

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **2000-10-25** | Period of Report: **2000-08-31**
SEC Accession No. **0001013993-00-500004**

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FILER

VIRTUAL GAMING ENTERPRISES INC

CIK: **894562** | IRS No.: **870485308** | State of Incorpor.: **NV** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **033-55254-43** | Film No.: **745655**
SIC: **6770** Blank checks

Mailing Address
2580 SEA SCAPE GLEN
SCONDIDIO CA 92026

Business Address
2580 SEA SCAPE GLEN
ESCONDIDO CA 92026
7605100188

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

QUARTERLY report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the PERIOD ended August 31, 2000.

Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934.

COMMISSION FILE NUMBER: 33-55254-43

Virtual Gaming Enterprises, Inc.
(Exact name of registrant as specified in its charter)

Nevada
(State of Organization)

87-0485308
(I.R.S. Employer
Identification No.)

2580 SEASCAPE GLEN, ESCONDIDO, CA 92026
(Address of Principal Executive Offices)

Registrant's Telephone Number, Including Area Code: (760) 510-0188

Check whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Transitional Small Business Disclosure Format: Yes No

8,287,701 Common Shares, \$0.001 Par Value, Issued and Outstanding

Item 1 - Financial Statements

Virtual Gaming Enterprises, Inc.
(A Development Stage Enterprise)
Balance Sheets

<TABLE>

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August 31,
2000

<C>

May 31,
2000

ASSETS

CURRENT ASSETS

Cash	\$	0	\$	109,142
Advance receivable - related party		94,590		62,333

Total current assets	94,590	171,475
PROPERTY AND EQUIPMENT		
Equipment	5,000	5,000
Less: accumulated depreciation	(2,916)	(2,500)
Total property and equipment	2,084	2,500
OTHER ASSETS		
Intangible assets	3,375,000	3,375,000
Less: accumulated amortization	0	0
Net intangibles	3,375,000	3,375,000
Investment - EBB Venture Capital	50,000	50,000
Investment - Vegas Book, Ltd	320,000	320,000
Total other assets	3,745,000	3,745,000
Total Assets	\$3,841,674	\$3,918,975
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIENCY)		
CURRENT LIABILITIES		
Bank overdraft	\$ 38,765	\$ 0
Accrued salaries payable	268,382	204,007
Short-term notes payable	1,589,715	1,550,309
Litigation payable	255,625	250,000
Total current liabilities	2,152,487	2,004,316
Total Liabilities	2,152,487	2,004,316
STOCKHOLDERS EQUITY (DEFICIENCY)		
Common stock, \$0.001 par value, authorized 25,000,000 shares; 8,287,701 and 2181,822 issued and outstanding shares	8,288	8,288
Additional paid-in capital	3,375,697	3,423,963
Deficit accumulated during the development stage	(1,694,798)	(1,517,592)
Total Stockholders Equity (Deficiency)	1,689,187	1,914,659
Total Liabilities and Stockholders Equity (Deficiency)	\$3,841,674	\$3,918,975

The accompanying notes are an integral part of the financial statements.
</TABLE>

Virtual Gaming Enterprises, Inc.
(A Development Stage Enterprise)
Statements of Operations
For the quarters ended August 31,

<TABLE>

<S>	<C>	<C>	<C>
	2000	1999	Period from November 1997 (Inception) through August 31, 2000
	-----	-----	-----
Revenues	\$ 0	\$ 0	\$ 0
 Expenses			
Compensation:			
Officers	77,500	86,000	601,360
Other	5,500	4,750	33,173
Consultants	7,500	0	78,060
General and administrative expenses	36,760	436,392	434,450
Depreciation	416	417	2,916
Research and development	4,500	29,010	116,500
	-----	-----	-----
Total expenses	132,176	556,569	1,266,459
	-----	-----	-----
Loss from operations	(132,176)	(556,569)	(1,266,459)
	-----	-----	-----
Interest (expense)	(45,031)	0	(178,340)
Loss from litigation	0	0	(250,000)
	-----	-----	-----
Net loss	\$ (177,207)	\$ (556,569)	\$ (1,694,799)
	=====	=====	=====
Basic net loss per weighted average share	\$ (0.02)	\$ (0.02)	
	=====	=====	
Weighted average number of shares	8,287,701	2,181,822	
	=====	=====	

The accompanying notes are an integral part of the financial statements.

