

GLOBAL CASINOS INC
Form 10KSB
October 12, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2004

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

For the transition period from _____ to _____

Commission file number 0-15415

GLOBAL CASINOS, INC.

(Name of Small Business Issuer in its Charter)

Utah

87-0340206

(State or other jurisdiction
of incorporation or organization)

I.R.S. Employer
Identification number

5455 Spine Road, Suite C, Boulder, Colorado 80301

(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (303) 527-2903

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, \$.05 par value

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of Issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

The Issuer's revenues for the fiscal year ended June 30, 2004 were \$3,144,877. As of September 30, 2004, the aggregate market value of the Common Stock of the Issuer based upon the average bid and asked prices of such Common Stock, held by non-affiliates of the Issuer was approximately \$832,000. As of September 30, 2004, there

were 2,981,360 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant incorporates by this reference the following:

PART IV - EXHIBITS

1. Incorporated by reference from the Company's Annual Report on Form 10-KSB/A as filed with the Commission on November 25, 2003.
2. Incorporated by reference from the Company's Annual Report on Form 10-KSB/A as filed with the Commission on July 15, 2003.
3. Incorporated by reference from the Company's Annual Report on Form 10-KSB as filed with the Commission on February 24, 2003.

FORWARD LOOKING STATEMENTS

Certain statements made in this Annual Report are "forward-looking statements" (within the meaning of the Private Securities Litigation Reform Act of 1995) regarding the plans and objectives of management for future operations. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements made in this Report are based on current expectations that involve numerous risks and uncertainties. The Company's plans and objectives are based, in part, on assumptions involving the growth and expansion of business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes that its assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements made in this Report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements made in this Report, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

PART I

ITEM 1.

DESCRIPTION OF BUSINESS

Overview

Global Casinos, Inc. ("the Company", "Global Casinos", or "Global") and its wholly owned subsidiaries operate in the domestic gaming industry. The Company is organized as a holding company for the purpose of acquiring and operating casinos, gaming properties, and other related interests. Global was organized under the laws of the State of Utah on June 8, 1978.

As of June 30, 2004, Global had one operating subsidiary, which owns and operates the Bull Durham Saloon & Casino ("Bull Durham") located in Black Hawk, Colorado.

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During the year ended June 30, 2002, Global declared a stock dividend consisting of its ownership interest in OnSource Corporation, a Delaware corporation ("OnSource"). OnSource had been formed by Global as a wholly owned subsidiary to facilitate the transfer of certain assets to Global's shareholders.

Effective July 1, 2001, Global transferred to OnSource its interest in Global Alaska Industries ("Global Alaska"), a wholly owned subsidiary, and certain other liabilities. Global established August 6, 2001 as the record date for determining the shareholders entitled to receive the stock dividend. Global stockholders received one share of OnSource common stock for every ten shares of Global common stock beneficially owned as of August 6, 2001. OnSource filed a registration statement with the U.S. Securities and Exchange Commission ("SEC") on September 26, 2002, registering the distribution of the OnSource dividend. Amendments to the registration statement were filed on January 13, 2003, April 16, 2003 and September 29, 2003 and November 10, 2003. The shares of OnSource were distributed to shareholders during fiscal 2004.

Global Alaska's operations were conducted through its wholly owned subsidiary, Alaska Bingo Supply, Inc. ("ABS"), an Alaska corporation. ABS is primarily engaged in the distribution of a full line of products, supplies and equipment utilized by licensed gaming organizations in the State of Alaska. Gaming in Alaska is limited to qualified organizations (primarily non-profit groups and municipalities) that operate bingo and pull-tabs games for fund raising purposes.

Description of Operations

Casinos U.S.A. - The Bull Durham

Background. Casinos U.S.A. was acquired on November 19, 1993. Global Casinos acquired 100% of the outstanding common stock of Casinos U.S.A., a Colorado corporation, and Lincoln Corporation ("Lincoln") and Woodbine Corporation ("Woodbine"), both South Dakota corporations, in exchange for 253,500 shares of the Company's common stock. Lincoln and Woodbine operated the Last Chance Saloon and Lillie's, respectively; both located in Deadwood, South Dakota. The Company permanently closed the Last Chance Saloon on May 31, 1994 and Lillie's on June 30, 1995 due to unprofitable operations. Both Lincoln and Woodbine are now inactive corporations.

In October 1995, Casinos U.S.A. filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code as it was in default under all of its secured obligations encumbering the Bull Durham Saloon and Casino. In January 1997, the Court approved the Debtor's Second Amended Plan of Reorganization (the "Plan"), and in February 1998 the bankruptcy was discharged upon being fully administered.

Operations. The Bull Durham is located approximately one hour from Denver, Colorado in the mountain town of Black Hawk. The Company has operated The Bull Durham since 1993, soon after limited stakes gambling was legalized in Black Hawk in 1992. The casino holds a retail liquor license issued by the State of Colorado and offers limited food service in addition to beverages.

Presently, the casino occupies approximately 7,200 square feet of space located at 110 Main Street in Black Hawk, Colorado. Casinos U.S.A. owns the building in which the Bull Durham operates, subject to three deeds of trust securing a total of \$2,125,000 in debt.

In October, 2002, we removed four blackjack tables and replaced them with slot machines. As of August 31, 2004, we operated 188 slot machines.

New slot machine designs are introduced every year by the equipment manufacturers. Certain games become more popular and older games tend to become less popular. During the past year, we replaced 27 machines. The current popular trend is in the "penny" and "nickel" machines.

The Bull Durham's customer base consists primarily of day visitors from Denver. Many gamblers are transported to Black Hawk on charter buses provided by the casinos. A city bus stop is adjacent to the casino. During the past two years, we increased our utilization of charter bus services. We contract certain bus companies to transport guests to our casino from Denver and its surrounding communities.

As we do not have parking facilities available for our customers, we rely totally on "walk-in" traffic and charter bus traffic. This traffic declines during the winter months when the weather deteriorates. We do not have a full service restaurant. Some of our competitors provide extensive food service, including Las Vegas style buffets. We have not yet installed "cashless tickets" capability on our slot machines. This technology is new and has not yet been embraced by gaming patrons in Colorado.

2002 Restructuring. Beginning in approximately April 2002, the Company engaged in a series of meetings and discussions with the Colorado Division of Gaming surrounding the then pending application to renew the gaming license covering the Bull Durham. The Division of Gaming expressed concern that the Company's directors and officers, Messrs. Jennings and Neuman, had other associations with the Company's former directors, Messrs. Calandrella and Thygesen, the latter of whom had been the subject of an Initial Decision by an Administrative Law Judge of the Securities and Exchange Commission finding violations of federal securities laws. Notwithstanding the fact that Messrs. Calandrella and Thygesen had previously resigned from the Company, the Division of Gaming requested that Messrs. Jennings and Neuman, neither of whom were subject to the SEC administrative action, nevertheless resign as control persons of Casinos, U.S.A., the company that owned the Bull Durham and to which the gaming license would be issued.

Concurrently with the discussions with the Division of Gaming, the Company entered into discussions with Astraea Investment Management, L.P. ("Astraea") to restructure the Company's financial and operational obligations. In July 2002, The Company agreed to a term sheet ("Astraea Term Sheet") covering various interrelated transactions more fully described below. Effective September 17, 2002, the terms of the restructuring were finalized (the "2002 Restructuring"), resulting in the following:

- * Astraea agreed to waive accrued and unpaid interest and fees under an unsecured \$500,000 note (the "Astraea Unsecured Note").
- * Astraea agreed to extend the maturity date of the Astraea Unsecured Note to 2009, and to reduce the rate of interest thereon to four percent (4%) per annum.
- * Astraea agreed that there would be a moratorium on payments on the Astraea Unsecured Note for 30 months.
- * Global Casinos and Astraea agreed that the Astraea Unsecured Note would be assigned to and assumed by Casinos, U.S.A. and be secured by one hundred percent (100%) of the outstanding shares of common stock of Casinos, U.S.A. (which owns the Bull Durham) and a security interest in the tangible and intangible assets of Casinos, U.S.A.
- * It was agreed that Global would continue to manage the Bull Durham for a management fee of \$10,000 per month. Global Casinos has agreed to provide Astraea with certain financial reporting and inspection rights going forward.
- * Astraea has agreed to restructure its two mortgage notes against the Bull Durham to provide for interest at the rate of seven percent (7%) with a thirty-year amortization and an extended maturity date to 2009. Astraea also agreed to defer installment payments on its two secured promissory notes to the extent of one hundred percent (100%) of each

such installments until an aggregate deferral totaling \$100,000 is reached, but in no event more than one (1) year. Deferred installment payments will be set aside and used for working capital purposes and capital expenditures at the Bull Durham which are approved by Astraea. Any expenses incurred by Astraea in connection with the restructure of the indebtedness will be added to the principal balances of its secured notes and repaid as part of the balloon payment at the maturity date of such note. Debt to third parties associated with the gaming equipment located at the Bull Durham has been restructured with the agreement of the vendor.

