

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

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

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FILER

**ADVANCED GAMING TECHNOLOGY INC**

CIK: **1030699** | IRS No.: **980152226** | State of Incorp.: **WY** | Fiscal Year End: **1231**  
Type: **10QSB** | Act: **34** | File No.: **000-21991** | Film No.: **1696624**  
SIC: **7990** Miscellaneous amusement & recreation

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*PO BOX 46855*  
*P O BOX 11610*  
*LAS VEGAS NC 89114*

Business Address  
*PO BOX 46855*  
*P O BOX 11610*  
*LAS VEGAS NV 89114*  
*7022276668*

UNITED STATES

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: June 30, 2001

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-21991

ADVANCED GAMING TECHNOLOGY, INC.

(Exact name of small business issuer as specified in its charter)

Wyoming

(State or other jurisdiction  
of incorporation or organization)

98-0152226

(IRS Employer  
Identification No.)

P O BOX 46855 LAS VEGAS, NEVADA 89114 (Address of  
principal executive offices)

(702) 227-6668

Issuer's telephone number

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDING DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be  
filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of  
securities under a plan confirmed by a court. Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common  
equity, as of the latest practical date: June 30, 2000 25,000,000

Transitional Small Business Disclosure Format (check one). Yes  No

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited condensed consolidated financial statements presented herein have been prepared by the Company in accordance with the instructions to Form10-QSB and do not include all of the information and note disclosures required by generally accepted accounting principles. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-KSB for the year ended December 31, 2000. The accompanying financial statements have not been examined by independent accountants in accordance with generally accepted auditing standards, but in the opinion of management such financial statements include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the Company's financial position and results of operations. The results of operations for the three and six months ended June 30, 2000 may not be indicative of the results that may be expected for the year ending December 31, 2001.

Advanced Gaming Technology, Inc.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	June 30,	December 31,
ASSETS:	2001	2000

-----	-----	-----
Current Assets		
Cash and cash equivalents	\$ 83,238	\$ 171,807
Accounts receivable	3,700	--
Prepaid expenses	1,000	1,000
Inventory	20,000	20,000
	-----	-----
Total current assets	107,938	192,807
Property and Equipment, net	119,500	125,753
Other assets	45,178	78,178
	-----	-----
Total assets	\$ 272,616	\$ 396,738
	=====	=====
	June 30,	December 31,
	2001	2000
-----	-----	-----
LIABILITIES AND STOCKHOLDER'S DEFICIT		
-----		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 88,779	\$ 330,798
Notes payable	1,200,497	900,276
	-----	-----
Total current liabilities	1,289,276	1,231,074
Long term obligations, net of current portion	--	--
	-----	-----
Total liabilities	1,289,276	1,231,074
	-----	-----
Stockholders' Deficit:		
-----		
Preferred Stock-10% cumulative, \$.10 par value; authorized 4,000,000 shares; issued - nil	--	--
Common Stock - \$.005 par value; authorized 150,000,000 shares; issued and outstanding 25,000,000 on June 30, 2001 and December 31, 2000	125,000	125,000
Additional paid-in capital	--	--
Accumulated deficit	(1,141,660)	(959,336)
	-----	-----
Total stockholders' deficit	(1,016,660)	(834,336)
	-----	-----
Total liabilities and stockholders deficit	\$ 272,616	\$ 396,738
	=====	=====

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

Advanced Gaming Technology, Inc.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2001	2000	2001	2000
Revenues	\$ 27,721	\$ --	\$ 81,422	\$ 15,163
Expenses				
Salaries and wages	56,250	56,250	112,500	112,500
Depreciation	15,000	16,000	30,000	32,000
Administrative expenses	31,455	29,995	63,521	56,681
	-----	-----	-----	-----
	102,705	102,245	206,021	201,181
Loss from operations	74,984	102,245	124,599	186,017
Other income (expense), net	(40,832)	(10,831)	(57,725)	(42,188)
	-----	-----	-----	-----
Net Loss	\$ 115,816	113,076	\$ 182,324	\$ 228,206
	=====	=====	=====	=====
Net loss per common share	\$ --	\$ --	\$ (.01)	\$ (.01)
	=====	=====	=====	=====
Weighted average common shares outstanding	25,000,000	25,000,000	25,000,000	25,000,000

