$200 million is still available. In December 1997, the \$100 million of cash was drawn down by and the debt is reflected in the consolidated financial statements of SIHL. The Indenture for the 8 5/8% Notes contains certain covenants, including limitations on the ability of the issuers and the guarantors to, among other things: (i) incur additional indebtedness, (ii) incur certain liens, (iii) engage in certain transactions with affiliates and (iv) pay dividends and make certain other payments.

## **Consent Solicitation of Noteholders**

On July 10, 2001, SINA along with SIHL (together, the "Companies"), commenced a consent solicitation with holders of the 9.0% Notes and holders of the 8 5/8% Notes. The Companies sought proposed amendments of certain provisions of the indentures pursuant to which the 9% Notes and 8 5/8% Notes were issued.

The proposed amendments effectively eliminate (as of December 31, 2000, the date the charge was recorded) the impact of \$199.2 million of the total \$229.2 million loss recorded by SINA in connection with the Resorts Atlantic City Sale, for purposes of determining the ability of SIHL and its affiliates to make certain investments, such as certain minority investment in joint ventures. In addition, the amendments increased, from 2.0:1 to 2.5:1, the Consolidated Coverage Ratio (consolidated EBITDA to fixed payments, as defined in the indentures) required in order for the Companies to incur additional indebtedness. The consent solicitation, as amended and extended, was finalized on July 23, 2001.

On July 24, 2001, the Companies announced that they had received the requisite consents from the holders of their 9% Notes and 8 5/8% Notes. Accordingly, the Companies and the trustee under the indentures executed and delivered supplemental indentures containing the amendments described in the amended consent solicitation. Pursuant to the consent solicitation, the Companies paid a total of \$1.5 million in consent payments. Of this amount, we paid our proportionate share of \$1.0 million to holders of our 9% Notes.

## **NOTE 8 – Shareholder's Deficit**

SINA is authorized to issue 100 million shares of SINA common stock, 120,000 shares of Class B Stock and 10 million shares of preferred stock. The only shares of SINA stock outstanding are 100 shares of SINA common stock, all of which are owned by SIHL. In 1999, 7,502 shares of stock were canceled pursuant to a court order by the United States Bankruptcy Court District of Delaware related to SINA's plan of reorganization in May 1994.

## **NOTE 9 – Related Party Transactions**

### **Due from Affiliates**

At December 31, 2001, amounts due from affiliates includes non-interest bearing, due on demand advances made to certain unconsolidated affiliated companies of \$29.7 million and payments due from TCA related to the Mohegan Sun Casino of \$12.0 million. At December 31, 2000 amounts due from affiliates represents payments due from TCA related to Mohegan Sun Casino.

### **Due from Affiliate – Non-current**

Due from affiliate – non-current relates to the proceeds received from the 8 7/8% Notes we issued in August 2001. All of the proceeds were advanced to SIB and were used to pay down borrowings by SIB on the Revolving Credit Facility.

### **Due to Affiliates**

At December 31, 2000, amounts due to affiliates represent non-interest bearing, due on demand advances received from affiliates.

### **Management Fees and Other**

We earn fees in accordance with an agreement to provide management services to certain unconsolidated affiliated companies. For the years ended December 31, 2001, 2000 and 1999, such fees amounted to \$15.1 million, \$15.3 million and \$14.1 million, respectively.

We received \$15.6 million, \$5.9 million and \$1.2 million in payments from TCA related to the Mohegan Sun Casino for the years ended 2001, 2000 and 1999, respectively. Development fees earned in 2001, 2000 and 1999 related to the Mohegan Sun Casino totaled \$-0-, \$3.8 million and \$6.7 million, respectively.

### **Affiliated Interest Income**

Affiliated interest income is comprised of amounts due from SIB and relates to the Due from Affiliate – Non-current described above.

## **NOTE 10 – Employee Benefit Plans**

We participate in a defined contribution plan covering substantially all of our non-union employees. We make contributions to this plan based on a percentage of eligible employee contributions. Total expense for this plan was \$237,000, \$861,000 and \$844,000 in 2001, 2000 and 1999, respectively. The years 2000 and 1999 included plan expenses of Resorts Atlantic City.

