

Edgar Filing: SUREBET CASINOS INC - Form 10QSB

SUREBET CASINOS INC
Form 10QSB
November 19, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended: September 30, 2002

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from _____ to _____

Commission file number: 0-30263

SUREBET CASINOS, INC.
(Exact name of small business issuer as specified in its charter)

UTAH 75-1878071
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

1610 BARRANCAS AVENUE, PENSACOLA, FLORIDA 32501
(Address of principal executive offices)

(850) 438-9647
(Issuer's telephone number)

Not Applicable
(Former name, former address and former fiscal year, if changed
since last report)

State the number of shares outstanding of each of the issuer's classes
of common equity, as of the latest practicable date:

7,889,169 shares of Common Stock, \$.001 par value, as of
September 30, 2002

Transitional Small Business Disclosure Format (check one): Yes No X

SUREBET CASINOS, INC. AND SUBSIDIARY
INDEX TO FORM 10-QSB

PAGE

PART I. FINANCIAL INFORMATION

ITEM 1. Consolidated Balance Sheets as of September 30, 2002 and March 31, 2002	3
Consolidated Statements of Operations for the three and six months ended September 30, 2002 and 2001	4
Consolidated Statements of Cash Flows for the three and six months ended September 30, 2002 and 2001	5

Edgar Filing: SUREBET CASINOS INC - Form 10QSB

Notes to Consolidated Financial Statements	6
ITEM 2. Management's Discussion and Analysis or Plan of Operation	9
ITEM 3. Controls and Procedures	10
PART II. OTHER INFORMATION	
ITEM 1. Legal Proceedings	11
ITEM 2. Changes in Securities	11
ITEM 3. Defaults Upon Senior Securities	11
ITEM 4. Submission of Matters to a Vote of Security Holders	11
ITEM 5. Other Information	11
ITEM 6. Exhibits and Reports on Form 8-K	11
SIGNATURES	12

2

SUREBET CASINOS, INC. AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS SEPTEMBER 30, 2002 AND MARCH 31, 2002

ASSETS	SEPT 30, 2002	MARCH 31, 2002
	----- (Unaudited)	-----
Current assets:		
Cash	\$ -	\$ -
Receivables	-	-
	-----	-----
Total current assets	-	-
	-----	-----
Other assets:		
Deposit on claim (Note 3)	-	30,000
Deposit on Colorado casino lease	-	-
	-----	-----
Total other assets	-	30,000
	-----	-----
	\$ -	\$ 30,000
	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 646,124	\$ 646,124
Due to shareholder (Note 4)	96,602	86,602
Due to CSL Development Corporation (Note 4)	37,084	27,101
	-----	-----
Total current liabilities	779,810	759,827

Edgar Filing: SUREBET CASINOS INC - Form 10QSB

Commitments and contingencies	-	-
Stockholders' deficit:		
Preferred stock, \$.01 par value, 500,000 shares authorized, none issued and outstanding	-	-
Common stock, \$.001 par value, 50,000,000 shares authorized, 7,889,169 shares issued and outstanding	7,889	7,889
Additional paid-in capital	5,569,866	5,569,866
Accumulated deficit	(6,357,565)	(6,307,582)
	-----	-----
Total stockholders' deficit	(779,810)	(729,827)
	-----	-----
	\$ -	\$ 30,000
	=====	=====

See notes to consolidated financial statements.

3

SUREBET CASINOS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2002 AND 2001 (UNAUDITED)

	Three Months Ended		
	2002	2001	2000
	-----	-----	-----
Revenue:			
Casino revenue	\$ -	\$ -	\$ -
Ticket sales	-	-	
Food and beverage sales	-	-	
	-----	-----	-----
Total revenue	-	-	
	-----	-----	-----
Operating expenses:			
Cost of food and beverage sales	-	-	
Casino operating costs	-	-	
Casino vessel costs	-	-	
Sales and marketing	-	-	
General and administrative	8,070	402	1
Write-off of deposit	24,000	-	3
Legal settlement (Note 3)	-	-	
Minority interest in losses	-	-	
	-----	-----	-----
Total operating expenses	32,070	402	4
	-----	-----	-----
Net loss	\$ (32,070)	\$ (402)	\$ (4)
	=====	=====	=====
Basic net loss per share	\$ (0.00)	\$ (0.00)	\$ -
	=====	=====	=====
Weighted average common shares outstanding	7,889,169	7,889,169	7,889,169

Edgar Filing: SUREBET CASINOS INC - Form 10QSB

See accompanying notes to consolidated financial statements.