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

Advanced Gaming Technology, Inc.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	For the Six Months Ended June 30,	
	2001	2000
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (182,324)	\$ (228,206)
Adjustments to Reconcile Net Loss to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and amortization	30,000	32,000
Loss from earnings of affiliate	33,000	--
Change in operating assets and liabilities:		
Accounts receivable	(3,700)	--
Accounts payable and accrued liabilities	(241,798)	(29,595)
Conversion of accounts payable to notes payable	300,000	--
	-----	-----
Net cash used in operating activities	(64,822)	(225,801)
Cash Flows From Investing Activities:		
Other assets	--	1,750,000
Purchase of property and equipment	(23,747)	--
	-----	-----
Net Cash (Used in) provided by Investing Activities	(23,747)	1,750,000
Cash Flows From Financing Activities:		
Repayment of debt and notes	--	(1,638,271)
	-----	-----
Net cash provided by financing activities	--	(1,638,271)
Net change in cash and cash equivalents	(88,569)	(114,072)
Cash and cash equivalents at beginning of period	171,807	440,561
	-----	-----
Cash and cash equivalents at end of period	\$ 83,238	\$ 326,489
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	\$ 34,562	\$ 31,368

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

## NOTE 1 - HISTORY AND ORGANIZATION

The Company was incorporated under the laws of the State of Wyoming in 1963 under the name of MacTay Investment Co. The Company changed its name to Advanced Gaming Technology, Inc. in 1991. The Company's executive offices are located in Las Vegas, Nevada. The Company is principally engaged in the development and marketing of technology for the casino and hospitality industry.

## NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

The summary of accounting policies for Advanced Gaming Technology, Inc. is presented to assist in understanding the Company's financial statements. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

The unaudited financial statements as of June 30, 2001 and for the six months then ended reflect, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to fairly state the financial position and results of operations for the three months. Operating results for interim periods are not necessarily indicative of the results which can be expected for full years.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

- (a) Principles of Consolidation The consolidated financial statements include the accounts of Advanced Gaming Technology, Inc. and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.
- (b) Inventory consists of bingo equipment parts and is carried at lower of cost (first-in, first-out method) and market value.
- (c) Property and Equipment Property and equipment is stated at cost. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on a straight-line basis from 3 to 5 years.

Upon sale or other disposition of property and equipment, the cost and related accumulated depreciation or amortization is removed from the accounts and any gain or loss is included in the determination of income or loss.

Expenditures for maintenance and repairs are charged to expense as incurred. Major overhauls and betterments are capitalized and depreciated over their useful lives.

For the six Months Ended June 30, 2001 and 2000 (Unaudited)  
(Continued)

- (d) Revenue. Revenue is generated on operating leases and is recognized on an accrual basis. Certain reclassifications have been made in the 2000 financial statements to conform with the 2001 presentation
- (e) Cash and Cash Equivalents. For purposes of the Statement of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less, as cash equivalents.
- (f) Net Loss per Common Share. The reconciliations of the numerators and denominators of the basic EPS computations are as follows:

	2001			2000		
	Number			Number		
	Loss	Of Shares	Loss	Loss	Of Shares	Loss
	(Numerator)	(Denominator)	Per Share	(Numerator)	(Denominator)	Per Share
Basic EPS						
Loss to						
Common						
Shareholders	\$182,324	25,000,000	\$ (.01)	\$228,206	25,000,000	\$ (.01)
	=====	=====	=====	=====	=====	=====

The effect of outstanding common stock equivalents are anti-dilutive for 2001 and 2000 and are thus not considered.

- (g) Persuasiveness of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management 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 these estimates.

Certain reclassifications have been made in the 2000 financial statements to conform with the 2001 presentation.

