GLOBAL CASINOS INC
Form 10-Q
November 14, 2012

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

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2012

OR

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

For the transition period from ____ to ____

Commission file number 0-15415

GLOBAL CASINOS, INC.

(Exact Name of Small Business Issuer as Specified in its Charter)

Utah		87-0340206
(State or other jurisdiction of incorporation or organization)	I.R.S. Employer	Identification number

1507 Pine Street, Boulder, CO 80302
(Address of Principal Executive Offices)

Issuer's telephone number: (303) 449-2100

Former name, former address, and former fiscal year, if changed since last report

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the last 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 [X] No [ ]

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

Large accelerated filer [ ] Accelerated filer [ ]

Non-accelerated filer [ ] Smaller Reporting Company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X].

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

As of November 7, 2012, the Registrant had 7,161,966 shares of its Common Stock outstanding.

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PART I -- FINANCIAL INFORMATION

PART II - OTHER INFORMATION

PART 1. FINANCIAL INFORMATION

Item 1.

Financial Statements

The consolidated financial statements included herein have been prepared by Global Casinos, Inc. (the Company), pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such SEC rules and regulations. In the opinion of management of the Company the accompanying statements contain all adjustments necessary to present fairly the financial position of the Company as of September 30, 2012 (unaudited) and June 30, 2012, and its results of operations for the three month periods ended September 30, 2012 and 2011 (unaudited), its statements of stockholders equity for the period July 1, 2011 through September 30, 2012 (unaudited), and its cash flows for the three month periods ended September 30, 2012 and 2011 (unaudited). The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of the Company's annual report on Form 10-K.

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2012 (unaudited)	*June 30, 2012*
ASSETS		
Current Assets		
Cash and cash equivalents	$ 687,405	$ 492,199
Accrued gaming income	105,415	234,883
Inventory	24,481	24,481
Prepaid expenses and other current assets	58,961	51,835
Total current assets	876,262	803,398
Note receivable, Georgia REIT	500,000	500,000
Land, building and improvements, and equipment:		
Land	517,950	517,950
Building and improvements	4,138,220	4,138,220
Equipment	3,280,189	3,266,252
Total land, building and improvements, and equipment	7,936,359	7,922,422
Accumulated depreciation	(5,464,065)	(5,379,369)
Land, building and improvements, and equipment, net	2,472,294	2,543,053
Goodwill	-	-
Total assets	$ 3,848,556	$ 3,846,451

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See accompanying notes to these consolidated financial statements

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GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2012 (unaudited)	June 30, 2012
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, trade	$ 82,004	$ 94,002
Accounts payable, related parties	7,335	12,641
Accrued expenses	371,597	279,351
Accrued interest	78,944	64,817
Other current liabilities	119,592	125,147
Joint venture obligation	23,605	23,605
Current portion of long-term debt	551,441	861,999
Current portion of loan participation obligations	35,760	194,485
Total current liabilities	1,270,278	1,656,047
Long-term debt, less current portion	280,787	-
Loan participation obligations, less current portion	150,432	-
Convertible debt, 2013 5%	95,000	120,000
Convertible debt, 2013 8%, less current portion, and net of discount of $429,595 and $526,633	420,405	323,367
Total liabilities	2,216,902	2,099,414
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: 10,000,000 shares authorized		
Series A - no dividends, $2.00 stated value, non-voting, 2,000,000 shares authorized, 200,500 shares issued and outstanding	401,000	401,000
Series B - 8% cumulative, convertible, $10.00 stated value, non-voting, 400,000 shares authorized, no shares issued and outstanding	-	-
Series C - 7% cumulative, convertible, $1.20 stated value,	-	-

voting , 600,000 shares authorized, no shares issued and				
outstanding				
Series D - 8% cumulative, convertible, $1.00 stated value, non-voting, 1,000,000 shares authorized,				
700,000 shares issued and outstanding		700,000		700,000
Series E - convertible, $0.25 stated value, non-voting				
600,000 shares authorized, no shares issued and				
outstanding		-		-
Common stock - $0.05 par value; 50,000,000 shares authorized; 6,961,502 and 6,851,488 shares issued and				
outstanding		348,076		342,575
Additional paid-in capital		15,096,338		15,074,335
Accumulated deficit		(14,913,760)		(14,770,873)
Total equity		1,631,654		1,747,037
Total liabilities and stockholders' equity	$	3,848,556	$	3,846,451

See accompanying notes to these consolidated financial statements

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
for the three months ended September 30, 2012 and 2011
(unaudited)

		2012		*2011*
Revenues:				
Casino	$	1,376,067	$	1,365,875
Promotional allowances		(63,034)		(41,520)
Net Revenues		1,313,033		1,324,355
Expenses:				
Casino operations		1,266,425		1,302,210
Operating, general, and administrative		46,078		64,788
Loss on asset disposals		-		5,679
		1,312,503		1,372,677
Income (loss) from operations		530		(48,322)
Other income (expense):				
Interest		(129,106)		(26,109)
Loss before provision for income taxes		(128,576)		(74,431)
Provision for income taxes		-		-
Net loss		(128,576)		(74,431)
Series D Preferred dividends		(14,311)		(14,311)
Net loss attributable to common shareholders	$	(142,887)	$	(88,742)
Loss per common share:				
Basic and diluted	$	(0.02)	$	(0.01)
Weighted average shares outstanding:				
Basic and diluted		6,934,610		6,798,488

See accompanying notes to these consolidated financial statements

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
July 1, 2011 through September 30, 2012