4

SUREBET CASINOS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three and Six Months Ended September 30, 2002 and 2001 (Unaudited)

	Three Months Ended	
	9/30/2002	9/30/2001
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (32,070)	\$ (402)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	-	-
Loss on disposition of assets	-	-
Minority interest in losses	-	-
Legal settlement	-	-
Write-off of deposit	24,000	-
Changes in operating assets and liabilities:		
Accounts receivable	-	-
Inventory	-	-
Other assets	-	-
Accounts payable and accrued liabilities	-	(402)
	-----	-----
Net cash used in operating activities	(8,070)	-
	-----	-----
Cash flows from financing activities:		
Net advances from shareholder	8,070	-
Sale of shares of subsidiary to minority interests	-	-
Sale of common shares	-	-
	-----	-----
Net cash provided by financing activities	8,070	-
	-----	-----
Net decrease in cash and cash equivalents	-	-
Cash at beginning of year	-	-
	-----	-----
Cash at end of year	\$ -	\$ -
	=====	=====
Supplemental disclosure:		
Total interest paid	\$ -	\$ -
	=====	=====

See accompanying notes to consolidated financial statements.

5

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Edgar Filing: SUREBET CASINOS INC - Form 10QSB

1. UNAUDITED FINANCIAL INFORMATION

The accompanying unaudited condensed consolidated financial statements of sureBET Casinos Inc. and its majority-owned subsidiaries (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB of Regulation S-B of the U.S. Securities and Exchange Commission. They do not include all of the information and notes required by generally accepted accounting principles for complete corporate financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to the financial statements for the year ended March 31, 2002 included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. The unaudited financial statements should be read in conjunction with these financial statements included in Form 10-KSB. In the opinion of management, all adjustments consisting only of normal recurring accruals, considered necessary for a fair presentation have been included. Operating results for the three-month period ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ending March 31, 2003.

2. DESCRIPTION OF BUSINESS

During the years ended March 31, 1999 and 1998, sureBET Casinos, Inc. ("the Company") had no operating assets and had been investigating the acquisition of an operating business. The Company changed its name on June 24, 1999 from Wexford Technology, Incorporated. In connection with an Agreement to Exchange Stock with U.S. Gaming and Leisure Corp. ("USG&L") (see below), the Company entered into an Asset Purchase Agreement (the "Agreement") on March 5, 1999 with its controlling shareholder, Imperial Petroleum, Inc. ("Imperial"). The Agreement provided that Imperial would acquire all the assets and liabilities of the Company. No consideration was exchanged in return for the sale of the net liabilities of the Company. As a result of the Agreement, the Company had no assets or liabilities as of March 31, 1999.

In connection with the Agreement to Exchange Common Stock with USG&L, dated May 12, 1999, which is contingent on a private placement which has not been completed, the Company will issue 6,000,000 new common shares to stockholders of USG&L for 100% of the outstanding shares of USG&L. As a result of the tax-free transaction, USG&L will become a wholly owned subsidiary of the Company. The owners of USG&L obtained effective control of the Company in July 1999 by obtaining control of the Board of Directors of the Company. The transaction will be accounted for as a reverse acquisition whereby USG&L will be the acquiring company for accounting purposes.

On June 7, 1999, there was a change in the Board of Directors of the Company. The new board changed the Company's business strategy and decided to enter into the casino business. On June 24, 1999, the Articles of Incorporation of the Company were amended to change the name of the Company to sureBET Casinos, Inc.

Edgar Filing: SUREBET CASINOS INC - Form 10QSB

develop, acquire, joint venture, manage, and operate gaming establishments with an initial focus on water-based gaming, the emerging gaming markets, and the rehabilitation and reorganization of casinos that are underperforming financially.