In addition to the plan described above, union and certain other employees of Resorts Atlantic City were covered by multi-employer defined benefit pension plans to which the subsidiaries



make, or made, contributions. Our pension expense for these plans totaled \$1.6 million and \$1.3 million in 2000 and 1999, respectively. As a result of the Resorts Atlantic City Sale, we no longer have union employees.

#### **NOTE 11 – Restructuring Costs**

Restructuring costs in 2001 were comprised of severance payments made to employees who were terminated due to lower occupancy levels at SIHL's properties in The Bahamas subsequent to September 11.

#### **NOTE 12 – Income Taxes**

In 2001, 2000 and 1999 the income tax provision was as follows :

(In Thousands of Dollars)	For the Year Ended December 31,		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Current:			
Federal	\$ (4,306)	\$ (303)	\$ 2,718
State	<u>1,462</u>	<u>1,178</u>	<u>157</u>
	(2,844)	875	2,875
Deferred:			
Federal	<u>-</u>	<u>205</u>	<u>(30)</u>
	<u>\$ (2,844)</u>	<u>\$ 1,080</u>	<u>\$ 2,845</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The components of the deferred tax assets and liabilities were as follows:

(In Thousands of Dollars)	December 31,	
	2001	2000
Current tax assets:		
NOL carryforward	\$ 3,874	-
Net current tax assets	<u>\$ 3,874</u>	<u>\$ -</u>
Non-current deferred tax liabilities:		
Basis differences on land held for investment, development or resale	\$ -	\$ (2,300)
Basis differences on property and equipment	(640)	-
Total deferred tax liabilities	<u>(640)</u>	<u>(2,300)</u>
Non-current deferred tax assets:		
NOL carryforwards	220,346	202,000
Assets held for sale	-	26,700
Basis differences on land held for investment, development or resale	4,291	-
Basis differences on property and equipment	-	800
Book reserves not yet deductible for tax return purposes	3,104	2,100
Tax credit carryforwards	2,676	2,700
Other	2,349	4,000
Total deferred tax assets	<u>232,766</u>	<u>238,300</u>
Valuation allowance for deferred tax assets	<u>(232,126)</u>	<u>(236,000)</u>
Deferred tax asset, net of valuation allowance	<u>640</u>	<u>2,300</u>
Net deferred tax liabilities	<u>\$ -</u>	<u>\$ -</u>

Realization of future tax benefits related to deferred tax assets is dependent on many factors, including our ability to generate future taxable income. The valuation allowance is adjusted in the period we determine it is more likely than not that deferred tax assets will or will not be realized. We considered these factors in reaching our conclusion to release approximately \$3.9 million of the valuation allowance during the fourth quarter of 2001, which resulted in a benefit for income taxes.

The effective income tax rate on net income (loss) before income taxes varies from the statutory federal income tax rate as a result of the following factors:

	For the Year Ended December 31,		
	2001	2000	1999
Statutory federal income tax rate	(35.0%)	(35.0%)	(35.0%)
State tax expense	83.7%	.5%	.7%
NOLs and temporary differences for which a valuation allowance has been provided	-	34.1%	39.9%
Release of valuation allowance relating to NOL carryforwards	(221.9%)	-	-
Nondeductible expenses and taxable items	5.5%	.3%	3.8%
Other	4.8%	.5%	2.5%
Effective income tax rate	<u>(162.9%)</u>	<u>.4%</u>	<u>11.9%</u>

For federal income tax purposes, we had NOL carryforwards of approximately \$630 million at December 31, 2001, of which \$226 million are unrestricted as to use. However, due to the change of ownership of SINA in 1996, \$404 million of these NOL carryforwards (the “Pre-Change NOLs”) are limited in their availability to offset our future taxable income. As a result of these limitations, approximately \$11.3 million of Pre-Change NOLs will become available for use each year through the year 2008; an additional \$8.4 million will be available in 2009. The remaining Pre-Change NOLs are expected to expire unutilized.