	SERIES A PREFERRED STOCK		SERIES D PREFERRED STOCK		COMMON STOCK				
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional Paid In Capital	Accumulated (Deficit)	Total
Balance as of June 30, 2011	200,500	$ 401,000	700,000	$ 700,000	6,798,488	339,925	$ 14,203,225	$ (13,905,269)	$ 1,738,881
Allocation of beneficial conversion feature, 8% convertible debt							410,800		410,800
Allocation of common stock purchase warrants issued in private placement of 8% convertible debt							439,200		439,200
Common stock issued under loan participation agreement					53,000	2,650	21,110		23,760
Series D Preferred dividends								(56,933)	(56,933)
Net loss								(808,671)	(808,671)
Balance as of June 30, 2012	200,500	$ 401,000	700,000	$ 700,000	6,851,488	342,575	$ 15,074,335	$ (14,770,873)	$ 1,747,037
Common stock issued upon conversion of 5% Notes					110,014	5,501	22,003		27,504
Series D Preferred dividends								(14,311)	(14,311)
Net loss								(128,576)	(128,576)
Balance as of September 30, 2012 (unaudited)	200,500	$ 401,000	700,000	$ 700,000	6,961,502	348,076	$ 15,096,338	$ (14,913,760)	$ 1,631,654

See accompanying notes to these consolidated financial statements

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three months ended September 30, 2012 and 2011

(unaudited)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (128,576)	$ (74,431)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	185,834	85,924
Loss on disposals of fixed assets	-	5,679
Changes in operating assets and liabilities		
Accrued gaming income	129,468	162,051
Other current assets	(7,126)	(30,559)
Accounts payable and accrued expenses	74,787	(15,528)
Joint venture obligation	-	(2,145)
Accrued interest	16,631	1,418
Other current liabilities	(5,555)	33,824
Net cash provided by operating activities	265,463	166,233
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of building improvements and equipment	(18,037)	-
Net cash used in investing activities	(18,037)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(29,771)	(18,756)
Payments on loan participation obligations	(8,293)	(7,359)
Payment of Series D preferred stock dividends	(14,156)	(14,156)
Net cash used in financing activities	(52,220)	(40,271)
Net increase in cash	195,206	125,962
Cash at beginning of period	492,199	531,208
Cash at end of period	$ 687,405	$ 657,170
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 24,197	$ 24,718

Cash paid for income taxes	$	-	$	-
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES				
Accrued and unpaid dividends on Series D preferred stock	$	14,311	$	14,311
Conversion of 5% Notes and accrued interest	$	27,504	$	-

GLOBAL CASINOS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2012

(unaudited)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Global Casinos, Inc. (Company) is presented to assist in understanding the Company s financial statements. The financial statements and notes are representations of the Company s management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization and Consolidation

Global Casinos, Inc. (the "Company or "Global"), a Utah corporation, has two subsidiaries that operate two gaming casinos.

As of September 30, 2012, the Company s operating subsidiaries were Casinos USA, Inc. ("Casinos USA, a Colorado corporation), which owns and operates the Bull Durham Saloon and Casino ("Bull Durham"), located in the limited stakes gaming district of Black Hawk, Colorado, and Doc Holliday Casino II, LLC (a Colorado limited liability company), which operates the Doc Holliday Casino (Doc Holliday), located in the limited stakes gaming district of Central City, Colorado.

The consolidated financial statements of the Company include the accounts of its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Basis of Presentation Going Concern

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the United States Securities and Exchange Act of 1934, as amended for interim financial information.

The financial information as of June 30, 2012 is derived from the audited financial statements presented in the Company s Annual Report on Form 10-K/A for the years ended June 30, 2012 and 2011. The unaudited interim consolidated financial statements should be read in conjunction with the Company s Annual Report on Form 10-K/A, which contains the audited financial statements and notes thereto, together with Management s Discussion and Analysis, for the years ended June 30, 2012 and 2011.

Certain information or footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been or omitted, pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position, results of operations, or cash flows. It is management's opinion, however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation. The interim results for the three months ended June 30, 2012 are not necessarily indicative of results for the full fiscal year.

The accompanying unaudited financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. However, the Company has suffered significant losses primarily attributable to the Doc Holliday Casino operations since its purchase in 2008, and has working capital and shareholders deficits at September 30, 2012, that raise substantial doubt about its ability to continue as a going concern. In view of these matters, realization of certain 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 financial requirements, raise additional capital, and generate revenues and profits from operations.

The 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.

Management s plans addressing the going concern are discussed in Note 15 Definitive Agreements regarding the proposed split-off of its casino assets and the proposed acquisition of Georgia Healthcare REIT, Inc.

Presentation and Comparability

Certain amounts from previously reported periods have been reclassified to conform to the current period presentations.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 periods. Significant estimates included herein relate to the recoverability of assets, the value of long-lived assets and liabilities, the value of share based compensation transactions, the value of debt and equity instruments, the future obligations resulting from promotional activities, the long-term viability of the business, the future impact of gaming regulations, and future obligations under various tax statutes. Actual results may differ from estimates.

Risk Considerations

The Company operates in a highly regulated environment subject to the political process. Our retail gaming licenses are subject to annual renewal by the Colorado Division of Gaming. Changes to existing statutes and regulations could have a negative effect on our operations. The Colorado

Gaming Commission requires that any beneficial owner of five percent or more of the Company s securities, including holders of common stock, file an application for a finding of suitability. The gaming authority has the power to investigate an owner's suitability and the owner must pay all costs of the investigation. If the owner is found unsuitable, then the owner may be required by law to dispose of the securities. The Colorado Division of Gaming is currently requiring certain of the Company s shareholders to file an application for finding of suitability. If they are found by the division to be unsuitable, they could be required to divest their share positions. A contingency exists with respect this matter, the ultimate resolution of which cannot presently be determined.

In addition, since the Company s two gaming facilities are both located in the Central City and Black Hawk, Colorado geographic area, the potential for severe financial impact can result from negative effects of economic conditions within the market or geographic area. This concentration results in an associated risk and uncertainty.