On October 1, 1999, the Company entered into a Management Contract with Casino Padre Investment Company, LLC ("Casino Padre"), a Nevada limited liability company. Under the terms of the contract, the Company had an exclusive agreement to operate the gaming ship M/V Entertainer and the gaming operations located on the ship on behalf of and for the account of Casino Padre. On October 27, 1999, the Company acquired 50 membership units in Casino Padre in exchange for 5,000,000 shares of the common stock of the Company. Immediately following the transaction, the Company owned 83% of Casino Padre. The shares were acquired from Charles S. Liberis, the President of the Company. Casino Padre was formed on September 14, 1999 and at the time of the acquisition, was still in a developmental stage. Casino Padre commenced operations on November 18, 1999. As of September 30, 2002, the Company owned 74% of Casino Padre. Casino Padre ceased operations on November 6, 2000.

On December 20, 1999, the Company entered into an agreement with Black Hawk Hotel Corporation, an unaffiliated entity, to lease Lilly Belle's Casino, an existing casino facility located in Black Hawk, Colorado. Pursuant to the terms of the lease, the Company has an option to purchase the premises. The lease is contingent on the Company receiving approval for the transaction and issuance of regulatory licenses from the Colorado Gaming Commission. The Company canceled its agreement with Black Hawk Hotel Corporation based on its determination that the acquisition was not economically feasible due to increased competition. The Company's application with the Colorado Gaming Commission was withdrawn effective August 7, 2001.

The Company is currently considered a "public shell" corporation with nominal business operations and is in the process of searching for an operating business with which to negotiate a "reverse merger."

3. DEPOSIT ON CLAIM

In March 2000, Newport Shipbuilding - Pasadena, Inc. ("Newpark") filed a lawsuit against the Company seeking approximately \$140,000 for repair work on the M/V Casino Padre. The Company disputed the amount of the claim and has posted a bond in the amount of \$140,000 and counterclaimed against Newport for deceptive trade practices, damages for improper workmanship and damages for delays caused by Newport. The case has been settled for \$100,000 and CSL Development, the vessel owner, was refunded \$40,000 that it had posted on behalf of the Company.

4. RELATED PARTY TRANSACTIONS

The payable to a principal shareholder included accrued interest at a rate of 12% annually. The Company also owed CSL Development Corporation for past due charter payments, payment of other operating expenses and for accrued interest at 12% annually. Mr. Liberis is also president of CSL Development Corporation.

Edgar Filing: SUREBET CASINOS INC - Form 10QSB

5. GOING CONCERN

The Company's financial statements have been prepared on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. At September 30, 2002, the Company had a working capital deficiency of \$779,810 and an accumulated deficit of \$6,357,565. The Company does not believe that it will be able to meet its normal operating costs and expenses from operations.

The cash requirements of funding the Company's operations and expansion have exceeded cash flow from operations. To date, the Company has satisfied its capital needs primarily through debt and equity financing. The Company continually explores raising additional capital through such means.

The Company believes that it will be able to raise additional capital through debt and equity financing which will be sufficient to meet the Company's current working capital needs for at least the next twelve months. However, there can be no assurance that the Company will not need to raise additional capital sooner, particularly to take advantage of any expansion opportunities, not currently anticipated that may become available. In such event, there can be no assurance that additional capital will be available at all, at an acceptable cost, or on a basis that is timely to allow the Company to finance any such opportunities.

8

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

The following Management's Discussion and Analysis or Plan of Operation contains forward-looking statements about our plans and business. Actual events and results may differ materially from those anticipated in these forward-looking statements. The ability to achieve our projections and business objectives is dependent on a variety of factors, many of which are outside of our control. Some of the most significant factors, alone or in combination would be our failure to obtain additional equity financing to fund development activities and projected losses from operations and/or the inability to grow the revenues and improve the financial performance of the company. Accordingly, there can be no assurances that we will achieve our business objectives.

RESULTS OF OPERATIONS

SIX MONTHS ENDED SEPTEMBER 30, 2002 COMPARED TO SIX MONTHS ENDED SEPTEMBER 30, 2001

The sole source of revenue for the Company had been derived from the operation of Casino Padre. On November 6, 2000, the Casino Padre operation was shut down. Accordingly, there were no revenues for the six months ended September 30, 2002 and for the same period of last year.

During the six months ended September 30, 2002, the Company incurred \$49,983 of

Edgar Filing: SUREBET CASINOS INC - Form 10QSB

operating expenses, as compared to \$402 of operating expenses for same period for the year 2001. Of this amount, \$30,000 was the write-off of a deposit posted in connection with a lawsuit.

