

Edgar Filing: CabelTel International Corp - Form 10-Q

CabelTel International Corp
Form 10-Q
November 13, 2006

=====

FORM 10-Q
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2006

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 000-08187

CABELTEL INTERNATIONAL CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Nevada

75-2399477

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

1755 Wittington Place, Suite 340
Dallas, Texas

(Address of principal executive offices)

75234

(Zip Code)

(972) 407-8400 (Registrant's
telephone number, including
area code)

(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 by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes . No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Edgar Filing: CabelTel International Corp - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes . No .

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes . No .

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Common Stock, \$.01 par value	976,954
(Class)	(Outstanding at October 19, 2006)

CABELTEL INTERNATIONAL CORPORATION Index to Quarterly Report on Form 10-Q Period ended September 30, 2006

PART I: FINANCIAL INFORMATION.....	3
Item 1: Financial Statements.....	3
Consolidated Balance Sheets.....	3
Consolidated Statements of Operations.....	5
Consolidated Statements of Cash Flow.....	6
Notes To Consolidated Financial Statements.....	8
Item 2: Management's Discussion And Analysis Of Financial Condition And Results Of Operations.....	12
Forward Looking Statements.....	13
Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	14
Item 4. Controls and Procedures.....	15
PART II: OTHER INFORMATION.....	15
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.....	15
Item 6. Exhibits.....	16
Signatures.....	18

Part I: Financial Information

ITEM 1: FINANCIAL STATEMENTS

CabelTel International Corporation Consolidated Balance Sheets (Amounts in thousands)		
	September 30, 2006 (Unaudited)	December 31, 2005
Assets	-----	-----
Current assets		
Cash and cash equivalents	\$ 186	\$ 650
Accounts receivable - trade	107	339
Notes receivable - related party	1,377	--
Note receivable	--	306
Other current assets	247	179
	-----	-----
Total current assets	1,917	1,474
Notes receivable net of deferred income	1,809	309
Property and equipment, at cost		
Land and improvements	2,232	2,232
Buildings and improvements	5,298	5,298
Equipment and furnishings	310	292
Proven oil and gas properties (full cost method)	--	1,401
	-----	-----
Less accumulated depreciation and depletion	7,840 897	9,223 963
	-----	-----
6,943	6,943	8,260
Deferred tax asset	831	1,161
Due from CableTEL AD - related party	--	8,004
Deposits	229	129
Other assets	747	743
	-----	-----
	\$ 12,476	\$ 20,080
	=====	=====

Edgar Filing: CabelTel International Corp - Form 10-Q

The accompanying notes are an integral part of this statement.

3

CabelTel International Corporation
 Consolidated Balance Sheets - Continued
 (Amounts in thousands, except share amounts)

Liabilities and Stockholders' equity	September 30, 2006 (Unaudited)	December 31, 2005
	-----	-----
Current liabilities		
Current maturities of long-term debt	\$ 2,389	\$ 2,383
Accounts payable - trade	477	842
Accrued expenses	1,218	1,236
Other current liabilities	237	371
	-----	-----
Total current liabilities	4,321	4,832
Long-term debt	6,112	13,560
Other long-term liabilities	199	936
	-----	-----
Total liabilities	10,632	19,328
Stockholders' equity		
Preferred stock, Series B	1	1
Preferred stock, Series J 2%	--	3,150
Preferred stock, Series J 2% contra equity	--	(3,150)
Common stock \$.01 par value; authorized, 4,000,000 shares; 977,000 shares issued and outstanding	10	10
Additional paid-in capital	55,966	55,966
Accumulated deficit	(54,133)	(55,225)
	-----	-----
	1,844	752
	-----	-----
	\$ 12,476	\$ 20,080
	=====	=====

Edgar Filing: CabelTel International Corp - Form 10-Q

The accompanying notes are an integral part of this statement.

