

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 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)

<u>Delaware</u> (State or other jurisdiction of incorporation or organization)	<u>59-0763055</u> (I.R.S. Employer Identification No.)
<u>1415 E. Sunrise Blvd., Ft. Lauderdale, FL</u> (Address of principal executive offices)	<u>33304</u> (Zip Code)
<u>(954) 713-2500</u> (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Number of shares outstanding of registrant's common stock as of June 30, 2001: 100, all of which are owned by one shareholder. Accordingly there is no current market for any of such shares.

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

SUN INTERNATIONAL NORTH AMERICA, INC.
FORM 10-Q
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PART I. – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	<u>June 30,</u> <u>2001</u>	<u>December 31,</u> <u>2000</u>
ASSETS		
Current assets:		
Cash (including cash equivalents)	\$ 8,619	\$ 1,276
Receivables, net	1,694	1,434
Inventories	107	71
Prepaid expenses	1,057	872
Due from affiliates, net	33,053	7,506
Net assets held for sale	-	138,350
Total current assets	<u>44,530</u>	<u>149,509</u>
Property and equipment, net	69,620	70,536
Note receivable	17,500	-
Deferred charges and other assets, net	6,067	6,076
Total assets	<u>\$ 137,717</u>	<u>\$ 226,121</u>
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Current liabilities:		
Current maturities of long-term debt	\$ 67	\$ 58
Accounts payable and accrued liabilities	27,785	28,214
Due to affiliates	-	5,771
Total current liabilities	<u>27,852</u>	<u>34,043</u>
Long-term debt, net of current maturities	<u>199,431</u>	<u>278,420</u>
Total liabilities	<u>227,283</u>	<u>312,463</u>
Shareholder's equity:		
Common stock – \$.01 par value	-	-
Capital in excess of par	192,635	192,635
Accumulated deficit	<u>(282,201)</u>	<u>(278,977)</u>
Total shareholder's deficit	<u>(89,566)</u>	<u>(86,342)</u>
Total liabilities and shareholder's deficit	<u>\$ 137,717</u>	<u>\$ 226,121</u>

See Notes to Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenues:				
Casino and resort revenues	\$ -	\$ 74,757	\$ -	\$ 136,720
Less promotional allowances	-	(6,700)	-	(12,209)
Net casino and resort revenues	-	68,057	-	124,511
Tour operations	7,806	5,902	15,416	12,138
Management fees and other income	5,855	4,701	12,197	9,892
	<u>13,661</u>	<u>78,660</u>	<u>27,613</u>	<u>146,541</u>
Expenses:				
Casino and resort expenses	-	52,422	-	100,137
Tour operations	6,518	5,116	13,007	10,788
Selling, general and administrative	3,824	12,550	7,493	24,154
Depreciation and amortization	845	4,669	1,940	9,490
Purchase termination costs	-	11,202	-	11,202
	<u>11,187</u>	<u>85,959</u>	<u>22,440</u>	<u>155,771</u>
Operating income (loss)	2,474	(7,299)	5,173	(9,230)
Other income (expense):				
Interest income	1,009	600	3,179	1,021
Interest expense, net	(5,304)	(6,102)	(11,320)	(12,184)
Loss before income taxes	(1,821)	(12,801)	(2,968)	(20,393)
Income tax expense	(137)	(75)	(256)	(429)
Net loss	<u>\$ (1,958)</u>	<u>\$ (12,876)</u>	<u>\$ (3,224)</u>	<u>\$ (20,822)</u>

See Notes to Consolidated Financial Statements.