The above resulted in a net loss of \$49,983 for the six months ended September 30, 2002, as compared to a net loss of \$402 for the six months ended September 30, 2001.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2002, the Company had a working capital deficiency of \$779,810, as compared to a deficiency of \$759,827 at March 31, 2002. The Company does not believe that it will be able to meet its normal operating costs and expenses from management fees and cash flow as the Company does not presently have any operations.

The Company has been dependent upon loans from its principal shareholder and President, Charles Liberis. The loans are not evidenced by promissory notes and there is no fixed date for repayment. At September 30, 2002, \$96,602 was owed to Mr. Liberis.

In addition, at September 30, 2002, \$37,084 was owed to CSL Development Corporation for past due charter payments and accrued interest thereon. Mr. Liberis is also the President of CSL Development Corporation.

The report of the Company's independent auditors on the financial statements for the year ended March 31, 2002, included an explanatory paragraph relating to the uncertainty of the Company's ability to continue as a going concern due to the loss incurred for the year ended March 31, 2002 and the working capital deficit and stockholders' deficit existing as of March 31, 2002. The Company must raise additional capital, incur debt, or obtain financing in order to fund operations.

9

The Company believes that it will be able to raise additional capital through debt and equity financing which, along with additional loans from its principal shareholders, will be sufficient to meet the Company's current working capital needs for at least the next twelve months. However, there can be no assurance that the Company will be able to raise additional capital or to take advantage of any expansion opportunities that may become available. There can be no assurance that additional capital will be available at all, at an acceptable cost, or on a basis that is timely to allow the Company to finance any further business opportunities.

FORWARD LOOKING STATEMENTS

Except for historical information contained herein, the matters discussed in this report, in particular, statements that use the words "believes", "intends", "anticipates", or "expects", are intended to identify forward looking statements that are subject to risks and uncertainties including, but not limited to, inclement weather, mechanical failures, increased competition, financing, governmental action, environmental opposition, legal actions, and other unforeseen factors.

The development of the Black Hawk, Colorado project, in particular, is subject to additional risks and uncertainties, including, but not limited to, risks relating to permitting, financing, the activities of environmental groups, the outcome of litigation and the actions of federal, state, or local governments and agencies. The results of financial operations reported herein are not

Edgar Filing: SUREBET CASINOS INC - Form 10QSB

necessarily an indication of future prospects of the Company. Future results may differ materially.

ITEM 3. CONTROLS AND PROCEDURES.

We have recently evaluated our internal controls. As of November 18, 2002, there were no significant corrective actions taken by us or other changes made to these internal controls. Our management does not believe there were changes in other factors that could significantly affect these controls subsequent to the date of the evaluation.

10

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following exhibits are included with this report.

EXHIBIT NUMBER	DOCUMENT
2.1	Agreement to Exchange Common Stock with U.S. Gaming & Leisure Corp. (1)
3.1	Articles of Incorporation, as amended (1)

Edgar Filing: SUREBET CASINOS INC - Form 10QSB

- 3.2 Bylaws, as amended (1)
- 10.1 Asset Purchase Agreement with Imperial Petroleum, Inc. (1)
- 10.2 Management Contract with Casino Padre Investment Company, LLC (1)
- 10.3 Lilly Belle lease (1)
- 10.4 South Padre Island Sublease and Dockage Agreement (1)
- 10.5 Charter Agreement with CSL Development Corporation (1)
- 21 Subsidiaries of the Registrant (1)

11

(1) Previously filed as an exhibit to the Company's Registration Statement on Form 10-SB (File No. 0-30263) and incorporated by reference herein.

(b) Reports on Form 8-K

None.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

sureBET Casinos, Inc.
(Registrant)

Date: November 19, 2002

By: /s/ CHARLES S. LIBERIS

Charles S. Liberis
Chairman of the Board, Chief
Executive Officer and President
(Principal Executive, Financial, and
Accounting Officer)

12

CERTIFICATION

I, Charles S. Liberis, certify that:

Edgar Filing: SUREBET CASINOS INC - Form 10QSB

1. I have reviewed this quarterly report on Form 10-QSB of sureBET Casinos, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 19, 2002

/s/ CHARLES S. LIBERIS

Charles S. Liberis, Principal Executive and