</TABLE>

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Virtual Gaming Enterprises, Inc.
(A Development Stage Enterprise)
Statement of Changes in Stockholders Equity
From Inception through August 31, 2000

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>
				Deficit Accumulated	
			Additional	During the	Total
	Number Of Shares	Common Stock	Paid-in Capital	Development Stage	Stockholders' Equity

BEGINNING BALANCE, November 1997 (Inception)	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Shares issued for cash	13,000,000	46,400	0	0	46,400	
Net loss	0	0	0	(20,506)	(20,506)	
BALANCE, May 31, 1998	13,000,000	46,400	0	(20,506)	25,894	
June 1998 - reverse merger	10,209,647	(44,079)	44,109	0	30	
February 1999 - reverse split	(22,707,774)	(1,819)	1,819	0	0	
Shares issued for cash	1,679,949	1,680	184,382	0	186,062	
Net loss	0	0	0	(311,214)	(311,214)	
BALANCE, May 31, 1999	2,181,822	2,182	230,310	(331,720)	(99,228)	
Shares issued for cash	6,105,879	6,106	3,193,653	0	3,199,759	
Net loss				(1,185,872)	(1,185,872)	
BALANCE, May 31, 2000	8,287,701	8,288	3,423,963	(1,517,592)	1,914,659	
Contributed capital			(48,265)		(48,265)	
Net loss				(177,207)	(177,207)	
Balance, August 31, 2000	8,287,701	\$ 8,288	\$ 3,375,698	\$ (1,694,799)	\$ 1,689,187	

The accompanying notes are an integral part of the financial statements.

</TABLE>

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Virtual Gaming Enterprises, Inc.
(A Development Stage Enterprise)
Statement of Cash Flows

For the Quarters Ended and Period Since Inception Ended August 31,

<TABLE>

<S>

<C>

<C>

<C>

Period from
November 1997
(Inception) through

	2000	1999	May 31, 2000
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (177,207)	\$ (566,569)	\$ (1,694,799)
Adjustments to reconcile net loss to net cash used for operating activities:			
Depreciation	416	417	2,916
Changes in operating assets and liabilities:			
(Increase) decrease advance receivable - related party	(32,257)	(64,951)	(94,590)
Increase (decrease) accrued salaries payable	64,375	217,033	268,382
Increase (decrease) accrued Interest	45,031		0
Increase (decrease) Accrued Litigation payable			178,340
			250,000
	-----	-----	-----
Net cash used by operating activities	(99,642)	(414,070)	(1,089,751)
	-----	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	0	0	(5,000)
Purchase of investments	0	0	(340,000)
Acquisition of intangible assets	0	0	(1,958,001)
	-----	-----	-----
Net cash (used) provided by investing activities	0	0	(2,303,001)
	-----	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	0	560,756	3,402,252
Cash paid on Common stock fund raise	(48,265)	0	(48,265)
	-----	-----	-----
Net cash provided by financing activities	(48,265)	560,756	3,353,987
	-----	-----	-----
Net increase (decrease) in cash	(147,907)	146,686	109,142
CASH, beginning of period	109,142	(5,251)	0
	-----	-----	-----
CASH, end of period	\$ (38,765)	\$ 141,435	\$ (38,765)
	=====	=====	=====

</TABLE>

VIRTUAL GAMING ENTERPRISES, INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

THE COMPANY Virtual Gaming Enterprises, Inc. is a Nevada chartered development stage corporation which conducts business from its headquarters in Escondido, California. The Company was incorporated on August 9, 1990. The operating company, now dissolved, was established in November 1997.

The Company has not yet engaged in its expected operations. The Company's future operations will be to provide casino gambling via the Internet. Current activities include raising additional equity and negotiating with potential key personnel and facilities. There is no assurance that any benefit will result from such activities. The Company will not receive any operating revenues until the commencement of operations, but will nevertheless continue to incur expenses until then.

The following summarize the more significant accounting and reporting policies and practices of the Company:

A) START-UP COSTS Costs of start-up activities, including organization costs, are expensed as incurred, in accordance with Statement of Position (SOP) 98-5.