4

CabelTel International Corporation Consolidated Statements of Operations (Amounts in thousands, except per share data)

	For The Three Month Period Ended September 30,		For The Nine Month Period Ended September 30,	
	2006	2005	2006	2005
	----- (Unaudited)		----- (Unaudited)	
Revenue				
Real estate operations	1,091	\$ 969	\$ 3,313	\$ 3,205
	-----	-----	-----	-----
Operating expenses				
Real estate operations	794	800	2,355	2,257
Lease expense	233	230	707	692
Corporate general and administrative	202	256	765	787
	-----	-----	-----	-----
	1,229	1,286	3,827	3,736
	-----	-----	-----	-----
Operating earnings (loss)	(138)	(317)	(514)	(531)
Other income (expense)				
Interest income	95	22	417	90
Interest expense	(200)	(151)	(815)	(419)
Net loss on sale of assets	--	--	--	(36)
Other	115	27	1,648	77
	-----	-----	-----	-----
	10	(102)	1,250	(288)
	-----	-----	-----	-----
Earnings from continuing operations	(128)	(419)	736	(819)
Provision for income taxes	--	--	330	--
	-----	-----	-----	-----
Net income (loss) from continuing operations	(128)	(419)	406	(819)
Discontinued operations				
Gain from operations	--	125	268	310
Gain from sale of assets	--	--	418	(82)
	-----	-----	-----	-----
Net gain on discontinued operations	--	125	686	228
	-----	-----	-----	-----
Net income (loss) applicable to common shares	(128)	(294)	1,092	(591)

Edgar Filing: CabelTel International Corp - Form 10-Q

	=====	=====	=====	=====
Net earnings (loss) per common share - basic and diluted				
Continuing operations	\$ (0.13)	\$ (0.43)	\$ 0.40	\$ (0.84)
Discontinued operations	--	0.13	0.71	0.24
	-----	-----	-----	-----
Net income (loss) per share	\$ (0.13)	\$ (0.30)	\$ 1.11	\$ (0.60)
	-----	-----	-----	-----
Weighted average of common and equivalent shares outstanding - basic and diluted	977	977	977	977

The accompanying notes are an integral part of this statement.

5

CabelTel International Corporation
Consolidated Statements of Cash Flow
(Amounts in thousands)

	For The Nine Month Period Ended September 30,	
	2006	2005
	-----	-----
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net earnings (loss) from continuing operations	\$ 406	\$ (819)
Adjustments to reconcile net earnings (loss) to net cash used in operating activities		
Depreciation and amortization	360	291
Gain (loss) on sale of assets	(418)	118
Gain from CableTEL AD break up fee - related party	(1,500)	--
Changes in operating assets and liabilities		
Accounts receivable	232	(130)
Interest receivable	(232)	--
Other current and non current assets	262	(1,071)
Other assets	70	--
Accounts payable and other liabilities	(454)	1,166
	-----	-----
Net cash used in operating activities	(1,274)	(445)
	-----	-----
Cash flows used in investing activities		
Repayment of notes receivable	306	400
Funding of note receivable	(1,377)	--
Proceeds from the sale of property	--	3,057
Purchase of property and equipment	(18)	(41)
	-----	-----
Net cash provided by (used in) investing activities	(1,089)	3,416

Edgar Filing: CabelTel International Corp - Form 10-Q

Cash flows from financing activities		
Net advances from affiliates	--	257
Payments on debt	(106)	(3,800)
	-----	-----
Net cash used in financing activities	(106)	(3,543)
Cash flows from discontinued operations		
Cash provided by operating activities	268	228
Cash provided by investing activities - proceeds from sale	1,737	--
	-----	-----
Net cash provided by discontinued operations	2,005	228
NET DECREASE IN CASH AND CASH EQUIVALENTS	(464)	(344)
Cash and cash equivalents at beginning of period	650	762
	-----	-----
Cash and cash equivalents at end of period	\$ 186	\$ 418
	=====	=====

The accompanying notes are an integral part of this statement.