- * junior secured mortgage notes encumbering the Bull Durham would be restructured to bear interest at the rate of four percent (4%) per annum and amortized in a straight line over a term of thirty (30) years, with a seven-year balloon;
- * All debt associated with gaming equipment located at the Bull Durham is required to be restructured to the satisfaction of Astraea.
- * All shares of Casinos, U.S.A. preferred stock properly issued or issuable pursuant to an accounting to be mutually agreed upon by Global Casinos and Astraea in connection with the building expansion program undertaken by the Bull Durham shall be cancelled as part of the restructuring of Global Casinos.
- * Global Casinos granted to Astraea an option exercisable after March 17, 2005 to purchase all of the issued and outstanding shares of common stock of Casinos, U.S.A. for a purchase price of \$100. Global Casinos may redeem the option by paying to Astraea an amount sufficient to retire in full the \$500,000 promissory note held by Astraea and assumed by Casinos, U.S.A. together with interest at the rate of twelve percent (12%) per annum.
- * The Board of Directors of Casinos, U.S.A. was reconstituted to consist of persons approved by Astraea and the Colorado Division of Gaming, and the voting shares of Casinos, U.S.A. have been made subject to a voting agreement to enforce this agreement.
- * Arrangements have been made to restructure a note payable from the Bull Durham to Global Casinos to permit debt service by Global Casinos on a note held by a third party.
- * The warrants to purchase shares of Casinos U.S.A. and the participation in net cash flow provided for under Casinos U.S.A.'s Chapter 11 Bankruptcy Plan of Reorganization were cancelled.

Each of the foregoing points of agreement covered by the Astraea Term Sheet were memorialized in definitive agreements executed by Global Casinos, Casinos U.S.A., Astraea and third parties and previously filed as exhibits with the Securities and Exchange Commission.

The Astraea Term Sheet providing for the foregoing was executed by an on behalf of Global Casinos, Casinos U.S.A., Astraea and the holders of all subordinated mortgage notes against the Bull Durham except for the holders of approximately \$200,000 in subordinated mortgage notes. With respect to those junior lienholders, the Company nevertheless began making revised payments based upon the restructured interest rate and maturity date provided for in the Astraea Term Sheet in the fourth quarter of 2002, without objection or protest on the part of the holders of those subordinated mortgage notes. The Company takes the position that by their acquiescence, those subordinated note holders are deemed to be bound by the terms of the Astraea Term Sheet.

Regulation. The Bull Durham began gaming operations in 1993 as a Class B Gaming Casino, which limits the casino to four (4) gaming tables and fewer than two hundred fifty (250) slot machines. Under limited stakes gaming regulations in Colorado, maximum wagers are limited to \$5.00 per bet.

Ownership and operation of gaming establishments are extensively regulated by states in which such activities are permitted. Colorado has adopted numerous statutes and regulations covering limited stakes gaming operations. Existing regulation includes various aspects of the gaming industry, including ownership, operation and employment in all limited stakes gaming operations, taxation of revenues and regulation of equipment utilized in connection with such activities. Virtually all aspects of ownership and operation of gaming facilities require licensing by the state. Operators, machine manufacturers and distributors, employees and retailers are all subject to extensive investigation and regulation prior to licensing to engage in gaming activities. The procedure for obtaining these licenses is time consuming and costly. Prior to November 1, 2002, Global held a gaming license to operate the Bull Durham. Effective November 1, 2002, the gaming license was transferred to Casinos, U.S.A., Inc., our subsidiary that owns the Bull Durham, as part of an overall restructuring of our business operations under the Astraea Term Sheet. This restructuring was undertaken, in part, at the behest of the Division of Gaming.

Because the Company is a publicly traded corporation, each of the officers, directors and shareholders owning 5% or more of the equity interest prior to November 1, 2002, had to be approved by the Colorado Division of Gaming. With the transfer of the gaming license to Casinos, U.S.A., the officers and directors of that subsidiary must be approved by the Division of Gaming. The criteria established in determining the suitability to conduct such operations include financial history, criminal record and character, in addition to satisfaction of application procedures set forth in the existing regulations.

Under current regulations promulgated by the Colorado Limited Gaming Commission (the "Gaming Commission"), no gaming licensee may issue shares except in accordance with Colorado gaming laws and regulations; and any such issuance will be ineffective and such stock shall not be deemed issued until compliance is obtained; no shares of the licensee may be transferred except in accordance with Colorado Gaming Laws and regulations; and if the Gaming Commission determines that a holder of a licensee's securities is unsuitable, the licensee or a suitable person must, within sixty days, purchase such securities at the lesser of the unsuitable person's investment or the current market price of such securities. Any person who becomes a beneficial owner of five percent or more of the Company's common stock must notify the Division of Gaming within ten days after such person acquires such securities and must provide such additional information and be subject to a finding of suitability as required by the Division of Gaming Commission. The Company must notify each person who is subject to this regulation of its requirements as soon as it becomes aware of the acquisition. The same regulations apply to any person who becomes a beneficial owner of more than ten percent of any other class of voting securities of the Company.

Existing federal and state regulations may also impose civil and criminal sanctions for various activities prohibited in connection with gaming operations. State statutes and regulations also prohibit various acts in connection with gaming operations, including false statements on applications and failure or refusal to obtain necessary licenses described in such regulations. Violation of any of these existing or newly adopted regulations may have a substantial adverse effect on the operations of the Company and its subsidiaries.

The Company has been granted a casino tavern license issued under the Colorado Liquor Code for the Bull Durham. As revised in 1993, the Colorado Liquor Code now includes a casino tavern license issuable to duly licensed and operating limited stakes gaming casinos.

The beverage license is revocable and non-transferable. Licensing authorities may limit, condition, suspend or revoke the license. Violation of beverage laws or regulations can result in loss of license and may constitute a criminal offense punishable by fines, incarceration, or both.

Net profits derived from the operations of the Company and its subsidiaries are subject to taxation at the federal, state and local levels. The State of Colorado imposes a variable gaming tax on "adjusted gross proceeds" ("AGP"), which includes the total amount of all wagers made by players less all payments received by such players. As revised in July 1999 the progressive tax rate ranges from 0.25% on the first \$2,000,000 of AGP to 20% on AGP in excess of \$15,000,000. Local governmental units assess real and personal property taxes on the value of many assets, including land, building and gaming equipment. In addition, the city of Black Hawk assesses "device fees" on each gaming device utilized in a casino.

Competition. Competition in the gaming industry in the United States is intense. There are numerous competitors engaged in the same business as the Company, and the Company's operations also compete with other forms of gaming activities, such as Bingo, Lotto, table games, sports betting and pari-mutuel wagering. Competition in Black Hawk, Colorado is particularly intense as competitors are in very close proximity to the Company's operations. There are now 22 casinos operating in the Black Hawk market. Additionally, there are 5 casinos located approximately one mile west in Central City. The Bull Durham Casino is relatively small in comparison to the other casinos in the market. There are currently 9,582 slot machines in the Black Hawk market and 1,599 in the Central City market. The 9,582 slot machines represent a 13% increase in Black Hawk in the last year. Based upon the number of slot machines in Black Hawk, The Bull Durham represents only 1.9% of the market. The average win per device for the Bull Durham is less than the average for all casinos in Black Hawk. As a result the Bull Durham net win represents less than 1% of the market. The Bull Durham attempts to stay competitive by providing personal customer service and state-of-the-art gaming devices. We developed a direct mail marketing campaign that targets repeat customers as part of our efforts to maintain market share.

The 1991 referendum that authorized gaming in Colorado limited casinos to three mountain towns, Black Hawk, Central City, and Cripple Creek. There are two Native American casinos in Colorado, both in the southwest region of the state. However, future referendums could expand gaming to other locations. Other forms of legal gaming in Colorado include lottery games, dog and horse racing, and bingo.

It is possible that additional forms of gaming could be authorized. Colorado does not currently allow video lottery terminals ("VLT"). VLT's are games of chance similar to slot machines that generate a random set of numbers to be displayed on a video screen. Winning bets are rewarded with a ticket that can be exchanged for cash. An initiative to legalize VLT's that was on the ballot for the November 2003 general election was defeated.

Seasonality. Because the Bull Durham Casino is located in a small mountain community west of Denver, it experiences its peak business during the summer months when weather conditions are more favorable. The winter months tend to be substantially slower when weather conditions reduce the amount of traffic through the town.

Employees

The Company's sole executive officer is Frank L. Jennings, Chief Executive/Financial Officer.

The Bull Durham operates with an on-site general manager. During fiscal 2004, the Bull Durham employed a total of 39 people, including both full and part-time employees as follows:

	<u>Full-Time</u>	<u>Part-Time</u>	<u>Total Employees</u>
Bull Durham Casino	29	10	39

The Company is not part of any collective bargaining agreement. There have been no work stoppages and the company believes its employee relations are good.

Intellectual Property

The Company does not claim any intellectual property protection to any of its assets and does not believe that intellectual property protection is material to its operations.

Consultants

Since July 1, 2000, Gunpark Management LLC, has been providing us with certain management, clerical and administrative services. Mr. Jennings, our Chief Executive/Financial Officer, is a member of Gunpark Management LLC. Mr. Jennings and Gunpark Management provide similar services to other companies. We are charged our pro-rata share of the expenses associated with the services we receive.

ITEM 2.

DESCRIPTION OF PROPERTY

Corporate Offices

The Company leases approximately 4,200 square feet of space in Boulder, Colorado for use as its corporate offices. The lease requires monthly payments of approximately \$3,500 and expires in 2006. Gunpark Management, LLC pays the full rent and charges the Company monthly rent of \$1,000 for its pro rata share of the facility.