NOTE 3 - OTHER ASSETS

	2001	2000
Investment in TravelSwitch .....	45,178	78,178
	\$ 45,178	\$ 78,178



Advanced Gaming Technology, Inc.  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 For the Six Months Ended June 30, 2001 and 2000 (Unaudited)  
 (Continued)

NOTE 4 - NOTES PAYABLE

Notes payable consist of the following:

	2001	2000
	-----	-----
Note payable, interest at 7%, due in monthly Payments of \$6,200 beginning March 1, 2000, The note is due in July of 2006 The note is convertible into common stock at a rate of \$.53 per share. The note is in default subsequent to 6/30/2001 and has been reclassified as current.....	900,497	900,276
Note payable, interest at prime plus 2%, payable on Demand to an officer of the company, secured by all Assets of the company	300,000	--
	-----	-----
Notes payable .....	\$ 1,200,497	\$ 900,276
	=====	=====

NOTE 5 - INCOME TAXES

As of December 31, 2000, the Company had a net operating loss ("NOL") carryforward for income tax reporting purposes of approximately \$25,000,000 available to offset future taxable income. This net operating loss carry-forward expires at various dates between December 31, 2008 and 2015. A loss generated in a particular year will expire for federal tax purposes if not utilized within 15 years. Additionally, the Internal Revenue Code contains provisions that could reduce or limit the availability and utilization of these NOLs if certain ownership changes have taken place or will take place. In accordance with SFAS No. 109, a valuation allowance is provided when it is more likely than not that all or some portion of the deferred tax asset will not be realized. Due to the uncertainty with respect to the ultimate realization of the NOLs, the Company established a valuation allowance for the entire net deferred income tax asset of \$12,000,000 as of March 31, 2001

NOTE 6 - GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the Company as a going concern. However, the Company has sustained substantial operating losses in recent years. In addition, the Company has used substantial amounts of working capital in its operations. Subsequent to June 30, 2001 the company defaulted on its long term debt obligation.

In view of these matters, realization of a major portion of the assets in the accompanying balance sheet is dependent upon continued operations of the Company which in turn is dependent upon the Company's ability to meet its financing requirements and succeed in its future operations. Management believes that actions presently being taken to revise the Company's operating and financial requirements provide the opportunity for the Company to continue as a going concern.

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Advanced Gaming Technology, Inc.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Six Months Ended June 30, 2001 and 2000 (Unaudited)  
(Continued)

NOTE 7 - PETITION FOR RELIEF UNDER CHAPTER 11

The company filed for reorganization under chapter 11 of the U S bankruptcy code in Las Vegas on August 26, 1998. Under Chapter 11, certain claims against the Debtor in existence prior to the filing of the petitions for relief under the federal bankruptcy laws are stayed while the Debtor continues business operations as Debtor-in-possession. These claims were reflected in the March 31, 1999 balance sheet as "liabilities subject to compromise." The bankruptcy plan was approved June 29, 1999 and became effective on August 19, 1999. On February 15, 2000 the bankruptcy court in the district of Las Vegas approved the final decree of the company closing the chapter 11 bankruptcy case of the company.

Pursuant to the plan, obligations to secured creditors were re-negotiated. All remaining liabilities of the company were fully satisfied through issuance of new common stock. Unsecured creditors received 1.88 shares of new common stock for each \$1 of allowed claim. The company issued 25 million shares of new common stock in conjunction with the plan. The existing common stock was cancelled. Existing shareholders of the company on the effective date received 1 share of new common stock for each 66 shares of common stock currently owned. Approximately 21 million shares were issued to creditors, existing shareholders and new investors. A reserve of approximately 4 million shares is maintained for additional allowed claims.

NOTE 8 FRESH START ACCOUNTING

The Company accounted for the reorganization using fresh-start reporting. Accordingly, all assets and liabilities were restated to reflect their reorganization value, which approximates fair value at the date of reorganization.

## Item 2. Management's Discussion and Analysis

### General -

This discussion should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's annual report on Form 10-KSB for the year ended December 31, 2000. The Company's shares of capital stock are registered under Section 12 of the Securities Exchange Act of 1934. The Company became a reporting issuer in March 1997. This quarterly report on Form 10-QSB and the information incorporated by reference herein contain 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. Such statements include, but are not limited to, projected sales, gross margin and net income figures, the availability of capital resources, plans concerning products and market acceptance.

Forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy and some of which may not even be anticipated. Future events and actual results, financial and otherwise, could differ materially from those set forth in or contemplated by the forward-looking statements herein and any forward looking statements should be considered accordingly.

### Results of Operations -

#### 2001 Compared to 2000

The company incurred a net loss for the quarter ended June 30, 2001 of \$115,816 compared to a loss of \$113,076 in the same quarter of 2000. The net loss for the six months ended June 30, 2001 was \$182,324 compared to a loss of \$228,206 for the same period in 2000.