Concentrations of Credit Risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash and cash equivalents, and accounts receivables. At September 30, 2012, the Company had no cash or cash equivalents in financial institutions in excess of FDIC deposit insurance coverage.

Fair Value of Financial Instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The Company's financial instruments include cash, accrued gaming income, notes receivable, accounts payable, accrued expenses, other current liabilities and long-term debt obligations. Except for long-term debt obligations, the carrying value of financial instruments approximated fair value due to their short maturities.

The carrying value of all long-term debt obligations approximated fair value because interest rates on these instruments are similar to quoted rates for instruments with similar risks.

Cash and Cash Equivalents

Cash consists of demand deposits and vault cash used in casino operations. The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accrued Gaming Income

Gaming income represents the difference between the cash played by customers, and the cash paid out by the casino machines. On a regular basis, the cash representing the casino s revenue is pulled from the machines and deposited. However, this process does not always occur at the end of the last business day of the month. Accrued gaming income represents the amount of revenue (cash) in the machines that has not yet been pulled and deposited at the end of the reporting period. At September 30 and June 30, 2012, $105,415 and $234,883 of income, respectively, was accrued and recorded as a current asset.

Inventories

Inventories primarily consist of food and beverage supplies and are stated at the lower of cost or market. Cost is determined by the specific-cost method.

Land, Building and Improvements, and Equipment

Land, building and improvements, and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives. The building is depreciated over 31 years, and improvements and equipment are depreciated over five to seven years. Depreciation expense for the three months ended September 30, 2012 and 2011 was $88,795 and $85,924, respectively.

Impairment of Long-Lived Assets

The Company evaluates its long-lived assets for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value to future undiscounted cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is determined as the amount by which the carrying value exceeds the fair value of the assets.

Goodwill

Goodwill, which resulted from the purchase price in excess of the fair value of the underlying assets purchased and liabilities assumed in the acquisition of the Doc Holliday Casino (reporting unit or casino) in March 2008, was evaluated for impairment annually at the reporting unit level as of June 30, and whenever the occurrence of a significant event or a change in circumstances would suggest that the carrying value of the reporting unit including goodwill might be in excess of its fair value. Such factors included, but were not limited to, adverse changes in the business climate, and significant and unexpected changes in the reporting unit s cash flows. Goodwill was evaluated for impairment in a two-step process per ASC 350. Step 1 required testing the recoverability of the reporting unit on a fair-value basis. If the fair value of the reporting unit was less than the carrying value of the reporting unit including goodwill, Step 2 was performed by assigning the reporting unit s fair value to its assets and liabilities in a manner similar to the allocation of purchase price in a business combination to determine the implied fair value of the goodwill. If the carrying value of the reporting unit s goodwill exceeded its implied fair value, goodwill was deemed impaired, and was written down to the extent of the difference. The fair value of the reporting unit was determined from time-to-time using the discounted future cash flow method, the cost and market approach obtained by independent appraisal, or a combination thereof.

As of September 30 and June 30, 2012, all the goodwill resulting from the acquisition of the Doc Holliday Casino in March 2008, was deemed impaired.

See Note 4 for further discussion regarding the Company s goodwill.

Casino Chips and Tokens

Gaming chips and tokens are accounted for from the time the casino receives them even though they may not yet be issued and are held in reserve. The chip and token float is determined by the difference between the total amounts of chips and tokens placed in service and the actual inventory of chips and tokens held by the casino at any point in time. The chip and token float is included in other current liabilities.

Revenue Recognition

In accordance with gaming industry practice, the Company recognizes casino revenues as the net win from gaming activities, which is the difference between gaming wins and losses. Anticipated payouts resulting from our customer loyalty program (Sharpshooter s Club), in which registered customers are awarded cash based on the frequency and amounts of their gaming activities are included in promotional allowances. In accordance with gaming industry practice, these promotional allowances are presented as a reduction of casino revenues.

Advertising Costs

The Company expenses all advertising costs as they are incurred. Advertising costs were $7 and $6 for the three months ended September 30, 2012 and 2011, respectively.

Consulting Expenses

From time-to-time the Company engages consultants to perform various professional and administrative functions including public relations and corporate marketing. Expenses for consulting services are generally recognized when services are performed and billable by the consultant. In the event an agreement requires payments in which the timing of the payments is not consistent with the performance of services, expense is recognized as either service events occur, or recognized evenly over the period of the consulting agreement where specific services performed under the agreement are not readily identifiable. Consulting agreements in which compensation is contingent upon the successful occurrence of one or more events are only expensed when the contingency has been, or is reasonably assured, to be met. The Company currently has no active consulting arrangements.

Income Taxes

The Company uses the liability method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates resulting from new legislation is recognized in income in the period of enactment. A valuation allowance is established against deferred tax assets when management concludes that the "more likely than not" realization criteria has not been met.

Earnings Per Common Share

Basic earnings (loss) per share is computed by dividing the net income (loss) attributable to common shareholders for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed based on the weighted average number of common shares and potentially dilutive common shares outstanding. The calculation of diluted net income (loss) per share excludes potential common shares if the effect would be anti-dilutive. Potential common shares consist of incremental common shares issuable upon the exercise of stock options, warrants, and shares issuable upon the conversion of preferred stock.

Potentially dilutive shares of 1,855,000 were not included in the calculations of diluted earnings per share for the three months ended September 30, 2012, as their inclusion would have been anti-dilutive, and represent out of the money stock options and stock purchase warrants, and shares issuable upon conversion of preferred stock. Potentially dilutive shares of 835,000 were not included in the calculations of diluted earnings per share for the three months ended September 30, 2011, as their inclusion would have been anti-dilutive, and represent out of the money stock options and shares issuable upon conversion of preferred stock.