Operating Subsidiaries

The facilities and properties of the Company's sole operating subsidiary are more fully described in Item 1 of this Report and are incorporated herein by this reference.

The Company believes that each of its facilities is adequate for its intended purpose and does not plan any significant investment in additional facilities during the next year.

ITEM 3.

LEGAL PROCEEDINGS

The Company and its officers and directors are involved in the following material legal proceedings:

Securities and Exchange Commission

In the Matter of Global Casinos, Inc. and William P. Martindale, Securities Act Release No. 33-7586, Exchange Act Release No. 34-40469 (September 24, 1998). On September 24, 1998, the Company and its former director, William P. Martindale, voluntarily entered into a Voluntary Consent Decree with the Securities and Exchange Commission, pursuant to which an Administrative Order was entered by the Commission directing the Company and Mr. Martindale to cease and desist from future anti-fraud violations of the federal securities laws.

Civil Litigation

Michael Jacobs vs. Global Casinos, Inc. This matter was filed as a civil action, which has been stayed pending mandatory arbitration. Mr. Jacobs was a former employee of the Company in Dallas, Texas and is asserting claims for compensation for services rendered while under the supervision of William P. Martindale at the Company's then existing Dallas, Texas office. The Company has retained local legal counsel and is vigorously defending the matter. The Company believes that the likelihood of a material adverse outcome in this matter is remote.

Other Matters

Other Matters. At June 30, 2004 there were outstanding promissory notes held by non-affiliated third parties totaling approximately \$417,973 in principal and \$480,535 in accrued and unpaid interest. These notes are unsecured, fully matured, and in default. The Series A preferred stock issued by Global contained a mandatory redemption requirement. The Company is currently unable to redeem those outstanding shares in the amount of \$401,000 and is in default of that requirement. The Company has been unable to pay the dividends on its Series C preferred stock and is in arrears in the amount of \$17,918. While the Company communicates with these creditors in an effort to settle their claims, there can be no assurance that it will be successful in these efforts.

ITEM 4.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's shareholders during the quarter ended June 30, 2004.

PART II

ITEM 5.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The outstanding shares of Common Stock are traded over-the-counter and quoted in the "pink sheets" published by Pink Sheets, LLC under the symbol "GBCS". The reported high and low bid and ask prices for the common stock are shown below for the period from July 1, 2002 through September 30, 2004.

	<u>Bid</u>		<u>Ask</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
2003 Fiscal Year				
J u l y - Sept 2002	\$0.16	\$0.02	\$0.51	\$0.11
Oct - Dec 2002	0.12	0.02	0.40	0.02
Jan - Mar 2003	0.10	0.02	0.25	0.02
Apr - June 2003	0.11	0.03	0.25	0.03
2004 Fiscal Year				
J u l y - Sept 2003	\$0.15	\$0.03	\$0.25	\$0.04
Oct - Dec	0.05	0.04	0.12	0.10

2003

Jan - Mar 2004	0.05	0.04	0.11	0.10
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Apr - June 2004	0.15	0.05	0.20	0.10
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2005 Fiscal Year

J u l y - Sept 2004	\$0.35	\$0.05	\$0.50	\$0.20
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The bid and ask prices of the Company's common stock as of September 30, 2004 were \$.25 and \$.45, respectively, as reported on the Pink Sheets LLC. The Pink Sheet prices are bid and ask prices which represent prices between broker-dealers and do not include retail mark-ups and mark-downs or any commissions to the broker-dealer. The prices do not reflect prices in actual transactions.

As of September 30, 2004, there were approximately 806 record owners of the Company's common stock and approximately 2,000 beneficial owners.

The Company's Board of Directors may declare and pay dividends on outstanding shares of common stock out of funds legally available therefor in its sole discretion; however, to date other than the OnSource spin-off dividend no dividends have been paid on common stock and the Company does not anticipate the payment of dividends in the foreseeable future. Further, under the terms of the convertible preferred stock issued by the Company, the Company is restricted from paying cash dividends on common stock during the period that the convertible preferred stock is outstanding.

Recent Sales of Unregistered Securities

During the fiscal years ended June 30, 2003 and June 30, 2004, the Company issued no securities without registration under the Securities Act of 1933, as amended.

In August 2004, two directors and an affiliate of a director converted an aggregate of \$60,000 in outstanding accrued and unpaid fees into 300,000 shares of common stock at a conversion price of \$.20 per share. The shares were taken for investment purposes and were subject to restrictions on transfer. The shares were issued without registration under the Securities Act of 1933, as amended, in reliance upon the exemption from the registration requirements thereof contained in Section 4(2) thereunder.

In September 2004, we sold to three investors an aggregate of 250,000 units at a price of \$.10 per unit. Each unit consisted of one share of common stock and one warrant exercisable for a period of 15 months to purchase one additional share of common stock at an exercise price of \$.15. The securities were taken for investment purposes and were subject to restrictions on transfer. The securities were issued without registration under the Securities Act of 1933, as amended (the "Securities Act") in reliance upon Section 4(2) and Regulation D, Rule 504 thereunder.

EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	150,000	\$.14	-0-
Equity compensation plans not approved by security holders ⁽¹⁾	<u>200,000</u>	\$.10	<u>-0-</u>
Total	350,000	\$.12	-0-

(1)

Includes nonqualified options granted to directors.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical facts are forward-looking statements such as statements relating to future operating results, existing and expected competition, financing and refinancing sources and availability and plans for future development or expansion activities and capital expenditures. Such forward-looking statements involve a number of risks and uncertainties that may significantly affect the Company's liquidity and results in the future and, accordingly, actual results may differ materially from those expressed in any forward-looking statements. Such risks and uncertainties include, but are not limited to, those related to effects of competition, leverage and debt service financing and refinancing efforts, general economic conditions, changes in gaming laws or regulations (including the legalization of gaming in various jurisdictions) and risks related to development and construction activities. The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report.

Results of Operations - Fiscal Year Ended June 30, 2004 Compared to the Fiscal Year Ended June 30, 2003

Casino Operation. Total casino revenues for the year ended June 30, 2004 increased by \$374,804 or 14% to \$3,144,877 from \$2,770,073 in 2003. We attribute the increased revenues to the increased number of slot machines in our casino. After we removed our Blackjack table games, we reconfigured the casino gaming floor to accommodate additional machines. We now operate 188 slot machines, an increase of 7 over the prior year. As discussed below our increased marketing efforts also improved our revenues.

We operate a limited food and beverage service incidental to the operation of the casino. Food and beverage revenues approximated 1% of casino revenues in fiscal 2004 and 2% of casino revenues in fiscal 2003.

Our casino operating costs increased from \$2,333,540 in 2003 to \$2,537,693 in 2004, an increase of \$204,153. Our costs increased 9% while our revenues increased 14%. The largest cost increase of \$48,000 was payroll related as we matched our staffing levels to our increased level of business. Depreciation increased by \$41,080 because we

continue to replace or upgrade our slot machines. Gaming taxes increased by \$28,000 because of increased device fees on the additional slot machines and the progressive nature of the gaming tax on revenues. We increased our various marketing and promotional efforts by \$22,000. The increased efforts primarily related to our direct mail campaign. We also increased our utilization of charter buses, an expense that increased by \$9,000.

General and Administrative. General and administrative expenses decreased by \$62,574, from \$216,285 in 2003 to \$153,711 in 2004. During 2003, we incurred \$20,000 of expenses related to the Astraea debt restructuring. The remaining decrease consisted primarily of reductions in professional fees and administrative costs incurred during 2003 in connection with the spin-off of OnSource.

Other Items. Interest expense declined to \$201,298 in fiscal 2004 from \$223,806 in 2003, a decline of \$22,508 or 10%. The reduction reflects the continuing impact of the 2002 restructuring and the normal interest expense reduction consistent with reduced debt balances.

During FY 2003, we completed a restructuring of certain debts. This restructuring occurred late in calendar year 2002 and is described in this report as the 2002 restructuring. The aggregate gain of \$493,941 is comprised of the waiver of accrued and unpaid interest of \$214,796 on a \$500,582 note payable to an investment company and a principal reduction of \$279,145 agreed by two equipment suppliers.

Income taxes. For tax purposes, Global has accumulated net operating losses aggregating \$7,540,000 available to offset future taxable income, if any. Taxable income reported for 2004 has been offset by these NOL carryforwards. These net operating losses can be carried forward for fifteen years. They will expire in the years from 2009 to 2016. The Tax Reform Act of 1986 limits the utilization of NOL carryforwards under certain circumstances. Therefore, the Company's ability to fully utilize the carryforwards is not assured and this asset is not reflected on the Company's balance sheet.

Liquidity and Capital Resources

Historically, cash generated from operations has not been sufficient to satisfy working capital requirements and capital expenditures. Consequently, the Company has depended on funding through debt and equity financing to address these shortfalls. The Company has also relied, from time to time, upon loans from affiliates to meet immediate cash demands. There can be no assurance that these affiliates or other related parties will continue to provide funds to the Company in the future, as there is no legal obligation to provide such loans.

As of June 30, 2004 and for the year then ended, neither the Company nor its subsidiaries have commercial bank credit facilities.

Consequently, we believe that future cash needs must be internally generated through operations. Cash flow at the Company's sole operating subsidiary has been sufficient to fund operations at that subsidiary and we believe that cash flow will be sufficient during the next twelve months to continue operation of the subsidiary. However, operating cash flow is not expected to be sufficient to reduce the parent company's debt posture or working capital deficiency. We do not expect to generate sufficient funds to cover the deficiencies related to our debt in default or other outstanding obligations. Should creditors initiate action against us to collect upon their debts, it could have a material adverse effect on our financial condition.