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

	Six Months Ended	
	June 30,	
	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:		
Reconciliation of net loss to net cash used in operating activities:		
Net loss	\$ (3,224)	\$ (20,822)
Depreciation and amortization	1,940	9,490
Amortization of debt issue costs	324	295
Provision for doubtful receivables	42	451
Provision for discount on CRDA obligation, net	-	461
Net change in working capital accounts:		
Receivables	(302)	(2,959)
Inventories and prepaid expenses	(221)	(1,376)
Due from affiliates	-	1,988
Accounts payable and accrued liabilities	92	(3,187)
Net change in deferred charges	(506)	9,679
Net cash used in operating activities	<u>(1,855)</u>	<u>(5,980)</u>
Cash flows from investing activities:		
Payments for capital project expenditures	(995)	(8,544)
Proceeds received from the sale of Resorts		
Atlantic City, net	120,850	-
Proceeds from the sale of fixed assets	-	146
Proceeds from the sale of lands	-	(361)
CRDA deposits and bond purchases	-	(1,024)
Net cash provided by (used in) investing activities	<u>119,855</u>	<u>(9,783)</u>
Cash flows from financing activities:		
Repayments from (advances to) affiliates	(31,626)	14,877
Repayment of debt	(79,031)	(1,092)
Net cash provided by (used in) financing activities	<u>(110,657)</u>	<u>13,785</u>
Net increase (decrease) in cash and cash equivalents	7,343	(1,978)
Cash and cash equivalents at beginning of period	1,276	22,669
Cash and cash equivalents at end of period	<u>\$ 8,619</u>	<u>\$ 20,691</u>

See Notes to Consolidated Financial Statements.

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

A. General

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

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

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

B. Sale of Resorts Atlantic City

On April 25, 2001, the Company completed the sale of the Resorts Casino Hotel in Atlantic City, New Jersey ("Resorts Atlantic City") to an affiliate of Colony Capital LLC ("Colony") for a purchase price of approximately \$144 million, including accrued interest (the "Resorts Atlantic City Sale"). To facilitate Colony's financing, the Company entered into an unsecured note receivable with Colony for \$17.5 million, bearing interest at a rate of 12.5% per annum, toward the purchase price of Resorts Atlantic City. Interest is payable semi-annually, one-half in cash and one-half in additional notes, the principal balance and all outstanding interest of the note and the additional notes to be paid in April 2008. The balance of the purchase price of approximately \$127 million was paid in cash. The cash proceeds were used to pay in full the \$79 million of borrowings outstanding by the Company under a bank credit facility, and \$48 million was advanced to SIHL to permanently reduce its borrowings under that bank credit facility.

The Company entered into the definitive agreement to sell Resorts Atlantic City in the fourth quarter of 2000, and as of December 31, 2000, the Company accounted for Resorts Atlantic City as an investment held for sale. The carrying value of the net assets to be disposed of were reclassified to net assets held for sale on SINA's consolidated balance sheets and, in the fourth quarter of 2000, the Company recorded a loss of \$229.2 million resulting from the write-down of net assets held for sale to their realizable value. Therefore, the net proceeds received at closing equaled the carrying value of the net assets disposed of, and accordingly, except for interest income earned during 2001 on the proceeds, there 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 the consolidated financial statements of SINA.

Pursuant to terms of the Resorts Atlantic City Sale, the Company granted Colony a two-year option to acquire certain undeveloped real estate owned by the Company, adjacent to Resorts Atlantic City, for a purchase price of \$40 million 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, plant and equipment in the accompanying consolidated balance sheets.

C. Trading Cove New York

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

D. Reverse Repurchase Agreements

Cash equivalents at June 30, 2001 included \$8.4 million of reverse repurchase agreements (federal government securities purchased under agreements to resell those securities) under which the Company had not taken delivery of the underlying securities. These agreements matured on July 2, 2001.

E. Statements of Cash Flows

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

(In thousands of dollars)	Six Months Ended June 30,	
	2001	2000
Interest paid, net of capitalization	\$11,009	\$12,386
Income taxes paid	1,456	882
Non-cash investing and financing activities:		
Property and equipment acquired under capital lease obligations	16	1,417
Increase in liabilities for additions to other assets	-	131

F. Comprehensive Income

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

G. Commitments and Contingencies:

Litigation

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

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

RESULTS OF OPERATIONS - Six Months Ended June 30, 2001 Compared to Six Months Ended June 30, 2000

Casino and Resort Revenues and Expenses

Casino and resort revenues and expenses for the six months ended June 30, 2000 reflect the operations of Resorts Atlantic City. As described in Note B of Notes to Consolidated

Financial Statements herein, the Company completed the sale of Resorts Atlantic City on April 25, 2001. As of December 31, 2000, the Company 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 the consolidated financial statements of SINA.