Stock-Based Compensation

Financial Accounting Standards Board (FASB) Accounting Standards Codification (the ASC) Topic 718, *Stock Compensation*, establishes fair value as the measurement objective in accounting for share based payment arrangements, and requires all entities to apply a fair value based measurement method in accounting for share based payment transactions with employees. Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the period during which the holder is required to provide services in exchange for the award, i.e., the vesting period.

Comprehensive Income

Financial Accounting Standards Board (FASB) Accounting Standards Codification (the ASC) Topic 220, *Comprehensive Income,* provides guidance for reporting and display of comprehensive income, its components and accumulated balances. For the three months ended September 30, 2012 and 2011, there were no differences between reported net income and comprehensive income.

Derivative Instruments and Hedging Activities

We have adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (the ASC) Topic 815, *Derivatives and Hedging,* which provides guidance for disclosure of derivative instruments and hedging activities.

Segment Information

The Company currently operates in one business segment as determined in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (the ASC)

Topic 280, *Segment reporting.* The determination of reportable segments is based on the way management organizes financial information for making operating decisions and assessing performance. All operations are located in the United States of America.

Recent Pronouncements

There were various accounting standards and interpretations issued during 2012 and 2011, none of which are expected to have a material impact on the Company s consolidated financial position, operations, or cash flows.

2. NOTE RECEIVABLE

On June 22, 2012, the Company advanced a loan to Georgia Healthcare REIT, Inc., a Georgia corporation (Georgia REIT) in the original principal amount of $500,000 plus interest at the rate of 5% per annum, interest payable monthly, with the total outstanding principal balance due on June 30, 2013. The Note is secured by a stock pledge agreement covering 100% of the issued and outstanding shares of membership interest of REIT.

See **Note 15 Definitive Agreements**, for further discussion of contemplated transactions with Georgia REIT.

3. INVESTMENT IN IMAGEDOC USA, INC.

On July 19, 2010, the Company executed a Common Stock and Warrant Purchase Agreement (Purchase Agreement) with ImageDoc USA, Inc. (ImageDoc), a Colorado corporation wherein, the Company agreed to purchase, for an aggregate purchase price of up to $120,000, up to an aggregate of 2,566,000 shares of common stock and warrants exercisable to purchase an additional 400,000 shares of common stock of ImageDoc for a period of five years at an exercise price of $0.20 per share. The investment represents less than 10% of all outstanding common stock and common stock equivalents of ImageDoc at the closing date.

Also effective July 19, 2010 the Company and ImageDoc entered into a Registration Rights Agreement establishing the terms by which ImageDoc shall prepare and file a Registration Statement covering the spin-off to Global equity holders of the ImageDoc shares, which are the subject of the aforementioned Purchase Agreement. The Company completed the purchase of all 2,566,000 shares of common stock and warrants exercisable to purchase an additional 400,000 shares of common stock of ImageDoc. As of September 30, 2012 the warrants have not been exercised. No record date has been established for the spin-off of those shares and the distribution will not occur until such time a Registration Statement has been declared effective by the Securities Exchange Commission.

During the quarter ended June 30, 2011, the Company determined that ImageDoc s expected and realized cash flows were significantly less than initial expectations, which has delayed the preparation and filing of its Registration Statement as discussed above. This raised substantial doubt regarding the current value of the investment. As such, the Company recorded an impairment charge equal to the original investment at June 30, 2011.

4. GOODWILL

The Company s goodwill as recorded in our Doc Holliday Casino reporting unit is comprised of the following:

Total Goodwill	$	1,898,496
Impairment charges		(1,898,496)
Total Goodwill as of September 30, 2012	$	-

Goodwill was evaluated for impairment annually at the reporting unit level as of June 30, and whenever the occurrence of an event or a change in circumstances would suggest that the carrying value of the reporting unit including goodwill might be in excess of its fair value. Such factors included, but were not limited to, adverse changes in the business climate, and significant and unexpected changes in the reporting unit s cash flows. As of December 31, 2011 all the goodwill recorded upon the purchase of the Doc Holliday Casino reporting unit in March 2008, was fully impaired. Impairment charges of $890,000 and $1,008,496 were recorded during the quarters ended March 31, 2010 and June 30, 2011, respectively.

5. NOTES PAYABLE AND LONG-TERM DEBT

Effective September 19, 2009, all of the secured obligations of Casinos, USA, Inc., a wholly-owned subsidiary of Global Casinos, Inc. matured and became due and payable. The secured obligations are collateralized by deeds of trust encumbering the Bull Durham casino property located in Blackhawk, Colorado. Until their maturity, all payments required under the notes had been made in a timely fashion. We have since purchased the senior loan and deed of trust and negotiated extensions of the second priority loan and deed of trust and a portion of the junior loans and deed of trust. We intend to continue to make payments under the notes pending our efforts to renegotiate their maturity dates.

On March 22, 2010 the Company consummated an Allonge and Modification Agreement with the holder of a junior deed of trust note on the Bull Durham Casino. Immediately prior to the modification the Note had a principal balance of $176,540. The agreement extended the maturity date to April 1, 2013, established an interest rate of 8% per annum, and requires monthly principal and interest payments of $1,911.

On December 30, 2009 the Company consummated an Allonge and Modification Agreement with the holder of a second deed of trust note on the Bull Durham Casino. Immediately prior to the modification the Note had a principal balance of $616,988. The agreement required a principal pay down of $100,000, monthly principal and interest payments of $5,596 beginning on January 1, 2010, and extended the maturity date of the Note to December 31, 2010. Additional annual pay downs of $50,000 due on or before December 31st, 2010, 2011 and 2012 would extend the maturity date one year from the pay down due date. The Company made the $50,000 pay downs in 2010 and 2011, thereby extending the maturity date to December 31, 2012. Effective November 9, 2012 a Second Allonge and Modification Agreement was consummated which waived the $50,000 principal pay down due on or before December 31, 2012 under the first Allonge and Modification Agreement, and established an annual $50,000 principal pay down due on or before December 31, 2013 and each year thereafter until the Note is paid in full. Providing that the annual principal reductions are made and that the Note or Second Deed of Trust are not in default, the maturity date of the Note shall be extended to December 31, 2013 and thereafter shall be extended to December 31st each succeeding year automatically until all principal and accrued interest is paid in full. At September 30, 2012 the balance of the Note was $323,599.