At June 30, 2004, the Company continued to suffer from a lack of liquidity and working capital deficit. Current assets were \$762,259 compared to current liabilities of \$2,126,305 resulting in a working capital deficit of \$1,364,046. This working capital deficit, combined with the Company's history of losses from operations, has led our independent auditors to qualify their audit opinion due to substantial doubts about our ability to continue as a going concern.

The Company is in default under several unsecured loans and loan agreements. The Company continues to address debt currently in default by negotiating extensions and other modifications to the terms of these debts and by conversion of debt to equity, restructuring of amounts due and other payment terms. Management expects to continue its efforts into fiscal 2005.

Current assets increased from \$557,343 at June 30, 2003 to \$762,259 at June 30, 2004, an increase of \$204,916. Current assets increased because of increased cash flow from operations. Current liabilities increased from \$2,077,822 at June 30, 2003 to \$2,126,305 at June 30, 2004, an increase of \$48,483.

Net cash provided by operating activities increased by \$128,001, primarily because of improved operating results at the casino.

Investing activities used net cash of \$73,117 in 2004 compared to \$104,342 in fiscal 2003. The net change of \$31,225 is primarily explained by a decrease in capital expenditures to improve the Bull Durham. In 2003, we installed new carpet and replaced the slot chairs.

The Company used \$418,764 in cash for financing activities during the year ended June 30, 2004 compared to \$146,900 during 2003. The amount used in 2004 represented the scheduled payments on our financing agreements. The amount used in 2003 was reduced because our 2002 Restructuring imposed a moratorium on certain debt payments. Those payments resumed in 2004.

As of June 30, 2004, there were 200,500 shares of Series A Convertible Preferred Stock that remained outstanding. The preferred stock share is redeemable at a price of \$2.00 per share. The original offering comprised 1,406,250 units. Under the original terms of the offering, the units were comprised of one share Series A Redeemable Preferred Stock with a mandatory redemption date of May 31, 1995 and one-half Class D common stock purchase warrant with an exercise price of \$3.00 per share. On May 31, 1995, a majority of the preferred stock holders agreed to waive the mandatory redemption in consideration for a lower conversion price into common shares of \$1.125 per share and lower warrant price of \$0.50 per share. Subsequently, 1,205,750 shares of preferred stock were converted. The remaining outstanding Series A Redeemable Preferred Stock is in default of the mandatory redemption feature. The conversion privileged originally included with this unit have expired. None of the Class D warrants originally issued as part of the unit remain outstanding.

As of June 30, 2004, there were 39,101 shares of Series C Preferred Stock that remained outstanding. The stock has a stated value of \$1.20 and is convertible into one share of common stock. 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. The dividends are cumulative, with any outstanding unpaid dividends bearing interest at an annual rate of 10%.

As previously disclosed, Astraea holds a promissory note which under the 2002 Restructuring was assigned by Global Casinos to Casinos, U.S.A. and is currently the obligation of Casinos, U.S.A. The principal amount of the note, together with interest at the rate of 4% per annum, is due and payable in September 2009. The note is secured by a pledge of 100% of the shares of Casinos, U.S.A. owned by Global Casinos and the assets of Casinos U.S.A. Global Casinos has granted to Astraea the option to purchase all of the shares of Casinos, U.S.A. owned by Global Casinos for \$100, exercisable any time after March 17, 2005. Global Casinos can purchase the option from Astraea by repaying the principal and interest due under the note. Global Casinos does not have the capital with which to repay the note and does not anticipate being able to generate the capital through operations. As a result, the only way that Global Casinos could purchase the Astraea option by retiring the promissory note would be through a refinancing of its debt. Although Global intends to pursue such a refinancing, there are no guarantees that it will be successful.

Further as part of the 2002 Restructuring, Astraea as holder of the first two mortgages against the Bull Durham agreed to a 12-month moratorium on monthly payments and to an extension of the maturity date of those mortgages from 2004 to 2009. In addition, junior mortgage holders holding all of the subordinated debt against the Bull Durham

except for the holders of approximately \$200,000 in subordinated mortgages also agreed to reduce the interest rate of their mortgage notes to 4% per annum and agreed to extend the maturity date of those notes from 2004 to 2009. Since September 2002, the Company has been paying the holders of the junior mortgages who did not agree to accept the Astraea Term Sheet on the basis of the reduced interest rate and extended maturity date provided for in that Term Sheet. Since that time, the holders of those junior mortgages have been acquiescing and accepting the modified payment without objection. The Company has taken the position that such acquiescence and acceptance without objection constitutes a legally enforceable modification by estoppel.

The Company's common stock is neither listed nor traded on NASDAQ or a national securities exchange. Information about the Company's stock can be found at Pink Sheets LLC, a quotation service that provides quotes, last-sale price, and volume information in over-the-counter (OTC) securities.

Outlook

The Company continues its efforts to formulate plans and strategies to address the Company's financial condition and increase profitability. Management will continue to address debt currently in default by negotiating with creditors to convert debt to equity, extend maturity dates of debt, and accept reduced payment terms. The Company will continue to explore acquisition opportunities and improve operating efficiencies at its existing property. Management believes that these plans will result in increased liquidity and future profitability, however, there is no assurance that management actions will achieve the desired results.

The Company's operations consist solely of the Bull Durham. We believe this operation can be self-sustaining. However, it is not expected to be sufficiently profitable to relieve our debt posture or working capital deficiency. These conditions make it unlikely that we could take advantage of future opportunities without a significant capital infusion.

In fiscal 2003, the Company completed a restructuring of certain debts and obligations (the 2002 restructuring). Among other terms and conditions, the Company agreed to grant an option to the senior creditor to purchase 100% of the common stock of Casinos USA for \$100. The option can be exercised any time after March 17, 2005. Global can redeem the option by paying in full the principal and interest balance on the \$501,000 promissory note. Global does not currently have the capital resources to retire the \$501,000 promissory note payable. It will attempt to generate the funds internally or through a capital infusion. Should it fail to retire the debt before March 17, 2005, the creditor will be able to purchase Casinos USA, including the assets and operations of the Bull Durham for \$100. As the Bull Durham constitutes all of the Company's operations, such an event would have a material adverse effect on the Company and its ability to retire its obligations.

Subsequent Events

In August 2004, directors and an affiliate of a director converted an aggregate of \$60,000 in outstanding and unpaid fees into 300,000 shares of common stock at a conversion price of \$.20 per share.

In September 2004, we sold an aggregate of 250,000 units at a price of \$.10 per unit, for gross proceeds of \$25,000. The units consisted of one share of common stock and one warrant exercisable for 15 months to purchase an additional share of common stock at an exercise price of \$.15 per share.

ITEM 7. FINANCIAL STATEMENTS

The following financial statements are filed as part of this report:

1. Report of Independent Auditors

2. Balance Sheet as of June 30, 2004
3. Statements of Operations for the Years Ended June 30, 2004 and 2003
4. Statements of Stockholders' Deficit for the Years Ended June 30, 2004 and 2003
5. Statements of Cash Flows for the Years Ended June 30, 2004 and 2003
6. Notes to Financial Statements

Report of Independent Auditors

Board of Directors and Shareholders
Global Casinos, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheet of Global Casinos, Inc. and Subsidiaries as of June 30, 2004, and the related consolidated statements of operations, stockholders' (deficit), and cash flows for the years ended June 30, 2004 and 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Global Casinos, Inc. and Subsidiaries as of June 30, 2004, and the consolidated results of their operations and their cash flows for the years ended June 30, 2004 and 2003, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has both working capital and stockholder's deficiencies as of June 30, 2004. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Stark Winter Schenkein & Co., LLP
Denver, Colorado
September 30, 2004

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

as of June 30, 2004

ASSETS

CURRENT ASSETS

Cash and cash equivalents \$ 689,461

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Accrued gaming income	51,675
Inventory	9,436
Other	<u>11,687</u>
Total current assets	<u>762,259</u>

Land, building and improvements, and equipment:

Land	517,950
Building and improvements	4,074,448
Equipment	<u>1,567,485</u>
	6,159,883
Accumulated depreciation	<u>(2,380,896)</u>
	<u>3,778,987</u>
	<u>\$ 4,541,246</u>

LIABILITIES AND STOCKHOLDERS'
(DEFICIT)

Current liabilities:

Accounts payable, trade	\$ 30,234
Accounts payable, related parties	270,232
Accrued expenses	167,321
Accrued interest	512,545
Current portion of long-term debt	207,000
Debt in default	417,973
Mandatory redeemable preferred stock, Series A, in default	401,000
Other	<u>120,000</u>
Total current liabilities	<u>2,126,305</u>

Long-term debt, less current portion	<u>2,510,981</u>
--------------------------------------	------------------

Commitments and contingencies

Stockholders' (deficit):

Preferred stock - 10,000,000 shares authorized:

Series B - 8% cumulative, convertible, \$10.00 stated value,
non-voting,

400,000 shares authorized, no shares issued
and outstanding

-

Series C - 7% cumulative, in arrears, convertible, \$1.20
stated value, voting,

600,000 shares authorized, 39,101 shares
issued and outstanding

46,921

Common stock - \$.05 par value, 50,000,000 shares authorized:

2,431,360 shares issued and outstanding

121,568

Additional paid-in capital

12,250,105

Accumulated (deficit)

(12,514,634)

(96,040)\$ 4,541,246

See accompanying notes to the consolidated financial statements.