6

CabelTel International Corporation
Consolidated Statements of Cash Flow - continued
(Amounts in thousands)

	For The Nine Month Period Ended September 30,	
	2006	2005
	-----	-----
	(Unaudited)	(Unaudited)
Non-cash		
Notes payable dissolved under rescission	\$ 7,245	--
Interest payable dissolved under rescission	900	--
Funds due from affiliate dissolved under rescission	8,236	--
Note receivable funded under rescission	1,500	--

The accompanying notes are an integral part of this statement.

7

CabelTel International Corporation
Notes To Consolidated Financial Statements

Note A: Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of CabelTel International Corporation and its majority-owned subsidiaries (collectively, the "Company"). All significant intercompany transactions and accounts have been eliminated.

The unaudited financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly present such information. All such adjustments are of a normal recurring nature. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations.

These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K, as amended, for the fiscal year ending December 31, 2005. Operating results for the three and nine month period ended September 30, 2006 are not necessarily indicative of the results that may be expected for any subsequent quarter or the year ended December 31, 2006.

Note B: Rescission of CabelTEL AD, Bulgaria Acquisition

On October 12, 2004, the Company acquired, for 31,500 shares of newly-designated 2% Series J Preferred Stock, 74.8% of CableTEL AD ("CableTEL"), a Bulgarian telecommunications company. The terms of the acquisition agreement required the Company to present a proposal to its stockholders to approve the mandatory exchange of all shares of Series J Preferred Stock into 8,788,500 shares of common stock which, if approved by stockholders, would have represented 90% of the resulting total issued and outstanding shares of common stock in the Company.

Edgar Filing: CabelTel International Corp - Form 10-Q

The acquisition agreement, as amended, provided that the stockholders of the Company had until June 30, 2006 to approve the exchange of Series J Preferred Stock into the Company common stock. If the exchange was not approved by June 30, 2006, the holders of the Series J Preferred Stock had the option to rescind the entire transaction.

Until the acquisition was completed, the financial statements of CableTEL AD were not included in the Company's consolidated financial statements. The financial statements of the Company at December 31, 2005 did reflect the Series J Preferred Stock as well as a contra equity account reflecting that the transaction had not yet occurred.

Effective June 1, 2006 the Company and the owners of CableTEL AD entered into a Rescission Agreement whereby the original Acquisition Agreement dated October 12, 2004, plus all amendments, was rescinded in its entirety.

8

Pursuant to the Rescission Agreement:

(a) The Company received back and cancelled cancelled the 31,500 shares of Series J 2% Cumulative Preferred Stock it issued.

(b) The Company returned the equity securities of all entities it had acquired on October 12, 2004 to the original owners.

(c) A corporation affiliated with one of the original sellers assumed from the Company all indebtedness incurred by the Company since October 1, 2004 in connection with or related to advances by the Company to CableTEL AD or its affiliates to fund the operation of CableTEL AD. In exchange the Company surrendered all claims it had against CableTel AD or its affiliates for reimbursement for such advances.

(d) Ronald C. Finley, Chief Executive Officer of CableTEL AD and one of the original sellers resigned his positions in the Company as a director, as Chairman of the Board and as Chief Executive Officer. His resignation was effective June 1, 2006.

(e) The Company agreed that, subject to its compliance with all applicable American Stock Exchange, Inc. rules and federal securities laws, it would in the future change its name to a name that does not include the word "cable" or "cabel".

(f) An affiliate of one of the original sellers assumed control and responsibility of any and all litigation involving the Company or in which the Company is named as a party involving the Company's relationship with the parties to the Rescission Agreement and/or CableTEL AD.

(g) All of the parties agreed to pay their own expenses with respect to any costs associated with the Rescission Agreement.

