

GLOBAL CASINOS INC  
Form SB-2  
March 09, 2005

As filed with the Securities and Exchange Commission on March 9, 2005  
Registration No. \_\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM SB-2

REGISTRATION STATEMENT  
UNDER  
SECURITIES ACT OF 1933

GLOBAL CASINOS, INC.

*(Name of Small Business Issuer in Its Charter)*

Utah

7993

87-0340206

(State or Other Jurisdiction

(Primary Standard Industrial

IRS Employer

of Incorporation or Organization)

Classification Code Number)

Identification Number

5455 Spine Road, Suite C  
Boulder, CO 80301  
(303) 527-2903

*(Address and Telephone Number of Principal Executive Offices)*

5455 Spine Road, Suite C  
Boulder, CO 80301  
(303) 527-2903

*(Address of Principal Place of Business)*

Frank L. Jennings, Chief Executive Officer  
5455 Spine Road, Suite C  
Boulder, CO 80301  
(303) 527-2903

*(Name, Address and Telephone Number of Agent For Service)*

Copies to:  
Clifford L. Neuman, Esq.  
Clifford L. Neuman, PC  
1507 Pine Street  
Boulder, Colorado 80302  
(303) 449-2100

Approximate Date of Proposed Sale to Public:

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As soon as practicable after the effective date of the Registration Statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

Calculation of Registration Fee

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share <sup>(1)</sup>	Proposed Maximum Aggregate Offering Price <sup>(1)</sup>	Amount of Registration Fee
Common Stock, \$.05 par value	250,000	\$ <u>1.21</u> <sup>(2)</sup>	\$ <u>302,500</u>	
Common Stock, \$.05 par value, issuable upon conversion of debentures	1,000,000 <sup>(2)(3)</sup>	\$1.21 <sup>(2)</sup>	\$ <u>1,210,000</u>	\$_____
Common Stock, \$.05 par value, issuable upon exercise of warrants:	1,128,150 <sup>(2)(3)</sup>	\$____ <sup>(2)</sup>	\$1,365,061.50	\$_____
<b>TOTAL:</b>	2,378,150		\$2,877,561.50	\$ <u>338.69</u>

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457.

(2) Calculated in accordance with Rule 457(c) under the Securities Act on the basis of the aggregate market value of the shares of common stock underlying the debentures and warrants.

(3)

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Pursuant to Rule 416, there are also being registered such additional shares of common stock as may become issuable pursuant to the adjustment provisions of the debentures and the warrants.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

### Global Casinos, Inc. Cross-Reference Index

Item No. and Heading	Location
In Form SB-2	<u>in Prospectus</u>
<u>Registration Statement</u>	
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus	Forepart of Registration Statement and Outside Front Cover Page of Prospectus
2. Inside Front and Outside Back Cover Pages of Prospectus	Inside Front and Outside Back Cover Pages of Prospectus
3. Summary and Risk Factors	Prospectus Summary; Risk Factors
4. Use of Proceeds	Use of Proceeds; Risk Factors
5. Determination of Offering Price	*
6. Selling Securityholders	Selling Securityholders
7. Plan of Distribution	Plan of Distribution
8. Legal Proceedings	Legal Proceedings

9.	Directors, Executive Officers, Promoters and Controlling Persons	Management
10.	Security Ownership of Certain Beneficial Owners and Management	Security Ownership of Management and Principal Stockholders
11.	Description of Securities	Description of Securities
12.	Interest of Named Experts and Counsel	Legal Matters; Experts
13.	Disclosure of SEC Position on Indemnification for Securities Act Liabilities	Management - Indemnification and Limitation on Liability of Directors
14.	Organization Within Last Five Years	*
15.	Description of Business	Prospectus Summary; Risk Factors; Business
16.	Management's Discussion and Analysis or Plan of Operation	Management's Discussion and Analysis of Financial Condition and Results of Operations; Financial Statements; Business
17.	Description of Property	Business
18.	Certain Relationships and Related Transactions	Certain Transactions
19.	Market for Common Equity and Related Stockholder Matters	Market for Common Stock

- |     |  |                                     |
|-----|--|-------------------------------------|
| 20. | Executive Compensation   | Management - Executive Compensation |
| 21. | Financial Statements   | Financial Statements                |
| 22. | Changes in and Disagreements with Accountants on Accounting and Financial Disclosure | *                                   |

\* Omitted from Prospectus because Item is inapplicable or answer is in the negative

**Prospectus**

GLOBAL CASINOS, INC.

2,378,150 Shares Common Stock

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This is an offering of shares of the common stock of Global Casinos, Inc. by persons and companies that were issued common stock, debentures that are convertible into shares of our common stock and warrants to purchase shares of our common stock in private offerings. The common stock underlying the debentures and warrants may be sold once the debentures are converted or the warrants exercised in accordance with their terms.

Our common stock is traded on the Over-the-Counter Market and quoted on the OTC Electronic Bulletin Board under the symbol "GBCS." On March 3, 2005, the bid and asked prices of our common stock as quoted on the Bulletin Board were \$1.10 and \$1.20, respectively.