B) NET LOSS PER SHARE Basic is computed by dividing the net loss by the weighted average number of common shares outstanding during the period.

C) USE OF ESTIMATES The financial statements have been prepared in conformity with generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial condition and revenues and expenses for the period then ended. Actual results may differ significantly from those estimates.

D) PROPERTY AND EQUIPMENT All property and equipment are recorded at cost and depreciated over their estimated useful lives, using the straight-line method. Upon sale or retirement, the costs and related accumulated depreciation are eliminated from their respective accounts, and the resulting gain or loss is included in the results of operations. Repairs and maintenance charges which do not increase the useful lives of the assets are charged to

operations as incurred. Depreciation expense was \$833 and \$0 for the periods ended May 31, 1999 and 1998, respectively.

E) SIGNIFICANT ACQUISITION In June 1998, Interbet, Inc. issued 13,136,539 shares of common stock to acquire all of the issued and outstanding shares of the common stock of Virtual Gaming Enterprises, Inc. (VGEE) in a reverse merger, accounted for as a reorganization of VGEE.

F) PRINCIPLES OF CONSOLIDATION The consolidated financial statements include the accounts of Virtual Gaming Enterprises, Inc. (VGEE) and its wholly owned subsidiary and majority owned subsidiary. Inter-company balances and transactions have been eliminated.

(2) ADVANCES RECEIVABLE - RELATED PARTIES The Company has advanced \$94,590 to officers of the Company. These advances are due on demand and carry no stated interest rate.

(3) STOCKHOLDERS' EQUITY The Company has authorized 25,000,000 shares of \$0.001 par value common stock. The Company had 8,287,701 shares of common stock issued and outstanding at May 31, 2000. The Company, in August 1990, issued 1,000,000 shares for \$1,000 in cash. In August 1996, the Company issued 100,000 shares for \$50,000 in cash. In December 1997, the Company issued 4,973,108 shares in conjunction with the acquisition of Interbet, Inc. In June 1998, the Company issued 2,000,000 shares in exchange for services valued at \$313,200. In June 1998, the Company issued 600,000 shares in settlement of a loan amounting to \$93,957. In June 1998, the Company issued 1,400,000 shares

for \$46,400 in cash. In June 1998, the Company

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VIRTUAL GAMING ENTERPRISES, INC.
(A Development Stage Enterprise)
NOTES TO FINANCIAL STATEMENTS

(3) STOCKHOLDERS' EQUITY (CONTINUED) issued 13,136,539 shares for the acquisition of Virtual Gaming Enterprises, Inc. In February 1999, the Company completed a reverse split of its common stock, leaving 501,873 shares issued and outstanding. During the fourth quarter of fiscal 1999, the Company issued 1,679,949 shares for \$186,062 in cash. During the Year ended May 31, 2000, the Company issued 6,105,879 shares for \$3,169,759. During the quarter ending August 31, 2000, the Company paid out of additional paid in capital \$48,265 for raising these funds.

(4) INCOME TAXES Deferred income taxes (benefits) are provided for certain income and expenses which are recognized in different periods for tax and financial reporting purposes. The Company has net operating loss carry-forwards for income tax purposes of approximately \$1,694,798, expiring \$20,506 at May 31, 2018, \$311,214 at

May 31, 2019 and \$1,185,872 at May 31, 2020 and \$177,207 at May 31, 2021.

The amount recorded as deferred tax assets is approximately \$227,639 and \$50,000 as of May 31, 2000 and May 31, 1999, respectively, and \$254,220 at August 31, 2000, which represents the amount of tax benefit of the loss carryforward. The Company has established a 100% valuation allowance against this deferred tax asset, as the Company has no history of profitable operations.

(5) GOING CONCERN As shown in the accompanying financial statements, the Company incurred a net loss of \$1,694,799 for the period from November 1997 (Inception) through August 31, 2000. The ability of the Company to continue as a going

concern is dependent upon commencing operations and obtaining additional capital and financing. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. The Company is currently seeking financing to allow it to begin its planned operations.