(h) The Company, as a "break up fee", received, a \$1,500,000 participation in a 9 1/2% tax free bond. The bond, with a total face value of \$2,406,850, is from an unrelated third party. The Company recorded, as other income, in June 2006 the \$1,500,000, net of expenses. Note C: Sale of Gaywood Oil & Gas

Effective June 30, 2006, the Company sold all of its membership interests in the

Edgar Filing: CabelTel International Corp - Form 10-Q

two limited liability companies Gaywood Oil & Gas, LLC and Gaywood Oil & Gas II, LLC which own oil and gas leases in Gregg and Rusk Counties, Texas and on which approximately 50 oil-producing wells are operating. These are wells averaging two to three barrels of oil per day. The sale price of \$1,737,000 was received in cash on July 5, 2006. The Company recorded a gain on the sale of \$418,000.

Note D: Short-Term Note Receivable - Related Party

In July 2006 the Company made an unsecured \$1,377,000 loan to Eurenergy Resources Corporation (a company that is 20% owned by an entity deemed to be related to CabelTel). The loan has an annual interest rate of 8% with principal and interest payable within 30 days after demand, and if not sooner demanded, on July 17, 2007.

9

Note E: Long-Term Notes Receivable and Deferred Gain

As a result of the sale of two properties in 2001 the Company, as of January 1, 2006, held tax-exempt notes in the amount of \$4,030,000, bearing interest at 9.5%. The notes mature on April 1, 2032 and August 1, 2031, respectively. The repayment of the notes and interest thereon is limited to the cash flow of the respective properties either from operations, refinancing or sale. The Company has deferred gains in the amount of \$3,721,000 as well as unpaid interest, which will be recognized when it is received. In the third quarter of 2006 the Company determined that a \$3,200,000 note due April 1, 2032 would be uncollectible and therefore wrote off the note and the corresponding deferred gain. The write off caused no gain or loss for the Company.

As a result of the CableTEL AD rescission, the Company holds a \$1,500,000 participation in a tax-exempt note with a face amount of \$2,406,000, bearing interest at 9.5%. The note matures on August 20, 2037. The repayment of the notes and interest thereon is limited to the cash flow of the property either from operations, refinancing or sale.

As of September 30, 2006 the Company had two notes for \$2,330,000 and a corresponding deferred gain of \$521,000.

	Notes Receivable	Deferred Gain	Net
Balance 1/1/2006	\$ 4,030,000	\$ 3,721,000	\$ 309,000
Write off of uncollectible note	(3,200,000)	(3,200,000)	--
62% Participation in \$2,406,000 Note	1,500,000	--	1,500,000
Balance September 30, 2006	\$ 2,330,000	\$ 521,000	\$ 1,809,000

Note F: Long-Term Obligations

Long-term debt is comprised of the following (in thousands):

	September 30, 2006	December 31, 2005
	-----	-----
Notes payable to financial institutions maturing through 2018 at variable and fixed interest rates ranging from 5.75% to 11% and collateralized by real property, fixtures, equipment and the assignment of rents	\$ 6,246	\$ 6,341
Notes payable to individuals and companies maturing through 2023 at variable and fixed interest rates ranging from 10% to 18% and collateralized by real property, personal property, fixtures, equipment and the assignment of rents	2,255	2,255
Notes payable to related parties bearing interest at rates ranging from 15% to 18%	--	7,347
	-----	-----
	8,501	15,943
Less: current maturities	2,389	2,383
	-----	-----
	\$ 6,112	\$ 13,560

NOTE G: Discontinued Operations

In March 2005, the Company sold an assisted living facility in North Carolina and recorded a loss of \$42,000. The operations of that property have been reflected as a discontinued operation in 2005.

In May 2005, the Company sold an assisted living facility in South Carolina. The operations of that property have been reflected as a discontinued operation in 2005.

Effective June 30, 2006, the Company sold all of its membership interests in two limited liability companies, Gaywood Oil & Gas, LLC and Gaywood Oil & Gas II, LLC ("Gaywood"), which own oil and gas leases in Gregg and Rusk Counties, Texas and on which approximately 50 oil-producing wells are operating. These are wells averaging two to three barrels of oil per day. The sale price of \$1,737,000 was received in cash on July 5, 2006. The Company recorded a gain on the sale of \$418,000. The operation of Gaywood and the gain on the sale have been reflected as a discontinued operation in 2006 and 2005.