Investing in our common stock involves a high degree of risk. You should read the "Risk Factors" beginning on Page \_\_\_.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Date of This Prospectus is \_\_\_\_\_, 2005.

Prospectus Summary

About our Company

We operate in the domestic gaming industry through a wholly-owned subsidiary, which owns and operates the Bull Durham Saloon & Casino located in Black Hawk, Colorado. We are organized as a holding company because in the past we operated multiple casinos and gaming properties and had other related interests. We were organized under the laws of the State of Utah on June 8, 1978.

The Bull Durham is located approximately one hour from Denver, Colorado in the mountain town of Black Hawk. We have 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. Our subsidiary owns the building in which the Bull Durham operates, subject to three deeds of trust securing a total of \$2,051,000 in debt. We operate 188 slot machines at the casino.

Our executive offices are located at 5455 Spine Road, Suite C, Boulder, CO 80301. Our telephone number is (303) 527-2903.

About the Offering

- \* This is an offering by Selling Securityholders of 250,000 shares of common stock that they own, 1,000,000 shares of common stock that they may acquire by converting debentures and 1,128,150 shares of common stock that they may acquire by exercising warrants. The common stock, debentures and warrants were acquired in private offerings that occurred between August, 2004 and January 2005.
- \* The Selling Securityholders may sell the shares of common stock covered by this prospectus when they have either converted the debentures or exercised the warrants.
- \* We will not receive any proceeds from the resale of common stock by the Selling Securityholder.
- \* We may receive proceeds from the exercise of the warrants, which would be used for general working capital.
- \* The Selling Securityholder may offer its shares from time to time either in privately negotiated transactions or in public market transactions.

* Shares Outstanding Before Offering	3,141,360
* Shares Outstanding After Offering	5,269,510
* Shares Offered by Selling Securityholders	2,378,150

## Summary Financial Data

Our historical operating information may not be indicative of our future operating results.

Statement of Operations Data:	Fiscal Year Ended	Six Month Period Ended
	<u>June 30, 2004</u>	<u>December 31, 2004</u>
Total Revenues	\$ 3,144,877	\$ 1,966,555
Operating expenses	<u>2,691,404</u>	<u>1,543,395</u>
Operating income	453,473	423,160
Other income (expense)	(201,298)	608,088
Income tax provision	-	-
Net income applicable to common stockholders	248,891	1,029,606
Basic earnings per share	\$ .10	\$ .37
Diluted earnings per share	\$ .10	\$ .34
	<u>At June 30, 2004</u>	<u>At December 31, 2004</u>
Balance Sheet Data		
Working capital (deficit)	\$ (1,364,046)	\$ 266,770
Total assets	4,541,246	4,865,286
Stockholders' equity (deficit)	(96,040)	1,530,566

## RISK FACTORS

An investment in our securities is speculative and involves a high degree of risk. Please carefully consider the following risk factors, as well as the possibility of the loss of your entire investment, before deciding to invest in our securities.

Our independent auditors have expressed substantial doubt regarding our ability to continue as a going concern.

Although we reported net income for the years ended June 30, 2004 and 2003, and the six month period ended December 31, 2004, we had net losses for several previous fiscal years and we have suffered from a lack of working capital. As of June 30, 2004, we had an accumulated deficit of \$12,514,634 and a working capital deficiency of \$1,364,046. We are delinquent on payments to certain creditors and have ceased operating all but one of our casinos. In recognition of such, our independent auditors included an explanatory paragraph in their report on our financial statements for the fiscal year ended June 30, 2004 that expressed substantial doubt regarding our ability to continue as a going concern.

We will require additional capital and have no commitments for funding.

Our operations consist solely of the Bull Durham casino. We believe this operation can be self-sustaining. However, it is not expected to be sufficiently profitable to fund the capital resource needs of the parent company. These conditions make it unlikely that we could take advantage of future opportunities without a significant capital infusion. We will have to obtain such additional capital through borrowings or from additional equity financing. Additional future equity financing may occur through the sale of either unregistered common stock in exempt offerings or through the public offering of registered stock. In any case, such additional equity financing may result in additional dilution to investors. There can be no assurance that any additional capital, funding or revenues can satisfactorily be arranged. We have no arrangements for the acquisition of additional capital.

We have leveraged our sole casino to secure repayment of debentures. If we default in the repayment of the debentures, we could forfeit our sole productive asset.

In January 2005, we sold an aggregate of \$500,000 in convertible debentures in a private offering. We used the proceeds of the debenture offering to retire an outstanding note payable to Astraea Investment Management, L.P., and to redeem an option which Astraea had to purchase Bull Durham Casino. Repayment of the debentures, which accrue interest at 12% per annum, is secured by 100% of our shares of common stock of Casinos, USA, Inc., which owns our sole gaming property, the Bull Durham. If we default in the repayment of those debentures, the debenture holders could foreclose on their collateral and we would lose our sole producing asset.

We have not paid several of our debt obligations, and we do not expect to generate sufficient funds from operations to pay those obligations.