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

for the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues:		
Casino	\$ <u>3,144,877</u>	\$ <u>2,770,073</u>
Expenses:		
Casino operations	2,537,693	2,333,540
Operating, general, and administrative	<u>153,711</u>	<u>216,285</u>
	<u>2,691,404</u>	<u>2,549,825</u>
Income from operations	<u>453,473</u>	<u>220,248</u>
Other income (expense):		
Interest expense	(201,298)	(223,806)
Gain on debt restructuring	<u>-</u>	<u>493,941</u>
	<u>(201,298)</u>	<u>270,135</u>
Income before provision for income taxes	252,175	490,383
Provision for income taxes	<u>-</u>	<u>-</u>
Net income	252,175	490,383
Preferred dividends	<u>(3,284)</u>	<u>(3,284)</u>
Net income attributable to common stockholders	\$ <u>248,891</u>	\$ <u>487,099</u>
Earnings per common share:		
Basic	\$ <u>0.10</u>	\$ <u>0.20</u>
Diluted	\$ <u>0.10</u>	\$ <u>0.20</u>
Weighted average shares outstanding:		
Basic	<u>2,431,360</u>	<u>2,431,360</u>
Diluted	<u>2,470,461</u>	<u>2,470,461</u>

See accompanying notes to the consolidated financial statements.

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' (DEFICIT)

July 1, 2002 through June 30, 2004

SERIES C

	<u>PREFERRED STOCK</u>		<u>COMMON STOCK</u>		Additional Paid in Capital	Accumulated (Deficit)	<u>Total</u>
	Number of <u>Shares</u>	<u>Amount</u>	Number of <u>Shares</u>	<u>Amount</u>			
Balance as of July 1, 2002	39,101	\$ 46,921	2,431,360	\$ 121,568	\$ 12,250,105	\$(13,250,624)	\$ (832,030)
Dividends on Series C preferred stock	-	-	-	-	-	(3,284)	(3,284)
Net income	-	-	-	-	-	<u>490,383</u>	<u>490,383</u>
Balance as of June 30, 2003	39,101	46,921	2,431,360	121,568	12,250,105	(12,763,525)	(344,931)
Dividends on Series C preferred stock	-	-	-	-	-	(3,284)	(3,284)
Net income	-	-	-	-	-	<u>252,175</u>	<u>252,175</u>
Balance as of June 30, 2004	<u>39,101</u>	<u>\$ 46,921</u>	<u>2,431,360</u>	<u>\$ 121,568</u>	<u>\$ 12,250,105</u>	<u>\$(12,514,634)</u>	<u>\$ (96,040)</u>

See accompanying notes to the consolidated financial statements.

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ <u>252,175</u>	\$ <u>490,383</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	317,587	276,507
Gain from debt restructuring	-	(493,941)
Changes in assets and liabilities:		
Accrued gaming income	(34,447)	118,684
Inventories	6,711	1,504
Accounts payable	41,213	23,371

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Accrued interest	71,275	136,169
Other	<u>10,299</u>	<u>(15,865)</u>
	<u>412,638</u>	<u>46,429</u>
Net cash provided by operating activities	<u>664,813</u>	<u>536,812</u>

See accompanying notes to the consolidated financial statements.

GLOBAL CASINOS, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Consolidation

Global Casinos, Inc. (the "Company or "Global"), a Utah corporation, develops and operates gaming casinos. 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.

Operations

As of June 30, 2004, it had one operating subsidiary, as follows:

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 in Black Hawk, Colorado.

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, 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

We operate in a highly regulated environment subject to the political process. Our retail gaming license is subject to annual renewal by the Colorado Division of Gaming. Changes to existing statutes and regulations could have a negative effect on our operations.

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 accounts payable, accrued expenses, other current liabilities and long-term debt. Except for long-term debt, the carrying value of financial instruments approximated fair value due to their short maturities.

The carrying value of long-term debt approximated fair value because stated 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. As of June 30, 2004, the Company had deposits in excess of the Federal Deposit Insurance Corporation limit of \$100,000 at one financial institution. The balance in the Company accounts totaled \$379,871.

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.

Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal 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. The reported amount for assets to be disposed represent the lower of either the carrying value or the estimated fair value less the cost to sell.

Revenue Recognition

In accordance with industry practice, the Company recognizes as casino revenues the net win from gaming activities, which is the difference between gaming wins and losses.

Advertising Costs

The Company expenses all advertising costs as they are incurred. Advertising costs were \$14,104 and \$19,885 for the years ended June 30, 2004 and 2003, respectively.

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 (Loss) Per Common Share

Earnings (or loss) per share ("EPS") are calculated in accordance with the provisions of SFAS No. 128, *Earnings Per Share*. SFAS No. 128 requires the Company to report both basic earnings per share, which is based on the weighted-average number of common shares outstanding, and diluted earnings per share, which is based on the weighted-average number of common shares outstanding plus all dilutive potential common shares outstanding, except where the effect of their inclusion would be anti-dilutive. Potentially dilutive shares of 528,150 were not included in the calculation of diluted earnings per share for the year ended June 30, 2004, as their inclusion would have been anti-dilutive.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation*. The provisions of SFAS No. 123 allow companies to either expense the estimated fair value of stock options or to continue to follow the intrinsic value method set forth in Accounting Principles Board Opinion 25, *Accounting for Stock Issued to Employees* ("APB 25"), but disclose the pro forma effects on net income (loss) had the fair value of the options been expensed. The Company has elected to continue to measure compensation costs for stock-based compensation as prescribed by APB 25 in accounting for its stock option incentive plans.

Comprehensive Income

SFAS No. 130, *Reporting Comprehensive Income*, established standards for reporting and display of comprehensive income, its components and accumulated balances. For the years ended June 30, 2004 and 2003, there were no differences between reported net income and comprehensive income.

Derivative Instruments and Hedging Activities

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, established requirements for disclosure of derivative instruments and hedging activities. During the periods covered by the financial statements the Company did not have any derivative financial instruments and did not participate in hedging activities.

Segment Information

The Company currently operates in one business segment as determined in accordance with SFAS No. 131, *Disclosure about Segments of an Enterprise and Related Information*. 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

In December 2003, the FASB issued a revised Interpretation No. 46, *Consolidation of Variable Interest Entities (FIN 46R)*, which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R replaces Interpretation No. 46, *Consolidation of Variable Interest Entities*, which was issued in January 2003. The Company will be required to apply FIN 46R to interests in variable interest entities ("VIE") created after December 31, 2003. For variable interests in VIEs created before January 1, 2004, the interpretation will be applied beginning on January 1, 2005. For any VIEs that must be consolidated under FIN 46R that were created before January 1, 2004, the assets, liabilities and non controlling interests of the VIE initially would be measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN 46R first applies may be used to measure the assets, liabilities and noncontrolling interest of the VIE. The adoption of FIN 46R is not expected to have a material impact on the Company's financial statements.

In April 30, 2003, the FASB issued SFAS No. 149, *Amendment of Statement No. 133 on Derivatives Instruments and Hedging Activities*. The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. This Statement is effective for contracts entered into or modified after June 30, 2003, except as stated below, and for hedging relationships designated after June 30, 2003. The guidance should be applied prospectively. The provisions of this Statement that relate to Statement No. 133 Implementation Issues that have been effective for fiscal quarters beginning prior to June 15, 2003, should continue to be applied in accordance with the respective effective dates. In addition, certain provisions relating to forward purchases or sales of "when-issued securities" that do not yet exist, should be applied to existing contracts as well as new contracts entered into after June 30, 2003. The adoption of this standard did not have an impact on the consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equities*, which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equities. SFAS No. 150 applies specifically to a number of financial instruments that issuers have historically presented in their financial statements as equity, or between the liabilities and equity sections of the balance sheet, rather than as liabilities. Generally, SFAS No. 150 is effective for financial instruments issued or modified after May 31, 2003 and is otherwise effective for interim periods beginning after June 15, 2003. The adoption of SFAS No. 150 caused the Company to reclassify certain mandatory redeemable preferred stock to current liabilities.

2. GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Although the Company reported net income for the years ended June 30, 2004 and 2003, it had net losses for several previous fiscal years and has suffered from a lack of working capital. As of June 30, 2004, it had an accumulated deficit of \$12,514,634 and a working capital deficiency of \$1,364,046. The Company is in default on various loan agreements, is delinquent on payments to certain creditors and has ceased operating all but one of its casinos. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company continues its efforts to formulate plans and strategies to address its financial condition and increase profitability. Operating expenses have been reduced and management will continue to address debt currently in default by negotiating with creditors to convert debt to equity, extend maturity dates and reduce payment amounts. The Company continues to explore methods to increase profitability; however, there can be no assurances that management will be successful in their efforts.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts or classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

3. ONSOURCE CORPORATION DIVIDEND

OnSource Corporation ("OnSource"), a Delaware corporation, was organized by Global as a wholly owned subsidiary. The Company formed OnSource to effect a spin-off of its Alaska operations. Global transferred its ownership of the Alaskan operations to OnSource effective July 1, 2001. Global declared a stock dividend under which Global shareholders received their pro-rata share of OnSource common stock.