Edgar Filing: CabelTel International Corp - Form 10-Q

11

NOTE H: Segment Reporting

Business Operations

Currently, the Company operates one retirement community in King City, Oregon, with a capacity of 114 residents and owns and operates an outlet mall with approximately 315,000 square feet of retail space available for lease in Gainesville, Texas.

Certain 2005 and 2006 amounts have been reclassified to conform to the current presentation. The segment information and reconciliation to income (loss) from operations are as follows:

Three months ended September 30, 2006 (amounts in thousands)	Corporate	Real Estate	Consolidated CIC
	-----	-----	-----
Revenue	\$ 61	\$ 1,030	\$ 1,091
Operating expenses			
Operations	--	794	794
Lease expense	28	205	233
Corporate general and administrative	202	--	202
	-----	-----	-----
	230	999	1,229
	-----	-----	-----
Operating earnings (loss)	(169)	31	(138)
Interest income	95	--	95
Interest (expense)	(108)	(92)	(200)
Other	115	--	115
Net earnings (loss) from continuing operations	(201)	73	(128)
Total assets	\$ 4,533	\$ 7,943	\$ 12,476
Nine months ended September 30, 2006 (amounts in thousands)	Corporate	Real Estate	Consolidated CIC
	-----	-----	-----
Revenue	\$ 196	\$ 3,117	\$ 3,313
Operating expenses			
Operations	--	2,355	2,355
Lease expense	73	634	707
Corporate general and administrative	765	--	765
	-----	-----	-----
	838	2,989	3,827
	-----	-----	-----
Operating earnings (loss)	(642)	128	(514)
Interest income	417	--	417

Edgar Filing: CabelTel International Corp - Form 10-Q

Interest (expense)	(476)	(339)	(815)
Other	1,648	--	1,648
Net earnings (loss) from continuing operations	803	(67)	736
Total assets	\$ 4,533	\$ 7,943	\$ 12,476

12

NOTE H: Segment Reporting - continued

Three months ended September 30, 2005 (amounts in thousands)	Corporate	Real Estate	Consolidated CIC

Revenue			
Real estate operations	--	969	969
Operating expenses			
Operations	5	795	800
Lease expense	19	211	230
Corporate general and administrative	256	--	256

	280	1,006	1,286

Operating earnings (loss)	(280)	(37)	(317)
Interest Income	22	--	22
Interest (expense)	(73)	(78)	(151)
Other	27	--	27
Net earnings (loss) from continuing operations	(301)	(118)	(419)
Total assets	6,920	8,836	17,633

Nine months ended September 30, 2005 (amounts in thousands)	Corporate	Real Estate	Consolidated CIC

Revenue			
Real estate operations	--	3,205	3,205
Operating expenses			
Operations	12	2,245	2,257
Lease expense	58	634	692
Corporate general and administrative	787	787	787

	857	2,879	3,736

Edgar Filing: CabelTel International Corp - Form 10-Q

Operating earnings (loss)	(857)	326	(531)
Interest Income	90	90	
Interest (expense)	(170)	(249)	(419)
Loss on sale of assets	(36)	(36)	
Other	77	77	
Net earnings (loss) from continuing operations	(958)	139	(819)
Total assets	6,920	8,836	17,633

13

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS
 OF OPERATIONS

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. Certain of the Company's accounting policies require the application of judgment in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments and estimates are based upon the Company's historical experience, current trends and information available from other sources that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies are more significant to the judgments and estimates used in the preparation of its consolidated financial statements. Revisions in such estimates are recorded in the period in which the facts that give rise to the revisions become known.

The Company's allowance for doubtful accounts receivable and notes receivable is based on an analysis of the risk of loss on specific accounts. The analysis places particular emphasis on past due accounts. Management considers such information as the nature and age of the receivable, the payment history of the tenant, customer or other debtor and the financial condition of the tenant or other debtor. Management's estimate of the required allowance, which is reviewed on a quarterly basis, is subject to revision as these factors change.

