

NEVSTAR GAMING & ENTERTAINMENT CORP  
Form 10-Q  
May 12, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

[Mark one]

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

For the quarterly period ended March 31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

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

Commission File Number: 0-21071

NEVSTAR GAMING AND ENTERTAINMENT CORPORATION  
(Exact name of registrant as specified in its charter)

Nevada 88-0309578  
(State or other jurisdiction (IRS Employer Identification No.)  
of incorporation or organization)

1900 Avenue of the Stars, Suite 2410 Los Angeles CA 90067  
(Address of principal executive offices) (Zip Code)

(310) 553-7176  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant: (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports); and (2) has been subject to  
such filing requirements for the past 90 days. Yes  No

Indicate the number of shares outstanding of each of the issuer's classes  
of common stock, as of May 10, 2004.

Common Stock \$.01 par value 50,715,008  
(Class) (Number of shares)

2

NEVSTAR GAMING AND ENTERTAINMENT CORPORATION  
CONTENTS

Page  
Number

PART I FINANCIAL INFORMATION:

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Item 1.	Financial Statements:	
	Balance Sheets at March 31, 2004 and June 30, 2003	3
	Statements of Operations for the three months and nine months ended March 31, 2004 and for the three months ended March 31, 2003 and for the period from November 22, 2002 (Inception of the Development Stage) through March 31, 2003 and the period November 22, 2002 through March 31, 2004	4
	Statements of Cash Flows for the nine months ended March 31, 2004, for the period from November 22, 2002 (Inception of the Development Stage) through March 31, 2003 and for the the period November 22, 2002 through March 31, 2004	5
	Notes to Unaudited Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	9
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	
Item 4.	Controls and Procedures	
PART II.	OTHER INFORMATION	10
Item 1.	Litigation	11
Item 3.	Defaults on Senior Securities	11
Item 4.	Exhibits and Reports on Form 8-K	11
	Signature Page	11
Exhibit 31	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
Exhibit 32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	

3

NEVSTAR GAMING AND ENTERTAINMENT CORPORATION  
BALANCE SHEETS

	MARCH 31, 2004 (Unaudited)	JUNE 30, 2003 (audited)
ASSETS		
Current Assets	\$ -	\$ -

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Total Assets	\$ -	\$ -
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 52,548	\$ 57,996
Accrued interest	28,685	15,767
Current portion of long-term debt - Note 3	32,000	-
	-----	-----
Total Current Liabilities	\$ 113,233	\$ 73,763
Long Term Liabilities		
Pre-petition tax liabilities - Note 3	\$161,858	\$194,858
Long-term credit facility, related party - Note 4	318,680	261,915
	-----	-----
Total Liabilities	\$593,771	\$530,536
Shareholders' Equity (Deficit)		
Common Stock \$.01 par value, 126,396,450 shares authorized, 50,715,008 issued and outstanding	\$507,150	\$507,150
Accumulated deficit, prior to development state - Note 6	(1,001,679)	(1,001,679)
Accumulated deficit-development stage	(99,242)	(36,007)
	-----	-----
Total Shareholders' Deficit	\$ (593,771)	\$ (530,536)
Total Liabilities and Shareholders' Deficit	\$ -	\$ -
	=====	=====

See notes to financial statements.

4

NEVSTAR GAMING AND ENTERTAINMENT CORP  
STATEMENTS OF OPERATIONS  
(Unaudited)

	For the three months ended March 31, 2004	For the three months ended March 31, 2003	For the nine months ended March 31, 2004	For the period f November 22, 2 (Inception of t development sta to March 31, 2
Revenue	\$ -	\$ -	\$ -	\$ -
	-----	-----	-----	-----

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Expenses				
General and administrative	\$ 10,535	\$ 14,629	\$ 42,316	\$ 28,443
Operating loss	<u>\$(10,535)</u>	<u>\$ 14,629</u>	<u>\$ (42,316)</u>	<u>\$ (28,443)</u>
Other income	--	--	--	--
Interest expense	7,180	7,000	20,919	7,000
Net Loss	<u>\$(17,715)</u>	<u>\$(21,629)</u>	<u>\$(63,235)</u>	<u>\$ (35,443)</u>
Basic and diluted loss per share	\$0.00	\$0.00	\$0.00	\$0.00
Weighted average shares outstanding	50,715,008	50,715,008	50,715,008	50,715,008

See notes to financial statements

5

NEVSTAR GAMING AND ENTERTAINMENT CORP  
STATEMENTS OF CASH FLOWS  
(Unaudited)