We have not paid several unsecured loans and loan agreements and other debt obligations. We do not expect to generate sufficient funds from operations to cover those matters. While we believe that much of this debt is time barred and therefore extinguished, there can be no assurance that a statute of limitations defense will be upheld. We continue to address debt 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. Should any of our creditors initiate action against us to collect upon their debts, it could have a material adverse effect on our financial condition.

### Risks Related to our Gaming Operations

If we fail to comply with gaming regulations, we could lose our gaming license or be subject to substantial fines.



The operation of a casino gaming facility in Colorado requires a Colorado Limited Gaming License. A Colorado gaming license is a non-transferable, revocable privilege in which the licensee acquires no vested interest. The Colorado Gaming Commission could choose not to renew that license if it has concerns about our management, operations, business practices or associations. Additionally, any violation of gaming laws or regulations could result in the assessment of substantial fines against us and the persons involved. The suspension, revocation or non-renewal of any of our licenses or the levy on us of substantial fines could have a material adverse effect on our business, financial condition and results of operations.

Holders of our stock are subject to investigation by the Colorado Gaming Commission.

The Colorado Gaming Commission requires that any beneficial owner of five percent or more of our securities, including holders of our common stock, file an application for a finding of suitability. The gaming authority has the power to investigate an owner's suitability and the owner must pay all costs of the investigation. If the owner is found unsuitable, then the owner may be required by law to dispose of our securities.

Changes in regulatory environment could have a material adverse effect on our operating results.

From time to time, legislators and special interest groups have proposed legislation that would expand, restrict or prevent gaming operations or which may otherwise adversely impact our operations. Any expansion of gaming or restriction on or prohibition of our gaming operations could have a material adverse effect on our operating results.

We face substantial competition from other gaming operations and other forms of gaming that could have a material adverse effect on our future operations.

We operate in a very competitive environment. Casinos offering hotel accommodations for overnight stays may have a competitive advantage over our casino. In addition, many of the casinos in Black Hawk are operated by large companies with multi-state operations and substantial resources. Our casino also indirectly faces competition from other forms of gaming, including the Colorado state-run lottery, multi-state lottery, online computer gaming, charitable bingo and horse and dog racing, as well as other forms of entertainment.

Additional legalization of gaming in Colorado could adversely affect our business.

Additional legalization of gaming in or near any area from which our casino draws customers would adversely affect our business. Colorado law requires statewide voter approval for any expansion of limited gaming into additional locations and depending on the authorization approved by the statewide vote, may also require voter approval from the locality in question. Several attempts have been made by various parties in recent years to expand gaming in Colorado. However, to date none of this legislation has passed. However, there can be no assurance that such legislation will not be implemented in Colorado. If such legislation is approved by the Colorado legislature or Colorado voters, it would likely have a material adverse impact on our future operating results.

***Construction of a new roadway from Interstate 70 to Central City could result in fewer visitors to our casino.***

Historically, Black Hawk has enjoyed an advantage over Central City, a city close to Black Hawk with legalized limited stakes gaming, because the majority of customers have to drive by and through Black Hawk to reach Central City. However, in November 2004, Central City completed a new four-lane road from Interstate 70 at Hidden Valley directly into downtown Central City. This roadway allows drivers to reach Central City without driving through Clear Creek Canyon and Black Hawk. The new roadway may attract patrons and customers of our casino to casinos located in Central City, which would have a material adverse effect upon us.

We may face difficulties in attracting and retaining qualified employees for our casino.

The operation of our casino requires qualified executives, managers and skilled employees with gaming industry experience and qualifications to obtain the requisite licenses. Currently, there is a shortage of skilled labor in the gaming industry. We believe this shortage will make it increasingly difficult and expensive for the manager of our casino to attract and retain qualified employees. Increasing competition in Black Hawk and competing markets may lead to higher costs in order to retain and attract qualified employees. We may incur higher labor costs in order for the casino management to attract qualified employees from existing gaming facilities. While we believe that we will be able to attract and retain qualified employees, we may have difficulty attracting a satisfactory number, and we may incur higher costs than expected as a result.

***Adverse weather, road conditions and infrastructure limitations affect our ability to attract customers.***

The location of our casino in the Rocky Mountains creates a risk that it will be subject to inclement weather, particularly snow. Severe weather conditions could cause significant physical damage to the casino or result in reduced hours of operation or access to the casino. Black Hawk is served by winding mountain roads that require cautious driving, particularly in bad weather, and are subject to driving restrictions and closure. Congestion on the roads leading to Black Hawk is common during the peak summer season, holidays and other times and may discourage potential customers from traveling to the casino, particularly if road construction is in process.

***Because we are dependent on a single casino for all of our cash flow, local economic conditions and other local conditions and circumstances beyond our control could adversely affect our business.***

We are entirely dependent upon our one casino for all of our cash flow. Therefore, we are subject to greater risks than a geographically diversified gaming company. These greater risks include those caused by any of the risks described in this section, including:

- local economic and competitive conditions;
- inaccessibility due to road construction or closure on primary access routes;
- changes in local and state governmental laws and regulations;
- natural and other disasters;
- a decline in the number of residents near or visitors to Black Hawk; or
- a decrease in gaming activities in Black Hawk.