(6) RELATED PARTIES As discussed in Note 2, the Company extended an advance to an officer. Related party balances and amounts for the period since inception, (November 1997), ended August 31, 2000 are as follows:

Advance receivable - related party	\$94,590
	=====

(7) INTANGIBLE ASSETS During the year ended May 31, 2000, the Company Entered into agreements for the development of software that Will provide gaming capabilities on the internet. The Company has Invested \$2,093,001 during the year for 17 of these programs. The Company plans to lease and/or manage these sites for a fee. In May 1999, the Company formed Hung Sai, Ltd., a Nevis Corporation. In May 1999, Hung Sai entered into a license agreement with a third party to provide an Internet gateway for future Internet casinos to be located in St. Kitts, West Indies. This agreement required a \$60,000 initial license fee and future revenue sharing from the Company's future on-line casinos. The Company expects to amortize the license fee over a five-year period, once commercialization has begun.

(8) COMMITMENTS AND CONTINGENCIES EMPLOYMENT AGREEMENTS In July 1998, the Company entered into employment agreements with two of its officers. These agreements have three-year terms expiring June 30, 2001. The agreements contain base pay amounts of \$250,000, \$280,000 and \$325,000, combined. These contracts also call for the issuance of options for 3,000,000 shares of the Company's common stock, 1,500,000 of which vested on December 1, 1998, and 150,000 per month beginning June 1, 1999 for a period of ten months.

(9) LEGAL PROCEEDINGS On or about June 11, 1999, the United States Securities and Exchange Commission initiated a proceeding in the United States District Court, Southern District of California, against the Company seeking to hold the Company in Civil Contempt for failure to respond to a Subpoena issued by the Commission. The Court granted the Commission's request and issued an Order that sanctioned the Company Ten Thousand (\$10,000.00) Dollars per day until such time as it complied with the Commission's Subpoena.

Subsequent to the Company's compliance with the Commission's Subpoena, the Company and the Commission entered into a Stipulation and Order whereby the Company, having purged itself of the civil contempt citation, agreed to pay and did pay Ten Thousand (\$10,000.00) Dollars as a sanction. The Stipulation and Order was signed by the Court and filed on or about November 18, 1999.

Virtual Gaming Enterprises, Inc., and its President, Virgil Williams, in or about May, 2000, submitted Offers of Settlement to the United States Securities and Exchange Commission that stemmed from certain matters reviewed by the Commission.

The Company, without admitting or denying any wrongdoing, consented to entry of an Order by the Commission that:

A) Orders it to cease and desist from committing or causing any violation, and any future violation, of Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder; and

B) Orders the effectiveness of Virtual Gaming's Form S-8 be suspended.

On July 24, 2000, the Company and the Commission agreed to modify a portion of this Offer of Settlement to reflect that, "As a result of Virtual Gaming's failure to meet its reporting obligations, the Form S-8 never became effective."

Virgil Williams, without admitting or denying any wrongdoing, consented to entry of an Order by the Commission that:

A) Orders him to cease and desist from committing or causing any violation, and any future violation, of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Both of these Offers of Settlement have yet to be acted upon by the Commission.

In a civil proceeding filed in the United States District Court for the Eastern District of New York in January 2000, identified by Case Number 00 CIV 0276, Platinum I.T. Consulting, Inc., and Edward Marian, alleged

that Virtual Gaming Enterprises, Inc., Virgil Williams, Brenda Williams and others violated Section 12(1) of the Securities Act, Violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Breached their Contract(s) with Plaintiff(s), Fraudulently Induced Plaintiff(s) to purchase the Company's securities, Converted Plaintiff(s) funds, and were Unjustly Enriched at Plaintiff's expense. Plaintiffs sought damages in excess of Five Million (\$5,000,000.00) Dollars.

The Company deemed it in its best interest to resolve this matter, as the costs and fees for defense would largely outweigh the costs of resolution. Accordingly, without admitting or denying the allegations in the Complaint, the Company and Virgil and Brenda Williams entered into a Settlement and Consent Judgment whereby they agreed to compensate the Plaintiffs in the amount of \$170,00.00 within 75 days of the effective date of the Settlement and Consent Judgment.