Tour Operations

Revenues and expenses of the Company's tour operator subsidiary increased by \$3.3 million and \$2.2 million, respectively, for the six months ended June 30, 2001 as compared to the same period of 2000. This was a result of increased occupancy at resort properties in The Bahamas operated by an unconsolidated affiliate of the Company.

Management Fees and Other Income

Management fees and other income in the six months ended June 30, 2001 increased by \$2.3 million over the previous year. The Company has a fifty percent interest in Trading Cove Associates ("TCA"), a Connecticut general partnership. TCA receives payments pursuant to a relinquishment agreement related to the Mohegan Sun Casino in Uncasville, Connecticut. The Company recorded payments due from TCA of \$2.7 million during the first six months of 2001, as compared to \$1.5 million for the same period of 2000. In addition, the first six months of 2001 included \$9.2 million of fees for services provided to certain unconsolidated affiliated companies, compared to \$8.4 million in the previous year.

Pursuant to the Resorts Atlantic City Sale, the Company entered into a lease agreement with Colony whereby Colony leases certain parcels of land adjacent to Resorts Atlantic City from SINA for \$100,000 per month. Management fees and other income in 2001 included \$0.3 million of revenues related to this lease.

Selling, General and Administrative

Selling, general and administrative costs for the six months ended June 30, 2001 decreased by \$16.7 million as compared to the previous year. This was primarily due to the Resorts Atlantic City Sale. In the prior year, selling, general and administrative costs included \$15.2 million at Resorts Atlantic City. In addition, corporate costs decreased by \$1.1 million in the first six months of 2001 compared to the same period last year, primarily due to lower payroll and related costs. Real estate related costs were also lower in 2001 by \$0.4 million as the first six months of 2000 included the write-off of an option to purchase certain real estate in Atlantic City which the Company did not exercise.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased by \$7.6 million in the first six months of 2001 as compared to the prior year. In 2000, depreciation and amortization expense at Resorts Atlantic City for the first six months was \$8.5 million.

Other Income (Expense)

In the first six months of 2001, interest income increased by \$2.2 million over the previous year. In 2001, interest income included \$2.7 million accrued on the proceeds of the Resorts Atlantic City Sale and \$0.4 million of interest on the \$17.5 million note due from Colony on April 25, 2001. These increases were partially offset by a decrease of \$0.9 million, as the prior year included interest earned at Resorts Atlantic City.

Forward Looking Statements

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

PART II. - OTHER INFORMATION

Item 1. Legal Proceedings

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

US District Court Action SINA vs. Lowenschuss

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

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

On July 10, 2001, SINA, along with SIHL (together the "Companies"), announced that they were soliciting consents from the holders of their 8.625% Senior Subordinated Notes due 2007 (the "8.625 Notes") and their 9.0% Subordinated Notes due 2007 (the "9% Notes"). The Companies sought proposed amendments of certain provisions of the indentures pursuant to which the 8.625% Notes and the 9.0% Notes were issued.

The proposed amendments effectively eliminate (as of December 31, 2000, the date the charge was recorded) the impact of the \$229.2 million charge 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 investments in joint ventures. 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 8.625% Notes and their 9% Notes. Consents were received from 99% of the holders of the 8.625% Notes and from 98.9% of the holders of the 9% Notes. Accordingly, the Companies and the trustee under the indentures have executed and delivered supplemental indentures containing the amendments described in the amended consent solicitation.

Item 5. Other Information

On August 1, 2001, the Companies announced that they have privately offered approximately \$200 million of senior subordinated notes due 2011 to "qualified institutional buyers" as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and pursuant to offers and sales that occur outside the United States in accordance with Regulation S under the Securities Act. On August 9, 2001, the Companies announced that they have priced these notes at 8.875%. The closing of the offering is expected to occur on or about August 14, 2001, and is subject to customary closing conditions. The Companies expect to use the net proceeds of the offering to repay amounts outstanding under a revolving credit facility by a wholly-owned subsidiary of SIHL.