Deferred Tax Assets

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. The future recoverability of the Company's net deferred tax assets is dependent upon the generation of future taxable income prior to the expiration of the loss carry forwards. The Company

Edgar Filing: CabelTel International Corp - Form 10-Q

believes that it will generate future taxable income to fully utilize the net deferred tax assets.

Liquidity and Capital Resources

On September 30, 2006, the Company had current assets of \$1.9 million and current liabilities of \$4.3 million. Included in current liabilities is an obligation of principal and accrued interest of \$3,112,000, the terms of which are similar to that of preferred stock, whereby the Company can only pay this obligation out of available earned surplus.

Cash and cash equivalents at September 30, 2006 were \$186,000.

Net cash used by operating activities was \$1.3 million for the nine months ended September 30, 2006. During the nine month period the Company had a net income of \$ 406,000 from continuing operations.

14

Net cash used in investing activities was \$1.1 million for the nine months ended September 30, 2006 which consists principally of \$306,000 from the collection of notes receivable and the funding of \$1,377,000 for a loan made by the Company to a related party.

Net cash flow used in financing activities was \$106,000 in the nine months ended September 30, 2006 which consist of principal payments made by the Company on its existing debt.

Net cash flow from discontinued operations was \$2,005,000 in 2006. In June of 2006 the Company sold Gaywood and received cash proceeds of \$ 1.7 million. In addition the Company received \$268,000 in cash from the operations of Gaywood during the period of time it was owned.

Results of Operations

The Company reported a net loss of \$128,000 for the three months ended September 30, 2006 and net income of \$1.1 million for the nine months ended September 30, 2006, as compared to a net loss of \$294,000 and \$591,000 for the three and nine month periods ending September 30, 2005.

For the three and nine months ended September 30, 2006, the Company recorded revenues of \$1.1 million and \$3.3 million for its real estate operations, as compared to \$969,000 and \$3,205,000 for the three and nine months ended September 30, 2005. The Company's retirement property is fully occupied and it is anticipated that it will remain so during 2006. The Company's retail shopping mall is approximately 60% occupied at September 30, 2006. The increase in revenue in 2006, as compared to 2005, is partially due to rent increases at the retirement property. In addition the Company received fees of \$37,500 of \$112,500 for the three and nine months ended September 30, 2006 from a related party for providing accounting services.

For the three and nine months ended September 30, 2006, real estate operating expenses were \$794,000 and \$2.4 million, as compared to \$800,000 and \$2.3 million for the three and nine months ended September 30, 2005. The increase for the nine months ended September 30, 2006 was due to operating costs that include promotional expenses for the Gainesville Outlet Mall.

Edgar Filing: CabelTel International Corp - Form 10-Q

For the three and nine months ended September 30, 2006, interest income was \$95,000 and \$417,000, as compared to \$22,000 and \$90,000 for the three and nine months ended September 30, 2005. During the first quarter of 2006 the Company recorded \$306,000 of interest income from loans made to CabelTEL AD in Bulgaria (see discussion of interest expense).

Interest expense was \$200,000 and \$815,000 for the three months and nine months ended September 30, 2006, as compared to \$151,000 and \$419,000 for the three months and nine months ended September 30, 2005. During the first quarter of 2006 the Company recorded \$306,000 of interest expense from loans made for the purpose of advancing funds to CabelTEL AD in Bulgaria (see discussion of interest income).

Gain on the sale of assets was \$418,000 for the nine months ended September 30, 2006. On June 30, 2006 the Company sold Gaywood Oil and Gas.

15

Other income was \$115,000 and \$1.7 million for the three and nine months ended September 30, 2006 as compared to \$27,000 and \$77,000 for the three months and nine months ended September 30, 2005. The income in 2006 was due almost entirely to the company's rescinding its acquisition of CableTEL AD and recording a break up fee of \$1,500,000 net of expenses.