Any of the factors outlined above could adversely affect our ability to generate sufficient cash flow to continue to operate our casino. A recession or economic slowdown could cause a reduction in visitation to the casino, which would adversely affect our operating results.

***We are subject to environmental laws and potential exposure to environmental liabilities, which could be costly.***

We are subject to laws and regulations that impose liability and clean-up responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, we could be held liable for the costs of remediating contaminated soil or groundwater on or from our property without regard to whether we knew of, or caused, the contamination, as well as incur liability to third parties impacted by such contamination. The presence of contamination, or failure to remediate it properly, may adversely affect our ability to sell or rent such property.

Our casino is located within the geographic footprint of the Clear Creek/Central City Superfund Site, a large area of historic mining activity, which is the subject of state and federal clean-up actions. Although we have not been named a potentially responsible party for this Superfund Site, it is possible that as a result of our ownership and operation of our property (on which mining may have occurred in the past), we may incur costs related to this matter in the future. To date, none of these matters or other matters arising under environmental laws has had a material adverse effect on our business, financial condition, or results of operations; however, there can be no assurance that such matters will not have such an effect in the future.

The rate of taxation on gaming profits may increase in the future.

The Colorado Constitution permits a gaming tax of up to 40% on adjusted gross gaming proceeds. The Colorado Gaming Commission has the authority to set gaming tax rates and the current rate structure is a progressive scale with a maximum tax of 20%. The city of Black Hawk has imposed an annual device fee of \$750 per gaming device and it revises the same from time to time. The Colorado Gaming Commission has eliminated its annual device fee for gaming machines. The Colorado Gaming Commission may revise the gaming tax or re-impose the state device fee at any time and has been conducting annual reviews to reconsider and reevaluate the gaming taxes on or about July 1st of each year. We cannot assure you that the tax rates applicable to the casino will not be increased in the future by either the Colorado Gaming Commission or the city of Black Hawk. Additionally, from time to time, certain federal legislators have proposed the imposition of a federal tax on gaming revenues. Any such tax could adversely affect our financial condition or results of operations.

Energy and fuel price increases may adversely affect our costs of operations and our revenues.

Our casino property uses significant amounts of electricity, natural gas and other forms of energy. While no shortages of energy have been experienced, the recent substantial increases in the cost of electricity in the United States may negatively affect our results of operations. The extent of the impact is subject to the magnitude and duration of the energy and fuel price increases. Dramatic increases in fuel prices may also adversely affect customer visits.

We experience quarterly fluctuations in our results of operations.

Our quarterly operating results fluctuate because of seasonality and other factors. We typically generate the best operating profits in our fourth and first fiscal quarters, which end in June and September, respectively. These seasonal trends may impact our financial condition to the extent we need more funds during periods of slower activity in the future.

#### Risks Related To This Offering

We have not paid dividends and do not anticipate paying any dividends on our common stock in the foreseeable future.

We anticipate that we will retain all future earnings and other cash resources for the future operation and development of our business. We do not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of our Board of Directors after taking into account many factors, including our operating results, financial condition, current and anticipated cash needs, and other factors.

The existence of outstanding convertible debentures, options and warrants may impair our ability to raise capital.

At January 31, 2005, there were 2,428,150 shares of common stock issuable upon conversion of debentures and exercise of outstanding options and warrants at an average exercise price of \$1.36. During the life of the options and warrants, the holders are given an opportunity to profit from a rise in the market price of our common stock with a resulting dilution in the interest of the other shareholders. Our ability to obtain additional financing during the period the warrants are outstanding may be adversely affected and the existence of the warrants may have an effect on the price of our common stock. The holders of the warrants may be expected to exercise them at a time when we would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favorable than those provided by the warrants.

There are trading risks for low priced stocks.

Our common stock is currently traded in the over-the-counter market on the "Electronic Bulletin Board" of the National Association of Securities Dealers, Inc. As a consequence, an investor could find it more difficult to dispose of, or to obtain accurate quotations as to the price of, our securities.

The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure, relating to the market for penny stocks, in connection with trades in any stock defined as a penny stock. The Commission recently adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. Such exceptions include any equity security listed on NASDAQ and any equity security issued by an issuer that has (i) net tangible assets of at least \$2,000,000, if such issuer has been in continuous operation for three (3) years, (ii) net tangible assets of at least \$5,000,000, if such issuer has been in continuous operation for less than three (3) years, or (iii) average annual revenue of at least \$6,000,000, if such issuer has been in continuous operation for less than three (3) years. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated therewith.

If our securities are not quoted on NASDAQ, or we do not have \$2,000,000 in net tangible assets, trading in our securities will be covered by Rules 15-g-1 through 15-g-6 promulgated under the Exchange Act for non-NASDAQ and non-exchange listed securities. Under such rules, broker-dealers who recommend such securities to persons other than established customers and accredited investors must make a special written suitability determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to this transaction. Securities are exempt from these rules if the market price of the common stock is at least \$5.00 per share.

We cannot predict the number of warrants, if any, that will be exercised, or the proceeds that we will receive from the exercise of warrants.