The Company completed a Chapter 11 bankruptcy reorganization in the third quarter of 1999. Since that time the company has focused efforts on placement of the existing electronic bingo systems. These efforts have proven to be a challenge as the marketplace is very competitive and most distributors are aligned with one or more of these competitors. To further complicate these efforts the Max Lite handheld unit has not been well received. It is near the end of its useful life cycle. Placements with certain distributors have been unsuccessful as customer acceptance of the product is low. Revenue from bingo systems is expected to be limited during the remainder of 2001.

In January of 2000 the Company formed the Internet travel provider TravelSwitch.com . This venture accepts room reservations for the Las Vegas

market from the Internet address [www.777LasVegas.com](http://www.777LasVegas.com). The venture also handles all forms of retail travel. Advanced Gaming Technology holds a 22% interest in TravelSwitch.

Online commerce has experienced difficulties during the past twelve months. The online travel market is extremely competitive. Many of these competitors have far greater resources than TravelSwitch. Due to the immediate cash needs of the company, AGT is considering all options related to this investment including sale of the entire interest.

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The Company was named in a patent infringement action during June of 2001. Although the company believes the claims to be unfounded, the outcome of this action could delay or prevent the introduction of AGT's new bingo product, Firecracker Bingo.

All of the items discussed above indicate that revenue and cash for operations will be minimal during the second half of 2001. The company will consider all options to generate cash for operations including sale of some or all assets of the company.

Expenses for the first six months of 2001 were \$206,021 compared to \$201,181 in the prior year. A portion of this expense in 2001 and 2000 represents management salary that has been converted to a secured note payable at June 30, 2001. Expenses for the second quarter were \$102,705 compared to \$102,245 in 2000.

Other income (expense) consisted of an expense of \$57,725 for the first six months of 2001 compared to an expense of \$42,188 in 2000. \$33,000 of this expense in 2001 represents loss on earnings of affiliate. Interest expense was \$34,562 in 2001 compared to \$52,573 in 2000.

#### Liquidity and Capital Resources -

Efforts to place electronic bingo systems have not been successful. Minimal revenue is expected during the second half of 2001. Additional operating capital is necessary to continue operations. There is no guarantee that such capital will be readily available. The company will consider all options including the sale of certain assets in efforts to raise cash.

Debt in excess of \$10 million at June 30, 1998 has been reduced to one note for \$900,000 and one note for \$300,000 at June 30, 2001. The larger note is convertible at the option of the holder at a rate of \$.53 per share. The company has discontinued payments on this note. Efforts are underway to negotiate a settlement of this obligation. Settlement could include conversion of all or a portion of this note to stock at or below current market value.

The \$300,000 note is payable on demand to an officer of the company. This note is secured by the assets of the company. This note could be settled in a similar manner.

This debt presents a barrier to company's ability to generate funding for new projects. The most likely solution to settlement of these obligations is conversion to equity through issuance of common shares. The issuance of stock to settle these obligations or to acquire revenue producing assets could significantly dilute the positions of current shareholders. The company is authorized to issue 150 million common shares. There are currently 25 million shares issued and outstanding. A significant portion of the unissued shares could be necessary to satisfy these obligations or to acquire new investment capital or assets.

#### Inflation and Regulation -

The Company's operations have not been, and in the near term are not expected to be, materially affected by inflation or changing prices. The Company encounters competition from a variety of firms offering similar products in its market area. Many of these firms have long standing customer relationships and are well staffed and well financed. The Company believes that competition in the industry is based on competitive pricing, although the ability, reputation and technical support of a concern is also significant. The Company does not believe that any recently enacted or presently pending proposed legislation will have a material adverse effect on its results of operations.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

Subsequent to June 30, 2001 the company was in default on a promissory note as a payment scheduled for July, 1, 2001 was not made. The company is currently attempting to negotiate a compromise to this obligation.

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

The company filed one report on form 8K during the three months ended June 30, 2001.

1. On April 30, 2001 An officer of the company announced a plan to sell shares in the company in accordance with rule 10b-5.

SIGNATURES

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

ADVANCED GAMING TECHNOLOGY, INC.  
(Registrant)

DATE: August 1, 2001

By: /s/ DANIEL H. SCOTT

-----  
Daniel H. Scott  
President, Chief Operating  
Officer and Director  
(Principal executive and  
accounting officer)