Forward Looking Statements

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: A number of the matters and subject areas discussed in this filing that are not historical or current facts deal with potential future circumstances, operations and prospects. The discussion of such matters and subject areas is qualified by the inherent risks and uncertainties surrounding future expectations generally, and also may materially differ from the Company's actual future experience involving any one or more of such matters and subject areas relating to interest rate fluctuations, ability to obtain adequate debt and equity financing, demand, pricing, competition, construction, licensing, permitting, construction delays on new developments, contractual and licensure, and other delays on the disposition, transition, or restructuring of currently or previously owned, leased or managed properties in the Company's portfolio, and the ability of the Company to continue managing its costs and cash flow while maintaining high occupancy rates and market rate charges in its retirement community. The Company has attempted to identify, in context, certain of the factors that it currently believes may cause actual future experience and results to differ from the Company's current expectations regarding the relevant matter of subject area. These and other risks and uncertainties are detailed in the Company's reports filed with the Securities and Exchange Commission ("SEC"), including the Company's Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

Inflation

The Company's principal sources of revenue are from rents in a retirement community, an outlet shopping mall and its oil and gas operations. The operation of the real estate entities is affected by rental rates that are highly dependent upon market conditions and the competitive environment in the areas where the properties are located. Worldwide consumption patterns seem to preclude competition in the oil business in the foreseeable future. Compensation to employees and maintenance are the principal cost elements relative to the operations of the entities. Although the Company has not historically

Edgar Filing: CabelTel International Corp - Form 10-Q

experienced any adverse effects of inflation on salaries or other operating expenses, there can be no assurance that such trends will continue or that, should inflationary pressures arise, the Company will be able to offset such costs by increasing rental rates in its real estate properties. The price of oil is dictated by market conditions and the Company could not arbitrarily increase the price of its oil.

Environmental Matters

The Company has conducted environmental assessments on most of its existing owned or leased properties. These assessments have not revealed any environmental liability that the Company believes would have a material adverse effect on the Company's business, assets or results of operations. The Company is not aware of any such environmental liability. The Company believes that all of its properties are in compliance in all material respects with all federal, state and local laws, ordinances and regulations regarding hazardous or toxic substances or petroleum products. The Company has not been notified by any governmental authority and is not otherwise aware of any material non-compliance, liability or claim relating to hazardous or toxic substances or petroleum products in connection with any of its communities.

16

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Nearly all of the Company's debt is financed at fixed rates of interest. Therefore, we have minimal risk from exposure to changes in interest rates.

ITEM 4. CONTROLS AND PROCEDURES

As required by Rule 13(a)-15(b), the Company's management, including the principal executive officer, chief financial officer and principal accounting officer, conducted an evaluation as of the end of the period covered by this report, of the effectiveness of the Company's disclosure controls and procedures as defined in Exchange Act Rule 13(a)-15(e). Based on that evaluation, the chief executive officer and the chief financial officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. As required by Rule 13(a)-15(d), the Company's management, including the chief executive officer, chief financial officer and principal accounting officer, also conducted an evaluation of the Company's internal controls over financial reporting to determine whether any changes occurred in the first fiscal quarter that materially affected, or are reasonably likely to materially effect, the Company's internal control over financial reporting. Based on that evaluation, there has been no such change during the first fiscal quarter.

It should be noted that any system of controls, however well designed and operated, can only provide reasonable and not absolute assurance that the objectives of the system will be met. In addition, the design of any control system is based, in part, on certain assumptions about the likelihood of future events.