Due to the hospitalization of the Company's President Virgil Williams, the Company did not make payment as required under the Settlement and Consent Judgment. As a result, and by the terms and provisions of the Settlement and Consent Judgment,

the Settlement Obligation has increased to \$250,000.00. The Company expects to remit this amount to the Plaintiffs, in care of Plaintiffs' Attorney, in short order.

On February 14, 2000, the State of Indiana, Office of the Secretary of State, Securities Division, filed an Administrative Complaint against Virtual Gaming Enterprises, Inc., Virgil Williams and others, alleging that all Respondents sold and/or offered for sale certain securities in violation of Indiana State Law. On this same date, the Indiana Securities Division requested and received a Cease and Desist Order.

On March 2, 2000, Virtual Gaming Enterprises, Inc., and Virgil Williams filed their Answer and Affirmative Defenses to the Administrative Complaint and demanded an immediate administrative hearing pursuant to the terms and provision of the Indiana Securities Act that requires a hearing to be set within 45 days of the Indiana Securities Division. Virtual Gaming Enterprises, Inc., and Virgil Williams have and do expressly deny any and all allegations made against them in the Administrative Complaint.

Counsel for the Company and Mr. Williams, having not had a response to the hearing demand, provided the Indiana Securities Division a second copy of the Answer and Affirmative Defenses and Demand for Hearing via facsimile on March 17, 2000. Subsequent to March 17, 2000, Counsel for the Company made several attempts to contact the Indiana Securities Division via telephone, leaving messages for the Deputy Commissioner, Enforcement, who apparently is responsible for this proceeding. The Indiana Securities

Division has never responded to the Demand for Hearing or the telephonic inquiries of counsel.

Finally, in January or February 2000, Virtual Gaming Enterprises, Inc., was named as a Defendant in a Complaint for Interpleader filed in the Third Judicial District Court in and for Salt Lake County, State of Utah, and identified as Civil No. 000901201. Therein, National Stock Transfer,

Inc., the transfer agent for the Company's Stock, due to competing demands for certain certificates. This action remains pending.

10. SHORT-TERM LIABILITIES The Company entered into 17 agreements whereby they have invested funds with International Business Assoc. Corp. to develop the software for internet gaming sites. The agreements mature on April 1, 2003 and accrue interest at a rate of 10%. Each agreement calls for a quarterly payment of \$14,153. The principal and accrued interest, at the option of the holder, become immediately due if a quarterly payment is 10 days late. As of May 31, 2000 the Company entered into an informal agreement for prepayment of these notes as funds become available.

11. Cash Flows The company has paid no interest or taxes during the year ended May 31, 2000 and the quarters ended August 31, 2000 and 1999. The Company has funded the purchase of intangible assets through notes payable.

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

Plan of Operation

The Registrant is continuing its efforts to to provide management of, rent of or sales of casino gambling via the internet. The casinos are currently in the testing stage of their development. It is possible that the registrant will be successful in this plan of operation; however, there is no assurance for success.

Results of Operation

The Company did not have any operating income during the quarters ended August 31, 2000 and 1999. For quarter ended August 31, 2000, the registrant recognized a net loss of \$177,207. Some compensation expenses, general and administrative, research and development were accrued. All of the interest expense of \$45,031 was accrued. Expenses for general and administrative were comprised of costs mainly associated with legal and accounting fees.

Liquidity and Capital Resources

At August 31, 2000 the Company had no capital resources other

than funding casinos with notes payable from the creators of those casinos and the possibly of raising operating capital through the sale of common stock.

Part II - Other Information

ITEM 1. LEGAL PROCEEDINGS

On or about June 11, 1999, the United States Securities and Exchange Commission initiated a proceeding in the United States District Court, Southern District of California, against the Company seeking to hold the Company in Civil Contempt for failure to respond to a Subpoena issued by the Commission. The Court granted the Commission's request and issued an Order that sanctioned the Company Ten Thousand (\$10,000.00) Dollars per day until such time as it complied with the Commission's Subpoena.

Subsequent to the Company's compliance with the Commission's Subpoena, the Company and the Commission entered into a Stipulation and Order whereby the Company, having purged itself of the civil contempt citation, agreed to pay and did pay Ten Thousand (\$10,000.00) Dollars as a sanction. The Stipulation and Order was signed by the Court and filed on or about November 18, 1999.