Our restricted NOLs expire as follows: \$49 million in 2005, \$23 million in 2006, \$15 million in 2007 and \$1 million in 2009. Our unrestricted NOLs expire as follows: \$6 million in 2005, \$10 million in 2007, \$57 million in 2008, \$8 million in 2011, \$57 million in 2012, \$33 million in 2019, \$18 million in 2020 and \$37 million in 2021.

### NOTE 13 – Supplemental Cash Flow Disclosures

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

(In Thousands of Dollars)	For the Year Ended December 31,		
	2001	2000	1999
Interest paid, net of capitalization	\$ 20,020	\$ 24,577	\$ 20,819
Income taxes paid	1,624	975	188
Non-cash investing and financing activities:			
Promissory Note issued to Colony in connection with the Resorts Atlantic City Sale	17,500	-	-
Accrued Interest Note issued to Colony	518	-	-
Property and equipment acquired under capital lease obligations	16	1,574	938
Refinancing of capital lease obligation	-	-	1,444

### NOTE 14 – Commitments and Contingencies

#### Litigation

In the ordinary course of business, we are defendants in certain litigation. In our opinion, 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.

### NOTE 15 – Fair Value of Financial Instruments

The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Fair value estimates are made at a specific point in time, based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. The assumptions used have a significant effect on the estimated amounts reported.

We used the following methods and assumptions in estimating fair value disclosures for financial instruments: (a) Cash and cash equivalents, receivables, due from affiliates, accounts payable and accrued liabilities and variable rate debt. The amounts reported in the accompanying consolidated balance sheets approximate fair value; (b) Fixed-rate debt: Fixed rate debt is valued based upon published market quotations, as applicable. The fair value of our fixed-rate debt at

December 31, 2001 is approximately \$388 million as compared to its carrying value of \$399.4 million.

**NOTE 16 – Segment, Geographic and Customer Information**

The Company operates in one industry segment in the United States.

## SCHEDULE II

### SUN INTERNATIONAL NORTH AMERICA, INC. CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS (In Thousands of Dollars)

	<u>Balance at beginning of period</u>	<u>Additions charged to expenses</u>	<u>Deductions (a)</u>	<u>Net assets held for sale (b)</u>	<u>Balance at end of period</u>
For the year ended December 31, 2001:					
Allowance for doubtful receivables					
Other (c)	\$ 123	\$ 84	\$ (85)	\$ -	\$ 122
	<u>\$ 123</u>	<u>\$ 84</u>	<u>\$ (85)</u>	<u>\$ -</u>	<u>\$ 122</u>
For the year ended December 31, 2000:					
Allowance for doubtful receivables					
Gaming	\$ 2,606	\$ 1,139	\$ (853)	\$ (2,892)	\$ -
Other (c)	102	111	(56)	(34)	123
	<u>\$ 2,708</u>	<u>\$ 1,250</u>	<u>\$ (909)</u>	<u>\$ (2,926)</u>	<u>\$ 123</u>
For the year ended December 31, 1999:					
Allowance for doubtful receivables					
Gaming	\$ 2,401	\$ 1,452	\$ (1,247)	\$ -	\$ 2,606
Other (c)	35	91	(24)	-	102
	<u>\$ 2,436</u>	<u>\$ 1,543</u>	<u>\$ (1,271)</u>	<u>\$ -</u>	<u>\$ 2,708</u>

(a) Write-off of uncollectible accounts, net of recoveries.

(b) Reclassification of net assets held for sale related to the Resorts Atlantic City Sale.

(c) Relates to Sun Resorts tour operations.

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

None.

**PART III**

The following Items have been omitted pursuant to General Instruction I of Form 10-K: ITEM 6. SELECTED FINANCIAL DATA; ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT; ITEM 11. EXECUTIVE COMPENSATION; ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT and ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

**PART IV**

**ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.**

(a) Documents Filed as Part of This Report

1. The financial statement index required herein is incorporated by reference to “ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.”
2. The index of financial statement schedules required herein is incorporated by reference to “ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.” Financial statement schedules not included have been omitted because they are either not applicable or the required information is shown in the consolidated financial statements or notes thereto.
3. The following exhibits are filed herewith or incorporated by reference:

<b>Exhibit Numbers</b>	<b>Exhibit</b>
(3) (a) (1)	Restated Certificate of Incorporation of SINA. (Incorporated by reference to Exhibit (3) (a) to Registrant's Form 10-Q Quarterly Report for the quarter ended June 30, 1996, in File No. 1-4748.)
(3) (a) (2)	Certificate of Amendment of Restated Certificate of Incorporation of SINA. (Incorporated by reference to Exhibit (3)(a)(2) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1996, in File No. 1-4748.)
(3) (b)	Amended and Restated By-Laws of SINA. (Incorporated by reference to Exhibit (3)(b) to Registrant's Form 10-Q Quarterly Report for the quarter ended June 30, 1996, in File No. 1-4748.)
(4) (a)	See Exhibits (3) (a) (1), (3) (a) (2) and (3) (b) as to the rights of holders of Registrant's common stock.
(4) (b) (1)	Form of Purchase Agreement for \$200,000,000 principal amounts of 9% Senior Subordinated Notes due 2007 dated March 5, 1997, among SIHL and SINA, as issuers, Bear, Stearns & Co. Inc., Societe Generale Securities Corporation and Scotia Capital Markets (USA) Inc., as purchasers, and various subsidiaries of SIHL, as guarantors. (Incorporated by reference to Exhibit (4)(e)(1) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1996, in File No. 1-4748.)
(4) (b) (2)	Form of Indenture dated as of March 10, 1997, between SIHL and SINA, as issuers, various subsidiaries of SIHL, as guarantors, and The Bank of New York, as trustee, with respect to \$200,000,000 principal amount of 9% Senior Subordinated Notes due 2007 and exhibits thereto. (Incorporated by reference to Exhibit (4)(e)(2) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1996, in File No. 1-4748.)
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Exhibit Numbers	Exhibit
(4) (b) (5)	Form of Registration Rights Agreement dated as of March 5, 1997, by and among SIHL and SINA, as issuers, various subsidiaries of SIHL, as guarantors, and Bear, Stearns & Co. Inc., Societe Generale Securities Corporation and Scotia Capital Markets (USA) Inc., as purchasers.
(4) (b) (6)	Form of Inter-Borrower Agreement dated as of March 10, 1997, between SIHL and SINA. (Incorporated by reference to Exhibit (4)(e)(4) to registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1996, in File No. 1-4748.)
(4) (b) (7)	Supplemental Indenture dated as of July 23, 2001 to Indenture dated as of December 10, 1997 to the 8.625% \$100,000,000 Senior Subordinated Notes due 2007. (Incorporated by reference to Exhibit (99)(b) to registrant's Form 8-K Current Report dated July 23, 2001.)
(4) (b) (8)	Supplemental Indenture dated as of September 19, 2001 to Indenture dated as of December 10, 1997 to the 8.625% \$100,000,000 Senior Subordinated Notes due 2007. (Incorporated by reference to Exhibit (99)(c) to registrant's Form 8-K Current Report dated September 19, 2001.)
(4) (b) (9)	Form of Indenture dated as of August 14, 2001, between SIHL and SINA, as issuers, various subsidiaries of SIHL, as guarantors, and The Bank of New York, as trustee, with respect to \$200,000,000 principal amount of 8 7/8% Senior Subordinated Notes due 2011. (Incorporated by reference to Exhibit (4)(a) to registrant's Form 8-K Current Report dated August 14, 2001.)
(4) (b) (10)	Supplemental Indenture dated as of September 19, 2001 to Indenture dated as of August 14, 2001 to the 8 7/8% \$200,000,000 Senior Subordinated Notes due 2011. (Incorporated by reference to Exhibit (99)(a) to registrant's Form 8-K Current Report dated September 19, 2001.)
(4) (b) (11)	Form of Registration Rights Agreement dated as of August 14, 2001, by and among SIHL and SINA, as issuers, various subsidiaries of SIHL, as guarantors, and Deutsche Banc Alex. Brown Inc., Bear Stearns & Co. Inc., CIBC World Markets Corp., Banc of America Securities LLC, Wells Fargo Brokerage Services, LLC, Fleet Securities, Inc., and The Royal Bank of Scotland PLC, as purchasers. (Incorporated by reference to Exhibit (4)(b) to registrant's Form 8-K Current Report dated August 14, 2001.)