Global established August 6, 2001 as the record date for determining the shareholders entitled to receive the stock dividend. Global stockholders received one share of OnSource common stock for every ten shares of Global common stock beneficially owned as of August 6, 2001. The OnSource Shares were distributed to Global's shareholders during fiscal year 2004.

4. GAIN FROM DEBT RESTRUCTURING

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During the year ended June 30, 2003, the Company finalized restructuring certain long-term obligations. An investment company holding a note with a principal balance of \$500,582 agreed to waive accrued and unpaid interest in the amount of \$214,796. Two equipment suppliers holding debt with an aggregated principal balance of \$356,525 agreed to reduce the balance to \$77,380, resulting in a gain of \$279,145.

5. NOTES PAYABLE AND LONG-TERM DEBT

At June 30, 2004, notes payable and long-term debt consisted of the following:

Various installment notes payable to equipment suppliers, bearing interest at various rates from 0% to 12%, due in monthly installments aggregating \$30,393, through 2005.	\$ 174,468
Senior mortgages payable to an investment company, collateralized by real estate, interest at 7%, monthly payments of \$6,768 through September 2009. Final payment of \$943,000.	1,009,659
Junior mortgages payable to private lenders, collateralized by real estate, interest at 4%, monthly payments of \$5,452 through September 2009. Final payment of \$956,000.	1,104,658
Note payable to an investment company, collateralized by the Company's interest in Casino USA, interest at 4%. Due in September 2009.	424,465
Unsecured convertible notes, in default, default interest at 12%. Notes are convertible in whole or in part, at the option of the holder, to common stock at a conversion price of \$5.00 per share. Upon the effective date of a registration statement registering the underlying shares of common stock, notes will automatically convert.	136,500
Unsecured loans, in default, interest at 10% to 15%.	281,473
Other	<u>4,732</u>
Total Notes payable and long-term debt	3,135,954
Less current portion of notes payable and long-term debt	(207,000)
Less debt in default	<u>(417,973)</u>
Long-term debt, net	<u>\$ 2,510,981</u>

Scheduled maturities of notes payable and long-term debt for the years ending June 30 are as follows:

Debt in Default	\$ 417,973
2005	207,000

2006	34,201
2007	40,693
2008	37,822
Thereafter	<u>2,398,265</u>
Total	<u>\$ 3,135,954</u>

During the year ended June 30, 2004, the Company entered into installment note agreements with three equipment suppliers for the acquisition of gaming equipment having an aggregate purchase price of \$259,041. The notes bear interest at rates ranging from 0% to 12% and have terms ranging from six months to twelve months. The equipment suppliers retain a security interest in the gaming equipment until the notes are paid in full. At June 30, 2004, these notes had an outstanding balance of \$174,468.

During the year ended June 30, 2003, the Company finalized a restructuring of certain notes payable and long-term debt (the "2002 Restructuring"). The Term Sheet providing for the foregoing was executed by Global Casinos, Casinos USA, and the holders of all debt instruments except for the holders of approximately \$200,000 in subordinated mortgage notes. With respect to those junior lienholders, the Company nevertheless began making revised payments based upon the restructured interest of those subordinated mortgage notes. The Company takes the position that by their acquiescence, those subordinated note holders are deemed to be bound by the terms of the Term Sheet.

6. STOCKHOLDERS' (DEFICIT)

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. It contains 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. The Company is in default of the mandatory redemption feature of the outstanding shares. The conversion privileges originally included with the stock have expired.

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%.

On June 30, 2001, all outstanding shares of Series B preferred stocks were converted into a non-recourse promissory note payable by Global Alaska Industries, Inc. ("GAI") with a principal balance of \$2,385,000. The Company's interest in GAI was transferred to OnSource Corporation as part of the spin-off effective July 1, 2001.

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%.

Effective October 1, 2001, holders of 448,070 outstanding shares of Series C preferred stock agreed to exchange their Series C shares and their cumulative unpaid dividends and interest for promissory notes with an aggregate principal balance of \$640,941. They further agreed that the promissory notes would be assigned to and assumed by OnSource as part of the spin-off. As of June 30, 2004, there were 39,101 Series C preferred shares outstanding. The aggregate value of cumulative preferred dividends in arrears was \$17,918, or \$0.46 per share.

Common Stock

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

Warrants To Purchase Common Stock

In October 1996, in connection with a private placement of convertible debt, the Company issued 126,050 Class E Warrants, exercisable at \$6.00 per share; 126,050 Class F Warrants, exercisable at \$7.00 per share; and 126,050 Class G Warrants, exercisable at \$8.00 per share. The Class, E, F and G warrants expire 30, 60 and 90 days after the effective registration of the underlying common shares with the SEC.

7. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases approximately 4,200 square feet of space used as its corporate offices. The lease requires monthly payments of approximately \$3,500 and terminates in July of 2006. Gunpark Management, LLC pays the rent and charges the Company \$1,000 per month for its pro rata share of the facility.

Minimum lease payments for future fiscal years are as follows:

2005	\$ 42,000
2006	43,000
2007	<u>4,000</u>
Total	<u>\$ 89,000</u>

Net rent expense after giving effect to sublease income received, was approximately \$12,000 for the year ended June 30, 2004 and \$14,000 for the year ended June 30, 2003.

Option to Purchase Casinos USA

Among other terms and conditions, the Company agreed to grant an option to the senior creditor to purchase 100% of the common stock of Casinos USA for \$100. The option can be exercised any time after March 17, 2005. Global can redeem the option by paying in full the principal and interest balance on the \$500,582 promissory note. Global does not currently have the capital resources to retire the promissory note payable. It will attempt to generate the funds internally or through a capital infusion. Should it fail to retire the debt before March 17, 2005, the creditor will be able to purchase Casinos USA, including the assets and operations of the Bull Durham for \$100. As the Bull Durham constitutes all of the Company's operations, such an event would have a material adverse effect on the Company and its ability to retire its obligations.

Securities and Exchange Commission

On September 24, 1998, the Company and a former director entered into a voluntary consent decree with the Securities and Exchange Commission, pursuant to which an administrative order was entered by the Commission directing the Company and the former director to cease and desist from anti-fraud violations of the federal securities laws in the future.

On June 1, 1998, the Commission brought an administrative proceeding against a related party and certain of its directors, alleging certain violations of federal securities laws. Two of the individuals were also directors of the Company, who subsequently resigned as directors of Global. The matters at issue in the administrative proceeding do not involve the Company and management does not believe that it will have a material adverse effect. Nevertheless, the proceeding involves two of the Company's prior directors and the ultimate outcome of this matter is uncertain.

8. INCOME TAXES

The Company and its subsidiaries are subject to income taxes on income arising in, or derived from, the tax jurisdictions in which they operate.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are comprised mainly of net operating loss carry-forwards.

The reconciliation between the statutory federal tax rate and the effective tax rate as a percentage is as follows:

	<u>2004</u>	<u>2003</u>
Statutory federal income tax rate	34%	34%
Effect of net operating loss carry-forward	<u>(34)</u>	<u>(34)</u>
	<u>-%</u>	<u>-%</u>

At June 30, 2004, the Company had net operating loss carry forwards of approximately \$7,540,000 available to reduce future taxable income. The net operating loss carry forwards expire in the years ending June 30 as follows:

2009	\$1,647,000
2010	1,217,000
2011	518,000
2012	790,000
2013	1,985,000
2014	316,000
2015	985,000
2016	—
	82,000
	<u>\$7,540,000</u>

When more than a 50% change in ownership occurs, over a three-year period, as defined, the Tax Reform Act of 1986 limits the utilization of net operating loss (NOL) carry forwards in the years following the change in ownership. Therefore, the Company's utilization of its NOL carry forwards may be partially reduced as a result of changes in stock ownership. No determination has been made as of June 30, 2004, as to what implications, if any, there will be in the net operating loss carry forwards of the Company. The deferred tax asset of approximately \$2,600,000 related to the operating loss carry-forward has been fully reserved at June 30, 2004.

9. STOCK INCENTIVE PLAN

The Company has a Stock Incentive Plan (the "Incentive Plan"), that allows the Company to grant incentive stock options and/or purchase rights (collectively "Rights") to officers, employees, former employees and consultants of the Company and its subsidiaries. The Company has reserved 150,000 shares of common stock for issuance under these Plans. The options expire five years from the date of grant.

SFAS 123 requires the Company to provide pro forma information regarding net income and earnings per share as if compensation cost for the Company's stock option plans had been determined in accordance with the fair value based method prescribed in SFAS 123. The fair value of the option grants is estimated on the date of grant utilizing the Black-Scholes option pricing model with the following weighted average assumptions for grants during the year ended June 30, 2003: expected life of options of 4 years, expected volatility of 168%, risk-free interest rate of 2% and no dividend yield. The weighted average fair value at the date of grant for options granted during the year ended June 30, 2003 approximated \$0.03 per option. No options were granted during the year ended June 30, 2004.