On November 30, 2009 the Company consummated a Loan Document Purchase and Assignment Agreement with the holder of the senior mortgage of the Bull Durham Casino in which the Company obtained all of the rights, title and interest in and to the Note and Loan Agreement. The total amount of consideration paid to the holder was $730,710 which included principal of $721,021, interest accrued to the purchase date of $5,689, and a fee of $4,000 to cover legal and administrative costs of the holder. Also on November 30, 2009 the Company executed a Loan Participation Agreement whereby the Company assigned to an unaffiliated third party an undivided 34.7% interest in the Note for total consideration of $250,000 and a loan participation fee of 50,000 shares of the Company s common stock valued at $0.38 per share. And on December 30, 2009 the Company executed a Loan Participation Agreement whereby the Company assigned to a director an undivided 2.08% interest in the Note for total consideration of $15,000 and a loan participation fee of 3,000 shares of the Company s common stock valued at $0.39 per share. The remaining undivided 63.22% interest in the Note is owned by the Company and is eliminated in consolidation as the debtor is a wholly owned operating subsidiary. The Note has not been modified and continues to be in technical default. Effective October 11, 2012 the Company consummated an Amended and Restated Allonge and Loan Participation Agreement. These transactions are further discussed in Note 6 Loan Participation Obligations.

In addition, a note payable to the seller of Doc Holliday Casino acquired in March 2008, matured on March 31, 2009. The note did not bear interest, however upon its maturity a default interest rate of 8% with interest payments due monthly became effective. Since default, we have made all required interest payments under the default terms of the note. At the request of the note holder and beginning in January 2010, we had been making interest and additional monthly principal reduction payments of $12,500. Beginning in January 2011, we notified the note holder that we would not be able to continue making the monthly principal reduction payments on the note until the cash flows of the Doc Holliday Casino allow for additional principal reductions. With the note holder s acquiescence, but not express agreement, we have been making interest only payments and smaller principal reduction payments as the cash flows of the casino allow. The note holder has not executed any modification agreement, and as such all principal was considered in technical default and is classified as a current obligation at September 30, 2012. In October 2012 the note holder agreed to accept a lump sum payment in full satisfaction of the obligation, and on October 15, 2012 the Company paid the note holder $95,000 to extinguish this obligation.

At September 30, 2012, notes payable and long-term debt, exclusive of the Loan Participations discussed in Note 6, and convertible debt discussed in Note 7, consisted of the following:

Junior mortgage payable to private lender, collateralized by real estate, interest at 8%, monthly payments of $5,596, maturing December 31, 2012, subsequently extended to December 31, 2013.	$ 323,599
Junior mortgage payable to private lender, collateralized by real estate, interest at 8%, monthly payments of $1,911, maturing April 1, 2013.	152,252
Junior mortgages payable to private lenders, collateralized by real estate, interest at 4%, monthly payments of $605. Notes matured September 19, 2009.	99,586
Installment note payable to equipment supplier, collateralized by equipment, requiring monthly payments of $11,021, no interest, final payment due March 12, 2013.	66,124
Note payable to seller of Doc Holliday Casino, uncollateralized, no interest. Note matured March 31, 2009. Default interest rate of 8% applies until note paid in full.	190,667
Total notes payable and long-term debt	832,228
Less current portion	(551,441)
Long-term debt, net	$ 280,787

6. LOAN PARTICIPATION OBLIGATIONS

As discussed in Note 2: Notes Payable and Long Term Debt, on November 30, 2009 the Company consummated a Loan Document Purchase and Assignment Agreement with the holder of the senior mortgage of the Bull Durham Casino in which the Company obtained all of the rights, title and interest in and to the Note and Loan Agreement. Then, and also on November 30, 2009 the Company executed a Loan Participation Agreement (Agreement) whereby the Company assigned to an unaffiliated third party an undivided 34.7% interest in the Note for total consideration of $250,000 and a loan participation fee of 50,000 shares of the Company s common stock valued at $0.38 per share. The Company is considered the Loan Servicing Agent under the Agreement. Monthly principal and interest payments began on January 1, 2010, and are based on a seven year amortization at 12% annual interest. The obligation matures on December 31, 2012. In addition, the participant is entitled to an additional 1% per year in year one, 2% per year in year 2, and 3% in year 3, as well as additional loan participation fees on the first and second annual anniversaries of 50,000 shares of the Company s common stock, provided that on each issue date there remains outstanding and unpaid any amount due and owing under the participant interest. The first anniversary shares were issued in February 2011, at a value of $0.12 per share, the closing price of the Company s common stock on November 30, 2010. The second anniversary shares were issued in February 2012, at a value of $0.45 per share, the closing price of the Company s common stock on November 30, 2011.

On December 30, 2009 the Company executed an additional Loan Participation Agreement whereby the Company assigned to a director an undivided 2.08% interest in the Note for total consideration of

$15,000 and a loan participation fee of 3,000 shares of the Company s common stock valued at $0.39 per share. The Company is considered the Loan Servicing Agent under the Agreement. Monthly principal and interest payments began on January 1, 2010, and are based on a seven year amortization at 12% annual interest. The obligation matures on December 31, 2012. In addition, the participant is entitled to an additional 1% per year in year one, 2% per year in year 2, and 3% in year 3, as well as additional loan participation fees on the first and second annual anniversaries of 3,000 shares of the Company s common stock, provided that on each issue date there remains outstanding and unpaid any amount due and owing under the participant interest. The first anniversary shares were issued in February 2011, at a value of $0.09 per share, the closing price of the Company s common stock on December 30, 2010. The second anniversary shares were issued in February 2012, at a value of $0.42 per share, the closing price of the Company s common stock on December 30, 2011.