The Selling Securityholders are under no obligation to exercise the warrants, and can be expected to do so only if it is economically reasonable for it to do so. Typically, warrants are not exercised unless exercise is forced, either by us calling them for redemption, or because they are scheduled to expire; and then they will be exercised only if the exercise price is less than the market price of our common stock underlying the warrants. Accordingly, there is no assurance that the warrants will be exercised during the period they are exercisable, or that we will receive any proceeds from the exercise of the warrants.

We will have broad discretion to allocate any proceeds we receive from the exercise of warrants. We cannot guarantee that the monies received will improve our operations.

The monies that we may receive from the exercise of the warrants have been allocated generally to provide working capital for operations. As such, we will use funds as they are received for such purposes and in such proportions as we deem advisable. While we will apply the proceeds in a manner consistent with our fiduciary duty and in a manner consistent with our best interests, we cannot assure you that the monies received will result in any present or future improvement in our results of operations.

The market price of our securities could be adversely affected by sales of restricted securities.

Actual sales or the prospect of future sales of shares of our common stock under Rule 144 may have a depressive effect upon the price of, and market for, our common stock. As of December 31, 2004, 3,141,360 shares of our common stock were issued and outstanding. 1,235,935 of these shares are "restricted securities" and under some circumstances may, in the future, be under a registration under the Securities Act or in compliance with Rule 144 adopted under the Securities Act. In general, under Rule 144, subject to the satisfaction of other conditions, a person who has beneficially owned restricted shares of common stock for at least one year is entitled to sell, within any three-month period, a number of shares that:

Does not exceed the greater of one percent of the total number of outstanding shares of the same class; or

\* If the common stock is quoted on Nasdaq or a stock exchange, the average weekly trading volume during the four calendar weeks immediately preceding the sale.

A person who presently is not and who has not been one of our affiliates for at least three months immediately preceding a sale and who has beneficially owned the shares of common stock for at least two years is entitled to sell these shares under Rule 144 without regard to any of the volume limitations described above. We cannot predict what effect, if any, that sales of shares of common stock, or the availability of these shares for sale, will have on the market prices prevailing from time-to-time. Nevertheless, the possibility that substantial amounts of common stock may be sold in the public market may adversely effect prevailing prices for our common stock and could impair our ability to raise capital in the future through the sale of equity securities.

Our ability to issue additional securities without shareholder approval could have substantial dilutive and other adverse effects on existing stockholders and investors in this offering.

We have the authority to issue additional shares of common stock and to issue options and warrants to purchase shares of our common stock without shareholder approval. Future issuance of common stock could be at values substantially below the exercise price of the warrants, and therefore could represent further substantial dilution to you as an investor in this offering. In addition, we could issue large blocks of voting stock to fend off unwanted tender offers or hostile takeovers without further shareholder approval. We have outstanding debentures that are convertible into 1,000,000 shares of common stock. We also have outstanding options exercisable to purchase up to 300,000 shares of common stock at a weighted average exercise price of \$0.11 per share, and outstanding warrants exercisable to purchase up to 1,128,150 shares of common stock at a weighted average exercise price of \$2.45 per share. Exercise of these warrants and options could have a further dilutive effect on existing stockholders and you as an investor in this Offering.

***Our corporate charter makes certain limitations on director liability.***

Our Articles of Incorporation provide, as permitted by Utah law, that our directors shall not be personally liable to the corporation or our stockholders for monetary damages for breach of fiduciary duty as a director, with certain exceptions. These provisions may discourage stockholders from bringing suit against a director for breach of fiduciary duty and may reduce the likelihood of derivative litigation brought by stockholders on behalf of us against directors. In addition, our Articles of Incorporation and bylaws provide for mandatory indemnification of directors and officers to the fullest extent permitted by Utah law.

Members of our management have conflicts of interest

Our directors, are, or may become in their individual capacity, officers, and directors, controlling shareholders and/or partners of other entities engaged in a variety of businesses. Thus, they may develop conflicts of interest including, among other things, time, effort, and corporate opportunity, involved in participation with such other business entities. The amount of time that our directors will devote to our business will be limited.

### Information about the Market for our Stock

Our outstanding shares of common stock are traded over-the-counter and quoted on the "Bulletin Board" of the NASD under the symbol "GBCS". The reported high and low bid and ask prices for our common stock are shown below for the period from July 1, 2002 through December 31, 2004.

	<u>Bid</u>		<u>Ask</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
2003 Fiscal Year				
July - 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				
July - Sept 2003	\$0.15	\$0.03	\$0.25	\$0.04
Oct - Dec 2003	0.05	0.04	0.12	0.10
Jan - Mar 2004	0.05	0.04	0.11	0.10
Apr - June 2004	0.15	0.05	0.20	0.10

2005 Fiscal Year

July - Sept 2004	\$0.35	\$0.05	\$0.50	\$0.20
Sept-Dec 2004	\$1.08	\$0.22	\$1.28	\$0.28

The bid and ask prices of our common stock as of March 3, 2005 were \$1.10 and \$1.20, respectively, as reported on the Bulletin Board. The Bulletin Board 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 February 28, 2005, there were approximately 806 record owners of our common stock and approximately 2,000 beneficial owners.