<b>Exhibit Numbers</b>	<b>Exhibit</b>
(10) (a)	Termination Agreement among Sheraton Desert Inn Corporation, Starwood, Sheraton Gaming Corporation, SIHL and Sun International Nevada, Inc. dated as of February 29, 2000, terminating the Asset and Land Purchase Agreement among the parties, dated as of May 17, 1999. (Incorporated by reference to Exhibit 2 to SIHL's Form 6-K Current Report dated March 17, 2000, in File No. 0-22794.)
(10) (b) (1)	Amended and Restated Partnership Agreement of TCA dated as of August 29, 1995, among Sun Cove, RJH Development Corp., Leisure Resort Technology, Inc., Slavik Suites, Inc., and LMW Investments, Inc. (Incorporated by reference to Exhibit 10.7 of Registration Statement No. 33-80477 of the registrant on Form F-3.)
(10) (b) (2)	Relinquishment Agreement dated February 7, 1998, between the Mohegan Tribal Gaming Authority and TCA. (Incorporated by reference to Exhibit 2.2 to SIHL's Form 20-F Annual Report for the fiscal year ended December 31, 1997, in File No. 0-22794.)
(10) (c)	Resorts Retirement Savings Plan, dated January 1, 2000. (Incorporated by reference to Exhibit (10)(c) to registrant's Form 10-K Annual Report for the year ended December 31, 2000 in File No. 1-4748.)
(10) (d)	Purchase Agreement among SINA as parent, GGRI, Inc., as Seller and Colony as Buyer dated as of October 30, 2000. (Incorporated by reference to Exhibit (10) to registrant's Form 10-Q Quarterly Report for the quarter ended September 30, 2000 in File No. 1-4748.)
(10) (e)	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.)
(10) (f)	Fourth Amended and Restated Revolving Credit Facility dated as of November 13, 2001 among SIHL, SINA and SIB and various financial institutions as Lenders, and CIBC as the administrative agent. (Incorporated by reference to Exhibit (10) to registrant's Form 10-Q Quarterly Report for the quarter ended September 30, 2001, in File No. 1-4748.)
(99)	Letter from the Registrant to the SEC regarding representations made by Arthur Andersen LLP.

Registrant agrees to file with the Securities and Exchange Commission, upon request, copies of any instrument defining the rights of the holders of its consolidated long-term debt.

(b) Reports on Form 8-K

No Current Reports on Form 8-K were filed during the fourth quarter of 2001. No amendments to previously filed Forms 8-K were filed during the fourth quarter of 2001.

(c) Exhibits Required by Item 601 of Regulation S-K

The exhibits listed in Item 14(a)3 of this report and not incorporated by reference to a separate file, follow "SIGNATURES."

(d) Financial Statement Schedules Required by Regulation S-X

The financial statement schedules required by Regulation S-X are incorporated by reference to "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA."

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUN INTERNATIONAL NORTH AMERICA, INC.  
(Registrant)

Date: April 1, 2002

By /s/ John R. Allison

John R. Allison  
Executive Vice President – Finance

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

By /s/ John R. Allison

John R. Allison  
Director

April 1, 2002

By /s/ Charles D. Adamo

Charles D. Adamo  
Director

April 1, 2002

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(99)	Letter from the Registrant to the SEC regarding representations made by Arthur Andersen LLP.	See attached Exhibit 99.



April 1, 2002

Securities and Exchange Commission  
450 Fifth Street, NW.  
Washington, D.C. 20549

Ladies and Gentlemen:

In connection with the audit of our consolidated financial statements as of December 31, 2001 and for the year then ended, we have received representations from Arthur Andersen LLP, our independent public accountants that (i) this audit was subject to Arthur Andersen LLP's quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards, and (ii) that there was appropriate continuity of Arthur Andersen personnel working on the audit and national office consultation. Availability of personnel at foreign affiliates of Arthur Andersen LLP was not relevant to this audit.

Very truly yours,

SUN INTERNATIONAL NORTH AMERICA, INC.

By: /s/John R. Allison  
Name: John R. Allison  
Title: Executive Vice President-Finance  
Chief Financial Officer