The remaining undivided 63.22% interest in the Note is owned by the Company and is eliminated in consolidation as the debtor is a wholly owned operating subsidiary. The Note has not been modified and continues to be in technical default.

Effective October 11, 2012, the Company and the participants consummated an Amended and Restated Allonge and Loan Participation Agreement. The amended agreement provided for an additional $55,000 of borrowing from the primary participant, which amount was added to the existing loan participation interest. As consideration for the additional funding, the participant received common stock purchase warrants exercisable for five years to acquire up to 60,000 shares of the Company s common stock at an exercise price of $1.25 per share. The amended agreement also extended the maturity dates of the participants interests to December 31, 2015.

At September 30, 2012, loan participation obligations consisted of the following:

Participation obligation payable to unaffiliated third party with an undivided 34.7% interest in senior mortgage secured by real estate, monthly principal and interest payments of $4,417, plus additional interest of 1% in 2010, 2% in 2011, and 3% in 2012, due December 31, 2015.	$ 175,496
Participation obligation payable to director with and undivided 2.08% interest in senior mortgage secured by real estate, monthly principal and interest payments of $265 plus additional interest of 1% in 2010, 2% in 2011, and 3% in 2012, due December 31, 2015.	10,696

Total loan participation obligations	186,192
Less current portion	(35,760)
Loan participations, long-term	$ 150,432

7. CONVERTIBLE DEBT

5% Notes due 2013: On July 16, 2010, the Company s board of directors approved a private offering of its securities consisting of up to $120,000 in 5% Unsecured Convertible Debentures

(Debentures). All $120,000 of debentures was sold in July and August 2010, and will mature and be due and payable in July and August 2013. The principal amount of the Debentures accrue interest at the rate of 5% per annum and will be payable at the maturity date. The Debentures are convertible, at the option of the investor, at any time, into shares of the Company s Series E Convertible Preferred Stock at a conversion price equal to $0.25 per share of Series E Preferred, which is in turn convertible into shares of common stock at the same price. At the time of issuance and based on the Company s common stock trading activity, the Company determined that no beneficial conversion feature was associated with the Debentures. The Debentures will automatically convert into shares of Series E Preferred Stock under certain circumstances.

On July 24, 2012 an investor converted $25,000 of principal plus $2,503 of accrued interest, into shares of the Company s common stock. As a result, 110,014 shares of common stock were issued to the investor.

8% Notes due 2013 and Stock Purchase Warrants: On September 26, 2011 the Company s Board of Directors approved a private offering of units of the Company s securities of up to $720,000. On February 2, 2012, the Company s Board of Directors approved an increase of the private offering of up to $850,000.

Each unit consisted of an 8% Convertible Note and one Class A Warrant for each $1.00 in Note purchased. The Class A Warrants are exercisable into shares of the Company s common stock for a period of three years at an exercise price of $0.50 per share. The price of the offering was the principal amount of the Note. The Convertible Notes accrue interest at 8% per year, mature two years from the date of issuance with all principal and interest due at maturity. At the option of the holder, the Note principal and accrued interest are convertible to shares of the Company s common stock at a conversion price of $0.50 per share. In addition, for every $1.00 in Note principal converted, the holder will receive one additional share of Common Stock and two Class B Warrants, each exercisable for a period of three years at an exercise price of $0.75 per share. As of September 30, 2012 none of the Notes have been converted.

All $850,000 of units were sold during the year ended June 30, 2012. Of this amount, $703,500 mature on October 31, 2013, and $146,500 mature on February 7, 2014. We applied the provisions of ASC 470-20 Debt With Conversions and Other Options in which the fair value of the warrants are allocated to stockholders equity and considered as a discount to the face amount of the Note principal. The resulting discount to the Notes is amortized to interest expense over the life of the Notes. Should a Note be converted or paid prior to the maturity date, the related discount would be charged off, pro-rata, to interest expense.

The estimated fair value of the investor warrants issued from the sale of $703,500 of convertible notes on October 31, 2011 is $322,000, and was determined using the following assumptions:

Expected volatility

139%

Contractual term

3 years

Risk free interest rate

0.48%

Expected dividend rate

0%

The estimated fair value of the warrants issued from the sale of $146,500 of convertible notes on February 7, 2012 is $43,500, and was determined using the following assumptions:

Expected volatility

138%

Contractual term

3 years

Risk free interest rate

0.35%

Expected dividend rate

0%

In addition, based on the trading price of the Company s common stock on the date of issue of these Notes, in accordance with ASC 470 the conversion terms were considered a beneficial conversion features. The beneficial conversion feature for the $703,500 notes sold on October 31, 2011, representing the intrinsic value of the difference between the fair value of underlying common stock on the issue date and the terms of the conversion was calculated to be approximately $520,000. However, ASC 470-20-30-8 limits the amount of the beneficial conversion feature to be allocated to the proceeds of the debt, after the allocation of the fair value of the warrants, to the total proceeds of the debt. Therefore, $381,500 relating to the beneficial conversion features was allocated to stockholders equity and is reflected as a discount to the amount of the notes and is being amortized to interest expense over the term of the notes. An additional $29,300 relating to the beneficial conversion features of the $146,500 in convertible notes sold on February 7, 2012 was allocated to stockholders equity and is reflected as a discount to the amount of the notes and is being amortized to interest expense over the term of the notes. Should a Note be converted or paid prior to the maturity date, the related discount would be charged off, pro-rata, to interest expense.

For the three months ended September 30, 2012, interest expense relating to the amortization of the debt discount for the fair value of the warrants and the beneficial conversion feature was $97,038. No such interest expense relating to the amortization of the debt discount was charged during the three months ended September 30, 2011.