Our common stock is subject to rules adopted by the Commission regulating broker dealer practices in connection with transactions in "penny stocks." Those disclosure rules applicable to "penny stocks" require a broker dealer, prior to a transaction in a "penny stock" not otherwise exempt from the rules, to deliver a standardized list disclosure document prepared by the Commission. That disclosure document advises an investor that investment in "penny stocks" can be very risky and that the investor's salesperson or broker is not an impartial advisor but rather paid to sell the shares. The disclosure contains further warnings for the investor to exercise caution in connection with an investment in "penny stocks," to independently investigate the security, as well as the salesperson with whom the investor is working and to understand the risky nature of an investment in this security. The broker dealer must also provide the customer with certain other information and must make a special written determination that the "penny stock" is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. Further, the rules require that, following the proposed transaction, the broker provide the customer with monthly account statements containing market information about the prices of the securities.

These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for our common stock. Many brokers may be unwilling to engage in transactions in our common stock because of the added disclosure requirements, thereby making it more difficult for stockholders to dispose of their shares.

### **Safe Harbor for Forward-looking Statements**

#### **In General**

This prospectus contains statements that plan for or anticipate the future. In this prospectus, forward-looking statements are generally identified by the words "anticipate," "plan," "believe," "expect," "estimate," and the like. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements regarding the following:

- \* statements about our future business plans and strategies;
- \* anticipated operating results and sources of future revenue;
- \* our organization's growth;

- \* adequacy of our financial resources;
  
- \* competitive pressures;
  
- \* changing economic conditions; and
  
- \* expectations regarding competition from other companies.

Although we believe that any forward-looking statements we make in this prospectus are reasonable, because forward-looking statements involve future risks and uncertainties, there are factors that could cause actual results to differ materially from those expressed or implied. For example, a few of the uncertainties that could affect the accuracy of forward-looking statements, besides the specific factors identified above in the Risk Factors section of this prospectus include:

*	changes in general economic and business conditions affecting the gaming industry;
*	changes in governmental regulation of the gaming industry; and
*	expansion of gaming in our area.

In light of the significant uncertainties inherent in the forward-looking statements made in this prospectus, the inclusion of this information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved.

### **Dividend Policy**

We have not declared or paid cash dividends on our common stock in the preceding two fiscal years. We currently intend to retain all future earnings, if any, to fund the operation of our business, and, therefore, do not anticipate paying dividends in the foreseeable future. Future cash dividends, if any, will be determined by our Board of Directors, based upon such factors as our historical and projected earnings, our working capital surplus, and anticipated demands for capital expenditures.

### **Capitalization**

The following table sets forth our capitalization as of December 31, 2004 on an actual basis. This section should be read in conjunction with the consolidated financial statements and related notes contained elsewhere in this prospectus.



As of December 31, 2004

Long-Term Debt	\$ 2,566,592
Stockholders' Equity:	
Preferred Stock, 10,000,000 shares authorized	
Series A - no dividends, \$2.00 stated value, non-voting 2,000,000 shares authorized, 200,500 shares issued and outstanding	401,000
Series B - 8% cumulative, convertible, \$10.00 stated value, non-voting, 400,000 shares authorized, no shares issued and outstanding	0
Series C - 7% cumulative, convertible, \$1.20 stated value, voting 600,000 shares authorized, 39,101 shares issued and outstanding, in arrears	46,921
Common stock - \$0.05 par value; 50,000,000 shares authorized; 3,141,360 shares issued and outstanding	157,068
Additional paid-in capital	12,410,605
Accumulated (deficit)	<u>(11,485,028)</u>
Stockholders' Equity	<u>1,530,566</u>
Total Stockholders' Equity and Long-Term Debt	<u>\$ 4,097,158</u>

## Selected Financial Data

We have set forth below certain selected financial data. This financial data was derived from the consolidated financial statements and notes thereto included elsewhere in this prospectus.

## Summary Financial Data

Our historical operating information may not be indicative of our future operating results.

Statement of Operations Data:	Fiscal Year Ended	Six Month Period Ended
	<u>June 30, 2004</u>	<u>December 31, 2004</u>
Total Revenues	\$ 3,144,877	\$ 1,966,555
Operating expenses	<u>2,691,404</u>	<u>1,543,395</u>

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Operating income	453,473	423,160
Other income (expense)	(201,298)	608,088
Income tax provision	-	
Net income applicable to common stockholders	248,891	1,029,606
Basic earnings per share	\$ .10	\$ .37
Diluted earnings per share	\$ .10	\$ .34

	<u>At June 30, 2004</u>	<u>At December 31, 2004</u>
Balance Sheet Data		
Working capital (deficit)	\$ (1,364,046)	\$ 266,770
Total assets	4,541,246	4,865,286
Stockholders' equity (deficit)	(96,040)	1,530,566

Management's Discussion and Analysis of Financial Condition and  
Results of Operations

The following discussion and analysis should be read in conjunction with the Financial Statements and Notes thereto appearing elsewhere in this prospectus. Unless otherwise noted, references to "we," "our," and "us" refer to Global Casinos, Inc. and our subsidiary.