Virtual Gaming Enterprises, Inc., and its President, Virgil Williams, in or about May, 2000, submitted Offers of Settlement to the United States Securities and Exchange Commission that stemmed from certain matters reviewed by the Commission.

The Company, without admitting or denying any wrongdoing, consented to entry of an Order by the Commission that:

A) Orders it to cease and desist from committing or causing any violation, and any future violation, of Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder; and

B) Orders the effectiveness of Virtual Gaming's Form S-8 be suspended.

On July 24, 2000, the Company and the Commission agreed to modify a portion of this Offer of Settlement to reflect that, "As a result of Virtual Gaming's failure to meet its reporting obligations, the Form S-8 never became effective."

Virgil Williams, without admitting or denying any wrongdoing, consented to entry of an Order by the Commission that:

A) Orders him to cease and desist from committing or causing any violation, and any future violation, of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Both of these Offers of Settlement have yet to be acted upon by the Commission.

In a civil proceeding filed in the United States District Court for the Eastern District of New York in January 2000, identified by Case Number 00 CIV 0276, Platinum I.T. Consulting, Inc., and Edward Marian, alleged that Virtual Gaming Enterprises, Inc., Virgil Williams, Brenda Williams and others violated Section 12(1) of the Securities Act, Violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Breached their Contract(s) with Plaintiff(s), Fraudulently Induced Plaintiff(s) to purchase the Company's securities, Converted Plaintiff(s) funds, and were Unjustly Enriched at Plaintiff's expense. Plaintiffs sought damages in excess of Five Million (\$5,000,000.00) Dollars.

The Company deemed it in its best interest to resolve this matter, as the costs and fees for defense would largely outweigh the costs of resolution. Accordingly, without admitting or denying the allegations in the Complaint, the Company and Virgil and Brenda Williams entered into a Settlement and Consent Judgment whereby they agreed to compensate the Plaintiffs in the amount of \$170,00.00 within 75 days of the effective date of the Settlement and Consent Judgment.

Due to the hospitalization of the Company's President Virgil Williams, the Company did not make payment as required under the Settlement and Consent Judgment. As a result, and by the terms and provisions of the Settlement and Consent Judgment, the Settlement Obligation has increased to \$250,000.00. The Company expects to remit this amount to the Plaintiffs, in care of Plaintiffs' Attorney, in short order.

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Counsel for the Company and Mr. Williams, having not had a response to the hearing demand, provided the Indiana

Securities Division a second copy of the Answer and Affirmative Defenses and Demand for Hearing via facsimile on March 17, 2000. Subsequent to March 17, 2000, Counsel for the Company made several attempts to contact the Indiana Securities Division via telephone, leaving messages for the Deputy Commissioner, Enforcement, who apparently is responsible for this proceeding. The Indiana Securities Division has never responded to the Demand for Hearing or the telephonic inquiries of counsel.

Finally, in January or February 2000, Virtual Gaming Enterprises, Inc., was named as a Defendant in a Complaint for Interpleader filed in the Third Judicial District Court in and for Salt Lake County, State of Utah, and identified as Civil No. 000901201. Therein, National Stock Transfer, Inc., the transfer agent for the Company's Stock, due to competing demands for certain certificates. This action remains pending.

ITEM 2. CHANGES IN SECURITIES

Inapplicable/None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Inapplicable/None.

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

Inapplicable/None.

ITEM 5. OTHER INFORMATION

Inapplicable/None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. EXHIBITS

Exhibit Number	Status	Title
27	(**)	Financial Data Schedule

(*) Incorporated by reference on Form 10-KSB filed on Sept 14, 2000.

(**) Provided herewith.

B. REPORTS ON FORM 8-K

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this 10-KSB report to be signed on its behalf

by the undersigned thereunto duly authorized.

VIRTUAL GAMING ENTERPRISES, INC.
(Registrant)

Date: October 23, 2000

/s/ Virgil G. Williams

Virgil G. Williams
President

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AND STATEMENTS OF OPERATIONS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH 10QSB FOR THE QUARTER ENDED AUGUST 31, 2000.

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<NET-INCOME>	(177,207)
<EPS-BASIC>	(0.02)
<EPS-DILUTED>	(0.02)

</TABLE>