The Company engaged the services of a broker-dealer as a selling agent to assist in this offering of securities. On sales involving the assistance of the selling agent, the Company paid the selling agent a fee equal to 5% of the price of the securities, and 10% common stock and warrant coverage on all shares of common stock underlying the securities sold by the selling agent. Through completion of the private offering in 2012 the Company had paid to the agent a total of $42,500.

With respect to the sale of $703,500 of convertible notes on October 31, 2011, in addition to the agent s cash fees, the agent was entitled to 140,700 Class A warrants for sales of units involving the agent s assistance. The estimated fair value of the warrants in the amount of $65,000 has been allocated to stockholders equity and charged to the Company s operations as financing costs for the year ended June 30, 2012. The estimated fair value of the warrants was determined using the following assumptions:

Expected volatility

139%

Contractual term

3 years

Risk free interest rate

0.48%

Expected dividend rate

0%

With respect to the sale of $146,500 of convertible notes on February 7, 2012, in addition to the agent s cash fees, the agent was entitled to 29,300 Class A warrants for sales of units involving the agent s assistance. The estimated fair value of the warrants in the amount of $8,700 has been allocated to stockholders equity and charged to the Company s operations as financing costs for the year ended June 30, 2012. The estimated fair value of the warrants was determined using the following assumptions:

Expected volatility	138%
Contractual term	3 years
Risk free interest rate	0.35%
Expected dividend rate	0%

In addition to the cash fees and warrant coverage for selling agent assisted sales, for each $100 of Notes converted, the agent would be entitled to an additional 10 shares of the company s common stock and 20 Class B Warrants. Each Class B Warrant is exercisable for a period of three years at an exercise price of $0.75 per share. A contingency exists for this feature, the outcome of which cannot be determined.

8. STOCKHOLDERS' EQUITY

Preferred Stock

The Company has authorized 10,000,000 shares of preferred stock. These shares may be issued in series with such rights and preferences as may be determined by the Board of Directors.

Series A Convertible Redeemable Preferred Stock

The Company's Board of Directors has authorized 2,000,000 shares of $2.00 stated value, Series A Preferred Stock. The preferred stock has a senior liquidation preference value of $2.00 per share. It does not bear dividends. The conversion privileges originally included with the stock have expired. The preferred stock originally contained a mandatory redemption feature that required the Company to redeem the outstanding stock on May 31, 1995 at a rate of $2.00 per share. On May 31, 1995, a majority of the preferred stockholders agreed to waive the mandatory redemption in consideration for a lower conversion price into common shares at $1.125 per share. Subsequently, holders of 1,205,750 shares of Series A preferred stock converted their holdings into common stock. The remaining 200,500 outstanding shares of Series A preferred stock are held by owners who chose not to participate in the revised offer and remain outstanding at September 30, 2012. During the year ended June 30, 2005, the Company determined that the mandatory redemption feature expired due to the statute of limitations. Accordingly, the Series A preferred stock was reclassified from current liabilities to stockholders' equity.

Series B Convertible Redeemable Preferred Stock

The Company's Board of Directors has authorized 400,000 shares of $10.00 stated value, Series B Convertible Preferred Stock. Each share of Series B preferred stock is convertible into one share of the Company's common stock or may be redeemed at an exercise price of $10.00 per share. In addition, the Series B shares have a junior liquidation preference of $10.00 per share. Holders of the Series B preferred stocks are entitled to receive an annual dividend payable at the rate of 8% per annum, which is cumulative, and unpaid dividends bear interest at an annual rate of 12%. As of September 30, 2012 there were no shares outstanding.

Series C Convertible Preferred Stock

In January 1999, the Board of Directors of the Company ratified the issuance of Series C preferred stock. The Company has authorized 600,000 Series C shares with a stated value of $1.20 per share. Series C shares are convertible into common stock at a rate of $1.20 per share. Holders of Series C preferred stock are entitled to vote and to receive dividends at the annual rate of 7% based on the stated value per share. In addition, the holders of Series C preferred stock are entitled to participate, pro rata, in dividends paid on outstanding shares of common stock. The dividends are cumulative and unpaid dividends bear interest at an annual rate of 10%. As of September 30, 2012 there were no shares outstanding.

Series D Convertible Preferred Stock

In February 2008, the Board of Directors of the Company established a series of the class of preferred stock designated Series D Convertible Preferred Stock (Series D preferred stock) and authorized an aggregate of 1,000,000 non-voting shares with a stated value of $1.00 per share. Holders of the Series D preferred stock are entitled to receive dividends at the annual rate of eight percent (8%) based on the stated value per share computed on the basis of a 360 day year and twelve 30 day months. Dividends are cumulative, shall be declared quarterly, and are calculated from the date of issue and payable on the fifteenth day of April, July, October and January. The dividends may be paid, at the option of the holder either in cash or by the issuance of shares of the Company s common stock valued at the market price on the dividend record date. Shares of the Series D preferred stock are redeemable at the Company s option. At the option of the holder shares of the Series D preferred stock plus any declared and unpaid dividends are convertible to shares of the Company s common stock at a conversion rate of $1.00 per share.

In March 2008, the Company completed a private offering of 700,000 shares of Series D Preferred stock. The $700,000 proceeds from the private offering were used as partial payment to the seller of Doc Holliday at the acquisition closing on March 18, 2008.

On September 30, 2012, dividends of $14,311 were declared and are included in accrued expenses at September 30, 2012. All other quarterly dividends declared have been paid.