Comparison of six months ended December 31, 2004 to six months ended December 31, 2003

We recognized net income of \$1,031,248 for the six months ended December 31, 2004 compared to a net income of \$50,297 for the same period in 2003. The improvement resulted from increasing casino revenues and a gain on debt extinguishment and restructuring.

Revenues

Casino revenues for the six months ended December 31, 2004 were \$1,966,555 compared to \$1,439,728 for the 2003 period, an increase of \$526,827 or 37%. The increased revenues are primarily attributed to our efforts in three areas. First, we expanded our direct mail marketing campaign to target repeat customers. Second, we replaced or upgraded approximately 55 of our older slot machines with newer models. Third, we reconfigured the gaming floor to add 7 new slot machines. An additional factor in our increased revenue is that two of our competitors are undergoing major expansion and remodeling projects. The construction disruption at their casinos may temporarily drive some of their customers into our casino.

Expenses

Casino operating expenses increased to \$1,444,273 for the three months ended December 31, 2004 compared to \$1,200,270 for the six months ended December 31, 2003, an increase of \$244,003. Our costs increased by 20% while our revenues increased by 37%. The largest component of cost increase was \$99,110 of salaries, wages, payroll taxes and other benefits as we increased staffing levels to accommodate additional business. Our marketing costs increased by \$81,679, primarily in three areas. We continue to increase our use of direct mail promotions. Our charter bus expenses increased by \$20,300, which produced substantial passenger count increase. We also operate a membership club for our frequent guests (the "slot club"). Costs of operating the slot club plus the rewards earned by our guests increased because of the increased membership. Food and beverage costs increased by \$25,415 because of the increased number of casino guests. Depreciation increased by \$27,639 because we continue to upgrade or replace our older slot machines. This increase is somewhat offset by a reduction in the cost of machines that we lease, which costs decreased by \$13,355.

General and administrative expenses increased from \$85,022 for the six months ended December 31, 2003 to \$99,122 for the six months ended December 31, 2004, a increase of \$14,100 or 17%. Expenses for the 2004 period included additional professional fees associated with our efforts to redeem the Astraea option and obtain additional capital resources.

#### Other

Interest expense was \$96,946 for the six months ended December 31, 2004 compared to \$104,139 for the similar period in 2003. The reduction in interest expense of \$7,193 (7%) is consistent with the reduction in outstanding principal balances.

The gain from debt extinguishment and restructuring of \$705,034 represents the accounting impact of several actions taken to improve our financial condition. We extinguished \$659,177 of principal and accrued interest that was no longer an enforceable obligation because the statute of limitations had expired. We agreed to convert \$213,390 of principal plus interest into 110,000 shares of common stock. The common stock had a market value of \$104,500, resulting in a gain of \$108,890. One of our mortgage holders accepted a cash payment of \$28,468 as full payment of a debt with a face value of \$47,447, resulting in a gain of \$18,979. We incurred debt restructuring costs of \$82,012 to redeem an option held by the senior creditor of Casinos, USA.

For federal income tax purposes, Global has a net operating loss of carryover (NOL) approximating \$7,540,000, which can be used to offset future taxable income, if any. Under the Tax Reform Act of 1986, the amounts of and the benefits from NOL's are subject to certain limitations including restrictions imposed when there is a loss of business continuity or when ownership changes in excess of 50% of outstanding shares, under certain circumstances. Thus, there is no guarantee that Global will be able to utilize its NOL before it expires and no potential benefit has been recorded in the financial statements.

Inflation did not have a material impact on our operations for the period.

Other than the foregoing, management knows of no trends, demands, or uncertainties that are reasonably likely to have a material impact on the Company's results of operations.

Comparison of Year Ended June 30, 2004 to 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 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 debt restructuring in FY 2003 and the normal interest expense reduction consistent with reduced debt balances.

During 2003, we completed a restructuring of certain debts. This restructuring occurred late in calendar year 2002. 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, we have 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 carry forwards. 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 carry forwards under certain circumstances. Therefore, our ability to fully utilize the carry forwards is not assured and this asset is not reflected on our balance sheet.

## Liquidity and Capital Resources

Our primary source of cash is internally generated through operations. Historically, cash generated from operations has not been sufficient to satisfy working capital requirements and capital expenditures. Consequently, we have depended on funds received through debt and equity financing to address these shortfalls. We have also relied upon advances from our officers and directors to meet immediate cash demands. There can be no assurance that these parties will continue to provide funds to us in the future, as there is no legal obligation on these parties to provide such loans.

The gain from debt extinguishment and restructuring of \$705,034 represents the accounting impact of several actions taken to improve our financial condition. We extinguished \$659,177 of principal and accrued interest that was no longer an enforceable obligation because the statute of limitations had expired. We agreed to convert \$213,390 of principal plus interest into 110,000 shares of common stock. The common stock had a market value of \$104,500, resulting in a gain of \$108,890. One of our mortgage holders accepted a cash payment of \$28,468 as full payment of a debt with a face value of \$47,447, resulting in a gain of \$18,979. We incurred debt restructuring costs of \$82,012 to redeem an option held by the senior creditor of Casinos, USA.