A summary of stock option activity is as follows:

	Number of	Weighted average exercise	Weighted average fair
	<u>shares</u>	<u>price</u>	<u>value</u>
Balance at			
June 30, 2002	100,000	\$ 0.14	
Granted	50,000	\$ 0.13	\$ 0.03
Forfeited	<u>-0-</u>		
Balance at			
June 30, 2003	150,000	\$ 0.13	
Granted	<u>-0-</u>	-	-
Balance at			
June 30, 2004	<u>150,000</u>	\$ 0.13	

The following table summarizes information about fixed-price stock options at June 30, 2004:

Outstanding

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	Weighted Average Number	Weighted Average Contractual Life	Weighted- Average Exercise Price	<u>Exercisable</u> Number	Exercise Price
Exercise Prices	<u>Outstanding</u>	<u>Life</u>	<u>Price</u>	<u>Exercisable</u>	<u>Price</u>
\$0.13	100,000	3.2 years	\$0.13	100,000	\$0.13
\$0.15	<u>50,000</u>	2.5 years	\$0.15	<u>50,000</u>	\$0.15
	<u>150,000</u>			<u>150,000</u>	

The following pro forma net income and earnings per share for 2004 and 2003 would result had the Company's compensation cost been determined using the fair value based accounting provisions of SFAS No. 123:

	<u>2004</u>	<u>2003</u>
Net Income reported	\$252,175	\$490,383
Net Income pro forma	\$252,175	\$488,883
Earnings per share reported	\$0.10	\$0.20
Earnings per share pro forma	\$0.10	\$0.20

10. 401(k) SAVING AND PROFIT SHARING PLAN

On July 1, 1997, the Company started a Retirement Savings and Investment Plan (the "401(k) Plan") for its employees that is intended to qualify under Section 401(k) of the Internal Revenue Code. Qualified employees may participate in the Company's 401(k) Plan by contributing up to 10% of their gross earnings to the plan, subject to certain Internal Revenue Code restrictions. The Company matches an amount equal to 100% of each participant's contribution up to a maximum of 5% of their earnings. Company contributions for the years ended June 30, 2004 and 2003 were \$2,006 and \$13,620, respectively.

11. RELATED PARTY TRANSACTIONS

An officer and director provides certain management, accounting, and administrative services to the Company. During the years ended June 30, 2004 and 2003, his billings to the Company totaled \$36,892 and \$52,921 respectively.

A director operates a law firm that provides legal services to the Company. During the years ended June 30, 2004 and 2003, his billings to the Company totaled \$18,485 and \$40,463 respectively.

Gunpark Management, LLC provides management, clerical and administrative services to the Company. Gunpark Management is an affiliate of Mr. Jennings, who is a 50% managing member. During fiscal years 2004 and 2003, the Company paid Gunpark Management fees in the aggregate amount of \$36,000 and \$23,500, respectively.

12. SUBSEQUENT EVENTS

In August 2004, two directors and an affiliate of a director converted an aggregate of \$60,000 in outstanding accrued and unpaid fees into 300,000 shares of common stock at a conversion price of \$.20 per share. The shares were taken for investment purposes and were subject to restrictions on transfer. The shares were issued without registration under the Securities Act of 1933, as amended, in reliance upon the exemption from the registration requirements thereof contained in Section 4(2) thereunder.

In September 2004, the Company sold to three investors an aggregate of 250,000 units at a price of \$.10 per unit. Each unit consisted of one share of common stock and one warrant exercisable for a period of 15 months to purchase one additional share of common stock at an exercise price of \$.15. The securities were taken for investment purposes and were subject to restrictions on transfer. The securities were issued without registration under the Securities Act of 1933, as amended in reliance upon Section 4(2) and Regulation D, Rule 504 thereunder.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 8A. CONTROLS AND PROCEDURES

Frank L. Jennings, Principal Executive and Financial Officer of Global Casinos, Inc., has established and is currently maintaining disclosure controls and procedures for the Company. The disclosure controls and procedures have been designed to ensure that material information relating to the Company is made known to him as soon as it is known by others within the Company.

Our Principal Executive and Financial Officer conducts an update and a review and evaluation of the effectiveness of the Company's disclosure controls and procedures and has concluded, based on his evaluation within 90 days of the filing of this Report, that our disclosure controls and procedures are effective for gathering, analyzing and disclosing the information we are required to disclose in our reports filed under the Securities Exchange Act of 1934. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the previously mentioned evaluation.

ITEM 8B. OTHER INFORMATION

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Directors and Executive Officers

The name, position with the Company, age of each Director and executive officer of the Company is as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Director/Officer Since</u>
Frank L. Jennings	53	Chief Executive/Financial Officer & Director	2001
Clifford L. Neuman	56	Director	1997

Frank L. Jennings

has served as Executive and Chief Financial Officer since 2001. He previously served as Vice President and Chief Financial Officer for American Educational Products from 1994 to 2001. Mr. Jennings has served as President and a director of The Family Extension, Inc., and a Colorado non-profit corporation. He received his BA degree in Economics from Austin College and his MBA in Finance from Indiana University.

Clifford L. Neuman

has served as a Director of the Company since 1997 and has been reelected annually. Mr. Neuman is a licensed, practicing attorney and a partner in the law firm of Clifford L. Neuman P.C., with offices located in Boulder and Denver, Colorado. Mr. Neuman received his Bachelor of Arts degree from Trinity College in 1970 and his Jurist Doctorate degree from the University of Pennsylvania School of Law in 1973.

All directors serve until their successors have been duly elected and qualified and are subject to reelection at the Company's regular Annual Meeting of Shareholders, unless they earlier resign.

Board Meeting and Compensation

During the fiscal year ended June 30, 2004 meetings of the Board of Directors were held both in person and telephonically, and business of the board was also conducted by written unanimous consent. All Board members attended 100% of the Board meetings. Directors are entitled to reimbursement of their expenses associated with attendance at such meeting or otherwise incurred in connection with the discharge of their duties as a Director. The Board of Directors has adopted a compensation plan for outside directors beginning fiscal year 2000 pursuant to which such persons are entitled to a fee of \$1,000 per meeting attended and to receive, for each year of service, non-qualified stock options exercisable to purchase 10,000 shares of the Company's Common Stock. The exercise price of the options is the closing bid price of the Company's Common Stock on the date of grant, and the options are exercisable for a period of five (5) years. No compensation was paid or granted during fiscal 2004 or 2003. Directors who are also executive officers of the Company receive no additional compensation for their services as directors.

During fiscal 2004 the entire Board of Directors assumed all responsibilities of the Audit, Compensation and Nominating Committees. The board had no formal standing committees, but plans to create those committees during fiscal 2005. No member of the Audit, Compensation or Nominating Committees will receive any additional compensation for his service as a member of that Committee.

Audit Committee

The audit committee will be composed of the following directors:

Frank L. Jennings
Clifford L. Neuman

The Board of Directors has determined that Messrs. Jennings and Neuman are not "independent" within the meaning of the National Association of Securities Dealers, Inc.'s listing standards. For this purpose, an audit committee member is deemed to be independent if he does not possess any vested interests related to those of management and does not have any financial, family or other material personal ties to management.

The Board of Directors has determined that none of the members of the audit committee will qualify as an "audit committee financial expert" within the meaning of Item 401(e)(2) of Regulation SB. The audit committee lacks an audit committee financial expert due principally to its historical lack of funds necessary to compensate such a person. The Board of Directors intends to identify and appoint a person who qualifies as an audit committee financial expert during the current fiscal year.

During the fiscal year ended June 30, 2004, the audit committee had no meetings. The committee is responsible for accounting and internal control matters. The audit committee:

- reviews with management, the internal auditors and the independent auditors policies and procedures with respect to internal controls;
- reviews significant accounting matters;
- approves any significant changes in accounting principles of financial reporting practices;
- reviews independent auditor services; and
- recommends to the board of directors the firm of independent auditors to audit our consolidated financial statements.

In addition to its regular activities, the committee is available to meet with the independent accountants, controller or internal auditor whenever a special situation arises.

The Audit Committee of the Board of Directors will adopt a written charter, which when adopted will be filed with the Commission.

Compensation Advisory Committee

The compensation advisory committee will be composed of the following directors:

Frank L. Jennings
Clifford L. Neuman

The compensation advisory committee did not meet during fiscal 2004. The compensation advisory committee:

- recommends to the board of directors the compensation and cash bonus opportunities based on the achievement of objectives set by the compensation advisory committee with respect to our chairman of the board and president, our chief executive officer and the other executive officers;

- administers our compensation plans for the same executives;
- determines equity compensation for all employees;
- reviews and approves the cash compensation and bonus objectives for the executive officers; and
- reviews various matters relating to employee compensation and benefits.

Nomination Process

The Board of Directors has not appointed a standing nomination committee and does not intend to do so during the current year. The process of determining director nominees has been addressed by the board as a whole, which consists of four members. The board has not adopted a charter to govern the director nomination process.

Of the currently serving two directors, Messrs. Jennings and Neuman would not be deemed to be independent within the meaning of the National Association of Securities Dealers, Inc.'s listing standards. For this purpose, a director is deemed to be independent if he does not possess any vested interests related to those of management and does not have any financial, family or other material personal ties to management.

The board of directors has not adopted a policy with regard to the consideration of any director candidates recommended by security holders, since to date the board has not received from any security holder a director nominee recommendation. The board of directors will consider candidates recommended by security holders in the future. Security holders wishing to recommend a director nominee for consideration should contact Mr. Frank L. Jennings, Chief Executive Officer and Chief Financial Officer, at the Company's principal executive offices located in Boulder, Colorado and provide to Mr. Jennings, in writing, the recommended director nominee's professional resume covering all activities during the past five years, the information required by Item 401 of Regulation SB, and a statement of the reasons why the security holder is making the recommendation. Such recommendation must be received by the Company before June 30, 2005.