Series E Convertible Preferred Stock

On July 12, 2010, the Company s Board of Directors approved an Amendment to the Articles of Incorporation of the Company to authorize a new series of preferred stock designated Series E Convertible Preferred Stock (Preferred Stock). The Amended and Restated Certificate of Designations, Preferences and Rights of Series E Convertible Preferred Stock authorized six hundred thousand (600,000) shares of the Company s authorized Preferred Stock to be designated as Series E

Convertible Preferred Stock, having a stated value of $0.25 per share. Holders of the Preferred Stock shall have no voting rights, but shall be entitled to receive dividends when, as and if declared by the Board of Directors, in its sole discretion. In addition, the holders of the Preferred Stock shall be entitled to participate, *pro rata*, in dividends paid on outstanding shares of common stock. The Preferred Stock is redeemable by the Company at its sole option and discretion at any time after six months from the initial issue date, at the Preferred Stock s stated value plus any accrued and unpaid dividends, if any, and may be paid in cash or in shares of common stock valued at 75% of the volume weighted-average price of the common stock for the ten trading days immediately prior to the date of the redemption notice. In addition, at any time prior to redemption, but after the earlier of ninety days from the date of issuance, or the effective date of a Registration Statement registering for sale the shares of the common stock issuable upon such conversion, holders of the Preferred Stock shall have the right to convert their shares into common stock, at a conversion rate of $0.25 per share plus any accrued or unpaid dividends. As of September 30, 2012, no shares of Series E Convertible Preferred Stock were outstanding.

Common Stock

The Company has authorized 50,000,000 shares of $0.05 par value common stock.

On July 24, 2012 an investor converted $25,000 of principal plus $2,503 of accrued interest on our 5% Convertible Notes, into shares of the Company s common stock. As a result, 110,014 shares of common stock were issued to the investor.

As discussed in Loan Participation Obligations, in November 2009 the Company issued 50,000 shares of the Company s common stock valued at $0.38 per share determined by market trading activity on and around the settlement date, as a participation fee to an unaffiliated third party. The participant was also entitled to 50,000 shares of the Company s common stock on the first and second annual anniversaries, provided that on each issue date there remains outstanding and unpaid any amount due and owing under the participant interest. The first anniversary shares were issued in February 2011, at a value of $0.12 per share, the closing price of the Company s common stock on November 30, 2010. The second anniversary shares were issued in February 2012, at a value of $0.45 per share, the closing price of the Company s common stock on November 30, 2011.

Also as discussed in Loan Participation Obligations, in December 2009 the Company issued 3,000 shares of the Company s common stock valued at $0.39 per share determined by market trading activity on and around the settlement date, as a participation fee to a director. The participant was also entitled to 3,000 shares of the Company s common stock on the first and second annual anniversaries, provided that on each issue date there remains outstanding and unpaid any amount due and owing under the participant interest. The first anniversary shares were issued in February 2011, at a value of $0.09 per share, the closing price of the Company s common stock on December 30, 2010. The second anniversary shares were issued in February 2012, at a value of $0.42 per share, the closing price of the Company s common stock on December 30, 2011.

On January 5, 2007, the stockholders approved a proposal to adopt and approve a reverse split of up to a ratio of one-for-five of the issued and outstanding shares of our common stock, and issued and outstanding options, warrants and other rights convertible into shares of our common stock, all at the discretion of our Board of Directors to be implemented in the future as and when determined by our Board of Directors. That reverse split has not been implemented.

9. COMMITMENTS AND CONTINGENCIES

Leases

The Doc Holliday Casino currently leases approximately 13,000 square feet of space used for its gaming activities, supporting offices and storage space for $25,362 per month under an operating lease that terminates in July 2015. The lease requires the Casino to pay for all building expenses until the landlord secures additional tenants to occupy the remaining building space. If the building is fully leased the Casino s proportionate share will be equal to 32% of the total building expense burden. The lease also provides for a credit against future monthly rent payments to the extent the total building expenses paid by the casino increase by more than 3% over a 2004 base year calculation (floor). The total amount of building expenses expected to be in excess of the floor is estimated and capitalized on a monthly basis and reconciled to the actual allowable excess annual expenses in April each year. The actual excess expenses are available for credit against rent payments beginning the following July each year under the lease. At September 30, 2012 the total credit available to apply against future rent payments was approximately $49,000. Rent expense for each of the three months ended September 30, 2012 and 2011, net of applied monthly expense credits was $72,622.

On January 29, 2010 the landlord of the Doc Holliday Casino property agreed to a rent abatement in the total aggregate amount of $40,000 prorated over a six month term in the amount of $6,667 per month beginning in February, 2010 and continuing through July 2010. In consideration of the rent abatement the Company agreed to replace all carpeting on the first floor of the premises, which was completed in February 2010, at a cost of approximately $29,000. The amount of the rent abatement in excess of the cost of the carpet replacement, or approximately $11,000, was recorded as deferred rent and is being amortized to rent expense over the remaining life of the lease.

On December 31, 2010 the Company and the landlord of the Doc Holliday Casino property agreed to amend the lease agreement noted above. As a result, for the period commencing January 1, 2011 and ending December 31, 2011 the base rent was adjusted to $250,000, payable at a rate of $20,833 per month. The amendment resulted in a monthly reduction of the base rent of approximately $4,500 per month during the abatement period. The total rent abatement under the agreement of approximately $54,000 was recorded as deferred rent and is being amortized to rent expense over the remaining life of the lease. All existing agreements with respect to triple net expenses and the cap on the Company s liability for annual increases in such expenses remained in effect for the lease period. In consideration of the rent abatement, the Company agreed that the digital surveillance system installed on the premises would be deemed the sole and separate property of the landlord upon termination of the lease. At September 30, 2012 the system had a net book value of approximately $31,000.

Beginning January 1, 2012, the Company has continued to pay rent at the modified rate agreed to in 2011, with the acquiescence of the landlord but without a formal agreement extending the modification.

Future minimum lease payments considering the rent abatement but before application of rent credits for the fiscal years ending June 30 are as follows:

2013	$	228,258
2014		304,344
2015		304,344
2016		25,362
Total	$	