PART II: OTHER INFORMATION

Edgar Filing: CabelTel International Corp - Form 10-Q

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the period of time covered by this report, CabelTel International Corporation did not repurchase any of its equity securities. The following table sets forth a summary for the quarter, indicating no repurchases were made and that, at the end of the period covered by this report, no specified number of shares may be purchased under any program in place.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program (a)
Balance as of March 31, 2006	2	\$ 3.25	--	--
April 1-30, 2006	-	--	--	--
May 1-31, 2006	-	--	--	--
June 1-30, 2006	-	--	--	--
September 30, 2006	1	2.18	--	--
Total	3	\$ 5.43	--	--

- (a) As a courtesy to stockholders of less than 100 shares and to relieve such stockholders of having to pay a broker's commission, the Company, although not obligated to do so, has periodically repurchased its common stock at

the then most recent closing price of the Company's common stock on the last trading day before the stock certificate(s) is (are) actually received by the Company from the stockholder. The number of such shares purchased in any period of time has been minimal. One share was purchased during the quarter ended September 30, 2006.

ITEM 6. EXHIBITS

The following exhibits are filed herewith or incorporated by reference as indicated below.

Exhibit Designation	Exhibit Description
3.1	Articles of Incorporation of Medical Resource Companies of America (incorporated by reference to Exhibit 3.1 to Registrant's Form S-4 Registration Statement No. 333-55968 dated December 21, 1992)
3.2	Amendment to the Articles of Incorporation of Medical Resource Companies of America (incorporated by reference to Exhibit 3.5 to Registrant's Form 8-K dated April 1, 1993)
3.3	Restated Articles of Incorporation of Greenbriar Corporation (incorporated by reference to Exhibit 3.1.1 to Registrant's Form 10-K dated December 31, 1995)
3.4	Amendment to the Articles of Incorporation of Medical Resource Companies of America (incorporated by reference to Exhibit to Registrant's PRES 14-C dated February 27, 1996)
3.5	Bylaws of Registrant (incorporated by reference to Exhibit 3.2 to Registrant's Form S-4 Registration Statement No. 333-55968 dated December 21, 1992)
3.6	Amendment to Section 3.1 of Bylaws of Registrant adopted October 9, 2003 (incorporated by reference to Exhibit 3.2.1 to Registrant's Form S-4 Registration Statement No. 333-55968 dated December 21, 1992)
3.7	Certificate of Decrease in Authorized and Issued Shares effective November 30, 2001 (incorporated by reference to Exhibit 2.1.7 to Registrant's Form 10-K dated December 31, 2002)
3.8	Certificate of Designations, Preferences and Rights of Preferred Stock dated May 7, 1993 relating to Registrant's Series B Preferred Stock (incorporated by reference to Exhibit 4.1.2 to Registrant's Form S-3 Registration Statement No. 333-64840 dated June 22, 1993)
3.9	Certificate of Voting Powers, Designations, Preferences and Rights of Registrant's Series F Senior Convertible Preferred Stock dated December 31, 1997 (incorporated by reference to Exhibit 2.2.2 of Registrant's Form 10-KSB for the fiscal year ended December 31, 1997)

Edgar Filing: CabelTel International Corp - Form 10-Q

- 3.10 Certificate of Voting Powers, Designations, Preferences and Rights of Registrant's Series G Senior Non-Voting Convertible Preferred Stock dated December 31, 1997 (incorporated by reference to Exhibit 2.2.3 of Registrant's Form 10-KSB for the fiscal year ended December 31, 1997)

19

Exhibit Designation	Exhibit Description
3.11	Certificate of Designations dated October 12, 2004 as filed with the Secretary of State of Nevada on October 13, 2004 (incorporated by reference to Exhibit 3.4 of Registrant's Current Report on Form 8-K for event occurring October 12, 2004)
3.12	Certificate of Amendment to Articles of Incorporation effective February 8, 2005 (incorporated by reference to Exhibit 3.5 of Registrant's Current Report on Form 8-K for event occurring February 8, 2005)
31.1*	Certification pursuant to Rule 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended, of Principal Executive Officer and Chief Financial Officer.
32.1*	Certification of Principal Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. ss. 1350.

*Filed herewith.

20

SIGNATURES

Edgar Filing: CabelTel International Corp - Form 10-Q

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

CabelTel International Corporation

Date: November 13, 2006

By: /s/ Gene S. Bertcher

President and
Chief Financial Officer