The board of directors believes that any director nominee must possess significant experience in business and/or financial matters as well as a particular interest in the Company's activities.

All director nominees identified in this proxy statement were recommended by our President and Chief Financial Officer and unanimously approved by the board of directors.

Shareholder Communications

Any shareholder of the Company wishing to communicate to the board of directors may do so by sending written communication to the board of directors to the attention of Mr. Frank L. Jennings, Chief Executive Officer and Chief Financial Officer, at the principal executive offices of the Company. The board of directors will consider any such written communication at its next regularly scheduled meeting.

Any transactions between the Company and its officers, directors, principal shareholders, or other affiliates have been and will be on terms no less favorable to the Company than could be obtained from unaffiliated third parties on an arms-length basis and will be approved by a majority of the Company's independent, outside disinterested directors.

Code of Ethics

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Our Board of Directors adopted a Code of Business Conduct and Ethics for all of our directors, officers and employees subsequent to fiscal year ended June 30, 2004. We will provide to any person without charge, upon request, a copy of our Code of Business Conduct and Ethics. Such request should be made in writing and addressed to Investor Relations, Global Casinos, Inc. 5455 Spine Road, Suite C, Boulder, Colorado 80301. Further, our Code of Business Conduct and Ethics is being filed herewith as an exhibit to this Annual Report on Form 10-KSB.

No family relationship exists between any director and executive officer.

In 1998, the Securities and Exchange Commission (the "Commission") commenced an administrative proceeding against The Rockies Fund, Inc. and its directors, Stephen G. Calandrella, Clifford C. Thygesen and Charles Powell. Until 2001, Messrs. Calandrella and Thygesen were also directors of the Company. In the administrative action, the Commission has alleged certain violations of federal securities laws and regulations by The Rockies Fund, Inc. and its directors. The allegations involve certain violations of the Investment Company Act of 1940, as amended, under which The Rockies Fund, Inc. is a regulated business development company, as well as violations of the Securities Exchange Act of 1934, as amended, and regulations thereunder arising from certain transactions in the securities of another company unrelated to the Company. The Rockies Fund, Inc. and its directors have adamantly denied any violations of federal securities laws and have informed the Company that they intend to vigorously defend the matter. In November 1998, the matter went to hearing before an administrative law judge and a preliminary finding was issued in March 2001. In its Initial Decision, the Administrative Law Judge found that the Rockies Fund and its directors, including Messrs. Calandrella and Thygesen, had violated federal securities laws. The matter is presently on appeal. While there can be no assurance of the ultimate outcome of this matter or its potential effect upon the Company, Management does not believe that it will have an adverse material impact.

In response to this administrative proceeding and the initial decision of the Administrative Law Judge, Messrs. Calandrella and Thygesen resigned as officers and directors of the Company. In addition, the restructuring of our gaming operations, the transfer of our gaming license from Global Casinos to Casinos, U.S.A. and other matters addressed in the Astraea Term Sheet were undertaken, in part, at the request of the Division of Gaming in response to the results of this administrative proceeding. Furthermore, the Division of Gaming requested that Messrs. Jennings and Neuman, while not involved in the administrative proceeding, resign as officers and directors of Casinos, U.S.A. due to their prior affiliations with Messrs. Calandrella and Thygesen. Effective November 1, 2002, concurrently with the transfer of the gaming license to Casinos, U.S.A., Messrs. Jennings and Neuman resigned as officers and directors of Casinos, U.S.A. and were replaced by Barbara Fahey and Pete Bloomquist, persons unaffiliated with prior management of the Company.

Other than the foregoing, there are no material proceedings to which any director, officer or affiliate of the Company, any owner of record or beneficially of more than five percent (5%) of any class of voting securities of the Company, or any associate of any such director, officer, affiliate of the Company, or security holder is a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries.

Except as noted herein or below, during the last five- (5) years no director or officer of the Company has:

(1) had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(2) been convicted in a criminal proceeding or subject to a pending criminal proceeding;

(3) been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

(4) been found by a court of competent jurisdiction in a civil action, the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Any transactions between the Company and its officers, directors, principal shareholders, or other affiliates have been and will be on terms no less favorable to the Company than could be obtained from unaffiliated third parties on an arms-length basis and will be approved by a majority of the Company's independent, outside disinterested directors.

Indemnification and Limitation on Liability of Directors

The Company's Articles of Incorporation provide that the Company shall indemnify, to the fullest extent permitted by Utah law, any director, officer, employee or agent of the corporation made or threatened to be made a party to a proceeding, by reason of the former or present official of the person, against judgments, penalties, fines, settlements and reasonable expenses incurred by the person in connection with the proceeding if certain standards are met. At present, there is no pending litigation or proceeding involving any director, officer, employee or agent of the Company where indemnification will be required or permitted. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

The Company's Articles of Incorporation limit the liability of its directors to the fullest extent permitted by the Utah Business Corporation Act. Specifically, directors of the Company will not be personally liable for monetary damages for breach of fiduciary duty as directors, except for (i) any breach of the duty of loyalty to the Company or its stockholders, (ii) acts or omissions not in good faith or that involved intentional misconduct or a knowing violation of law, (iii) dividends or other distributions of corporate assets that are in contravention of certain statutory or contractual restrictions, (iv) violations of certain laws, or (v) any transaction from which the director derives an improper personal benefit. Liability under federal securities law is not limited by the Articles. The officers of the Company will dedicate sufficient time to fulfill their fiduciary obligations to the Company's affairs. The Company has no retirement, pension or profit sharing plans for its officers and Directors.

Compliance with Section 16(a) of the Exchange Act

Under the Securities Laws of the United States, the Company's Directors, its Executive (and certain other) Officers, and any persons holding more than ten percent (10%) of the Company's common stock are required to report their ownership of the Company's common stock and any changes in that ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established and the Company is required to report in this report any failure to file by these dates. All of these filing requirements were satisfied by its Officers, Directors, and ten-percent holders. In making these statements, the Company has relied on the written representation of its Directors and Officers or copies of the reports that they have filed with the Commission.

ITEM 10.

EXECUTIVE COMPENSATION

The following tables and discussion set forth information with respect to all plan and non-plan compensation awarded to, earned by or paid to the Chief Executive Officer ("CEO"), and the Company's four (4) most highly compensated executive officers other than the CEO, for all services rendered in all capacities to the Company and its subsidiaries for each of the Company's last three (3) completed fiscal years; provided, however, that no disclosure has been made for any executive officer, other than the CEO, whose total annual salary and bonus does not exceed \$100,000.

TABLE 1
SUMMARY COMPENSATION TABLE

Name and Principal <u>Position</u>	Fiscal <u>Year</u>	Annual Compensation		Long Term Compensation
		<u>Salary(\$)</u>	Other Annual Compensation <u>(\$)(¹)</u>	Options SARs (#)
Frank L Jennings, Chief Executive & Financial Officer	2004	\$36,000	\$-0-	-0-
	2003	⁽²⁾	\$-0-	-0-
		\$36,000 ⁽²⁾		

1. No executive officer received perquisites and other personal benefits, which, in the aggregate, exceeded the lesser of either \$50,000 or 10% of the total of annual salary and bonus paid during the respective fiscal years.
2. Mr. Jennings is not an employee of the Company and therefore received no salary from the Company during 2004 or 2003. Mr. Jennings is an employee of Gunpark Management, LLC, a company that provides certain management, accounting, clerical and other administrative services to the Company. The amounts listed in the above table represent amounts received by Mr. Jennings for services provided to the Company.

Company Stock Incentive Plans

In 1993, the Board of Directors and the Shareholders of the Company adopted the Global Casinos, Inc., Stock Incentive Plan (the "Incentive Plan"). The Incentive Plan allows the Company to grant incentive stock options non-qualified stock options and/or stock purchase rights (collectively "Rights") to officers, employees, former

employees and consultants of the Company and its subsidiaries. Options granted to eligible participants may take the form of Incentive Stock Options ("ISO's") under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") or options which do not qualify as ISO's ("Non-Qualified Stock Options" or "NQSO's"). As required by Section 422 of the Code, the aggregate fair market value (as defined by the Incentive Plan) of the Company's Common Stock (determined as of the date of grant of ISO) with respect to which ISO's granted to an employee are exercisable for the first time in any calendar year may not exceed \$100,000. The foregoing limitation does not apply to NQSO's. Rights to purchase shares of the Company's Common Stock may also be offered under the Incentive Plan at a purchase price under terms determined by the Incentive Plan Administrator.

Either the Board of Directors (provided that a majority of Directors are "disinterested" can administer the Incentive Plan, or the Board of Directors may designate a committee comprised of Directors meeting certain requirements to administer the Incentive Plan. The Administrator will decide when and to whom to make grants, the number of shares to be covered by the grants, the vesting schedule, the type of awards and the terms and provisions relating to the exercise of the awards.

An aggregate of 150,000 shares of the Company's Common Stock is reserved for issuance under the Incentive Plan. As of June 30, 2004, options to purchase 150,000 shares of Common Stock were issued and outstanding with a weighted average exercise price of \$0.14 per share. No shares were available for future option grants.

The following table sets forth certain information concerning the granting of incentive stock options during the last completed fiscal year to each of the named executive officers and the terms of such options:

TABLE 2
Option