	For the nine months ended March 31, 2004	For the period from November 22, 2002 (Inception of the of the development stage) to March 31, 2003	For the p November to Marco
OPERATING ACTIVITIES			
Net Loss	\$ (63,235)	\$ (35,443)	\$ (99
Adjustments to reconcile net loss to net cash used in operating activities:			
Changes in assets and liabilities:			
Accounts payable	(5,448)	6,396	(25
Accrued interest	12,918	--	28
Pre-petition tax liabilities	(1,000)		(1
Net cash used by by operating activities	<u>(56,765)</u>	<u>(29,047)</u>	<u>(97</u>
FINANCING ACTIVITIES			
Cash provided by long-term debt	56,765	29,047	97
Net cash for the period	<u>0</u>	<u>0</u>	<u>---</u>
Net cash a beginning of period	0	0	---
Net cash at end of period	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$</u>

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See notes to financial statements

6

NEVSTAR GAMING AND ENTERTAINMENT CORPORATION  
NOTES TO UNAUDITED FINANCIAL STATEMENTS  
March 31, 2004

Note 1 - Bankruptcy Proceedings

On July 10, 2000, the Company, a Nevada Corporation filed a voluntary petition for relief under Chapter 11 (the "Chapter 11 Proceeding") in the Bankruptcy Court, Case No. BK-S-00-15075-LBR. During the Chapter 11 Proceeding, the Company acted as debtor in possession.

In April, 2001, the Company and W/F Investment Corp. ("W/F") submitted to the Bankruptcy Court a plan of reorganization, which was amended from time to time (the "Plan of Reorganization").

On February 20, 2002, the Bankruptcy Court issued an order confirming the Plan of Reorganization.

On November 22, 2002 the plan of reorganization became effective. The Company issued 15,141,674 shares of common stock to holders of unsecured claims; 156,428 shares of common stock to certain administrative claimants and to a previously secured claim, and 27,807,219 shares of common stock to the Plan Proponents. The 7,583,687 shares of Common Stock that were previously outstanding were retained by the holders of those shares. There are a total of 50,715,008 shares of common Stock outstanding after the issuance of shares under the Plan of Reorganization.

The Company is in the process of completing the administrative procedures, which include the acquisition of an operating entity, to allow it to formally emerge from the oversight of the Bankruptcy Court.

The Company does not currently have any operations.

Note 2 - Going Concern and Summary of Significant Accounting Policies

Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company does not generate any revenue, and has a net capital deficiency. These factors among others may indicate that the Company will be unable to continue as a going concern for a reasonable period of time. The Company currently funds its disbursements by a line of credit from one of its Plan Proponents. There are insufficient funds available under that line of credit to meet the Company's current obligations.

These financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company is no longer operating, and will attempt to locate a new business (operating company) and offer itself as a merger vehicle for a company that may desire to go public through a merger rather

than through its own public stock offering.

The accompanying interim unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month and nine-month periods ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending June 30, 2004. For further information, refer to the financial statements for the year ended June 30, 2003 and the notes thereto included in the Company's Annual Report on Form 10-K.

7

NEVSTAR GAMING AND ENTERTAINMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 2 - Going Concern and Summary of Significant Accounting Policies  
(Continued)

Accounting for Reorganization

The Company applied Financial Accounting Standards No. 15 ("Accounting for Debtors and Creditors for Troubled Debt Restructuring") for its emergence from Bankruptcy. The Company also adopted the Fresh Start Reporting (see Note 6).

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements. Management uses its knowledge and expertise in making these estimates. Actual results could differ from those estimates.

Income Taxes

The Company utilizes the liability method to account for income taxes. Under this method, deferred taxes and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted rates and laws expected to apply when the differences are expected to reverse.

Note 3 - Pre-petition Tax Liabilities

Pre-petition tax liabilities consist of \$193,858 payable to the Nevada Department of Taxation and the Nevada Gaming Authority. Pursuant to the Bankruptcy Code and stipulations entered into between the parties and the Company, the amounts will be paid in full, plus interest at 5% in quarterly payments commencing January, 2004 and ending September, 2009. Payments due on these liabilities during the next five years are as follows:

Twelve months ending March 31,  
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2005	\$ 32,000
2006	\$ 32,000
2007	\$ 32,000
2008	\$ 32,000
2009	\$ 32,000

### Note 4 - Long Term Credit Facility, Related Party

The credit facility consists of a \$250,000 revolving line of credit, which is fully drawn, and an approved overdraft on that line of \$68,680, issued to the Company by W/F Investment Corp, a shareholder of the Company and a proponent of the bankruptcy Plan of Reorganization. The line of credit has been used to pay the Company's obligations through November 22, 2002, the Effective Date of the Plan of Reorganization, including the allowed administrative expenses, accounting, legal and related expenses. The line of credit bears interest at prime plus 2%, payable monthly. It is due October 31, 2007. Accrued interest on the credit facility as of March 31, 2004 totalled \$23,329.

8

### Note 5 - Income Taxes

The Company has been unable to file federal income returns for the periods during which it operated the Mesquite Star Hotel and Casino due to its inability to gather sufficient financial information to prepare accurate returns. The Internal Revenue Service has communicated that it does not have the authority to waive the filing of these returns, however, it will not take further action against the Company. The result of this failure to file will be that the Company will not be able to establish net operating loss carryforwards that could be used to offset future income tax liabilities. The Company had previously recorded a valuation allowance equal to the amount of the anticipated net operating loss carryforward, therefore there is no impact on the reported financial condition of the Company.