The senior subordinated notes have not been registered under the Securities Act or under state securities laws and, unless so registered, may not be offered or sold except pursuant to an applicable exemption from the registration requirements of the Securities Act and applicable state securities laws.

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

The following Part I exhibits are filed herewith:

<u>Exhibit Number</u>	<u>Exhibit</u>
(4)(a)	Supplemental Indenture dated as of July 23, 2001 to the 9% Senior Subordinated Notes due 2007 (incorporated by reference to Exhibit 99(a) to SINA's Form 8-K Current Report dated August 1, 2001, file No. 1-4748).
(4)(b)	Supplemental Indenture dated as of July 23, 2001 to the 8.625% Senior Subordinated Notes due 2007 (incorporated by reference to Exhibit 99(b) to SINA's Form 8-K Current Report dated August 1, 2001, file No. 1-4748).
(10)	Promissory Note for \$17,500,000 between SINA and Colony dated as of April 25, 2001 (incorporated by reference to Exhibit 2 of SIHL's Form 6-K dated May 3, 2001, file No. 1-04226).

b. Reports on Form 8-K

The following Current Reports on Form 8-K were filed by SINA during the second quarter of 2001 on the dates indicated:

- (a) July 10, 2001 - to report that SINA and SIHL were soliciting consents from the holders of their 8.625% Senior Subordinated Notes due 2007 (the "8.625 Notes") and their 9.0% Senior Subordinated Notes due 2007 (the "9% Notes") to proposed amendments of certain provisions of the indentures pursuant to which the notes were issued.
- (b) July 19, 2001 - to report that SINA and SIHL had extended the deadline of their solicitation of consents from the holders of their 8.625% Notes and their 9% Notes until 5:00 p.m. July 19, 2001;
- (c) July 20, 2001 - to report that SINA and SIHL had extended the deadline of their solicitation of consents from the holders of their 8.625% Notes and their 9% Notes until 5:00 p.m. July 23, 2001;
- (d) July 24, 2001 - to report that SINA and SIHL had received the requisite consents pursuant to the solicitation of consents from the holders of their 8.625% and 9% Notes.

- (e) August 1, 2001 - to file with the SEC the Supplemental Indenture dated July 23, 2001 for the 8.625% Notes and the Supplemental Indenture dated July 23, 2001 for the 9.0% Notes.
- (f) August 1, 2001 - to report that SINA and SIHL are privately offering approximately \$200 million of senior subordinated notes due 2011.
- (g) August 9, 2001 - to report that SINA and SIHL priced \$200 million in aggregate principal amount of 8 7/8% senior subordinated unsecured notes due 2011.

SIGNATURES

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

SUN INTERNATIONAL NORTH AMERICA, INC.
(Registrant)

/s/ John R. Allison
John R. Allison
Executive Vice President - Finance
(Authorized Officer of Registrant
and Chief Financial Officer)

Date: August 13, 2001

SUN INTERNATIONAL NORTH AMERICA, INC.

Form 10-Q for the quarterly period
ended June 30, 2001

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit</u>	<u>Page Number in Form 10-Q</u>
(4)(a)	Supplemental Indenture dated as of July 23, 2001 to the 9% Senior Subordinated Notes due 2007.	Incorporated by reference to Exhibit 99(a) to SINA's Form 8-K Current Report dated August 1, 2001, file No. 1-4748.
(4)(b)	Supplemental Indenture dated as of July 23, 2001 to the 8.625% Senior Subordinated Notes due 2007.	Incorporated by reference to Exhibit 99(b) to SINA's Form 8-K Current Report dated August 1, 2001, file No. 1-4748,
(10)	Promissory Note for \$17,500,000 between SINA and Colony dated as of April 25, 2001.	Incorporated by reference to Exhibit 2 of SIHL's Form 6-K dated May 3, 2001, file No. 1-04226.