### Note 6 - Fresh Start Reporting

In accordance with its Plan of Reorganization, the Company converted unsecured liabilities amounting to approximately \$18,300,000 to 15,167,674 shares of its common stock. The Company also issued 156,428 shares of its common stock in payment of administrative claims totaling approximately \$20,000, and 27,807,219 shares of its common stock to its Plan Proponents. The shares issued were valued at \$0.01 per share, generating a gain on debt forgiveness of approximately \$18,000,000. The amount of accumulated deficit prior to the reclassification in accordance with Fresh Start Reporting amounted to approximately \$19,000,000. Management estimated the fair value of the shares issued at par value, based on the fact that no cash flows are expected in the foreseeable future. The balance of accumulated deficit after the adjustment required by the Fresh Start Reporting represents the "Excess Reorganization Value", which was impaired due to the fact that no cash flows are expected in the foreseeable future.

### Note 7 - Legal Proceedings

The Company has an unliquidated claim against Randy Black Sr. ("Black"), the former receiver of the Company appointed by the Bankruptcy Court during

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the Chapter 11 Proceeding, and related entities. The Company alleges, inter alia, that Black violated antitrust laws and his fiduciary responsibility to the Company by using confidential information obtained in connection with his duties as receiver to evaluate and consummate a transaction which led to the foreclosure by Black on the Company's former gaming property located in Mesquite, Nevada. Black also owns four of the five casino properties located in Mesquite.

9

NEVSTAR GAMING AND ENTERTAINMENT CORP  
Management's Discussion and Analysis of  
Financial Condition and Results of Operations  
(Unaudited)

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT  
OF 1995

This Quarterly Report on Form 10-Q includes certain forward-looking statements based upon management's beliefs, as well as assumptions made by and data currently available to management. This information has been, or in the future, may be included in reliance on the "safe harbor" provision of the Private Securities Litigation Reform Act of 1995. These statements are subject to a number of risks and uncertainties including, but not limited to, the following: (a) the Company does not generate any revenue, and has a net capital deficiency which may impair its ability to continue as a going concern; (b) the ability of the Company to find a merger candidate or other business opportunity to bring profitable business operations into the Company; (c) the absence of an active public trading market for the Company's common stock; and (d) the Company does not have sufficient funds available on its line of credit to meet its current obligations.

Actual results may differ materially from those anticipated in any such forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

The Company's Bankruptcy Plan of Reorganization became effective November 22, 2002. The Company is in the process of completing the steps outlined in the Plan to obtain a final decree and formally emerge from the oversight of the Bankruptcy Court.

The Company has no current operations, and is seeking to acquire a new business (operating company), or offer itself as a merger vehicle for a company that may desire to go public through merger rather than through its own public stock offering.

10

NEVSTAR GAMING AND ENTERTAINMENT CORPORATION

Item 3.

Quantitative and Qualitative Disclosures About Market Risk

The Company owns no financial instruments or other assets, nor has it entered into any contracts or commitments, which would expose it to market risks such as interest rate risk, foreign currency exchange rate risk or commodity price risk as required to be disclosed pursuant to Regulation S-K, Item 305, of the 1934 Securities Exchange Act, as amended.

Item 4.



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### Controls and Procedures

#### (a) Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed under the Exchange Act is accumulated and communicated to management, to allow timely decisions regarding required disclosures.

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon and as of the end of the period covered by this report, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that the information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized, and reported as and when required.

11

#### NEVSTAR GAMING AND ENTERTAINMENT CORPORATION

#### (b) Changes in Internal Controls

There were no changes in the Company's internal controls or in other factors that could have significantly affected those controls subsequent to the date of the Company's most recent evaluation.

### PART II - OTHER INFORMATION

#### Item 1. Litigation.

The Company has an unliquidated claim against Randy Black Sr. ("Black"), the former receiver of the Company appointed by the Bankruptcy Court during the Chapter 11 Proceeding, and Virgin River Casino Corporation (see Note 7 to Financial Statements).

#### Item 3. Defaults on Senior Securities

As of March 31, 2004, the Company was \$23,329 in arrears in its interest payments to W/F Investment Corp under the terms of the loans from W/F Investment Corp (see Note 4 to Financial Statements).

#### Item 6.(b) Exhibits and Reports on Form 8-K.

The Company filed no reports on Form 8-K during the quarter ended March 31, 2004.

#### 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.

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NEVSTAR GAMING AND ENTERTAINMENT CORP

Date: May 10, 2004

/s/ William O. Fleischman  
William O. Fleischman  
Chief Executive Officer and  
Chief Financial Officer

Exhibit 31

Exhibit 32