As of December 31, 2004, we had cash and cash equivalents of \$886,053, substantially all of which was utilized in our casino operations. Pursuant to state gaming regulations, the casino is required to maintain cash balances sufficient to pay potential jackpot awards. Furthermore, the senior creditor at our subsidiary has placed restrictions on the funds that can be used by the parent company. We do not have access to any revolving credit facilities.

While the Company believes that its capital resources are sufficient to allow the continued operation of its casino, it does not currently have sufficient resources to expand its operations or to satisfy overdue obligations of the parent company.

At December 31, 2004, we reported working capital of \$266,770 compared to a deficit of (\$1,364,046) at June 30, 2004. The improvement in working capital was the result of our gain from debt restructuring, the reclassification of preferred stock into equity from current liabilities and cash flow from operations.

Cash provided by operating activities was \$409,939 for the six months ended December 31, 2004. For the same period in 2003, operating activities provided net cash of \$176,172. The improvement primarily resulted from the increase in net income.

Cash used in investing activities was \$43,953 for the six months ended December 31, 2004, all of which was used for capital expenditures. We used net cash of \$37,744 in investing activities for the six months ended December 31, 2003, also for capital expenditures.

Cash flows used in financing activities decreased \$9,675 to \$169,394 for the six months ended December 31, 2004, compared to cash used of \$179,066 in 2003. Scheduled payments on our indebtedness were \$200,894 in 2004 and \$179,066 in 2003. In 2004, we also received cash proceeds of \$25,000 from the sale of common stock units and \$6,500 from the exercise of stock options.

During the quarter ended December 31, 2004, we received an opinion from legal counsel that the mandatory redemption feature of its Series A preferred stock was no longer operative. As a result, the Series A preferred stock was reclassified from current liabilities to stockholders equity.

As previously disclosed, Astraea holds a promissory note which under the 2002 Restructuring was assigned by Global 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 December 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 plus an additional amount approximating \$82,000. Subsequent to December 31, 2004, we retired the outstanding principal and interest of \$442,488 and we redeemed the option. Funds for this transaction were obtained via a private placement of debentures. The debentures bear interest at 12% and are convertible into common stock at \$0.50 per share. The maturity date is December 31, 2005.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Although our operating results have recently improved and we successfully restructured some debt, there are some negative conditions that we must continue to overcome. As of December 31, 2004, we had an accumulated deficit of \$11,593,918 and we had ceased operating all but one of our casinos. Cash flow at the remaining casino is positive, but payments from the subsidiary to the parent company are restricted by agreement with the mortgage holders. The parent company is unable to satisfy all of its obligations and it has survived because of funds advanced from its officers, directors and affiliates. These conditions raise substantial doubt about our ability to continue as a going concern.

We continue our efforts to formulate plans and strategies to address our financial condition and increase profitability. We are evaluating methods to reduce costs and enhance our operating results. We cannot, however, provide any assurances that we will be successful in these endeavors.

Other than the foregoing, management knows of no trends, demands, or uncertainties that are reasonably likely to have a material impact on the Company's liquidity and capital resources.

## **Business**

### Overview

Our company is organized as a holding company for the purpose of acquiring and operating casinos, gaming properties, and other related interests. We were organized under the laws of the State of Utah on June 8, 1978.

We currently have one operating subsidiary, Casinos U.S.A., which owns and operates the Bull Durham Saloon & Casino located in Black Hawk, Colorado.

During the year ended June 30, 2002, we declared a stock dividend consisting of our ownership interest in OnSource Corporation, a Delaware corporation. OnSource had been formed by us as a wholly owned subsidiary to facilitate the transfer of certain assets to our shareholders.

Effective July 1, 2001, we transferred to OnSource our interest in Global Alaska Industries, a wholly owned subsidiary, and certain other liabilities. We established August 6, 2001 as the record date for determining the shareholders entitled to receive the stock dividend. Our 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. The shares of OnSource were distributed to shareholders during our fiscal year 2004.

### 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 our 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. We have 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 September 30, 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, we 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 our directors and officers, Messrs. Jennings and Neuman, had other associations with our 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 our 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. Messrs. Jennings and Neuman complied with the Division of Gaming's request.

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

- \* Astraea agreed to waive accrued and unpaid interest and fees under an unsecured \$500,000 note.
- \* Astraea agreed to extend the maturity date of its \$500,000 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 its \$500,000 note for 30 months.
- \* We and Astraea agreed that Astraea's \$500,000 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

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security interest in the tangible and intangible assets of Casinos, U.S.A.

- \* It was agreed we would continue to manage the Bull Durham for a management fee of \$10,000 per month. We have 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 installment 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 us and Astraea in connection with the building expansion program undertaken by the Bull Durham shall be cancelled as part of the restructuring of our debt.
- \* We 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. We 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 us to permit debt service by us 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 term sheet with Astraea were memorialized in definitive agreements executed by us, Casinos U.S.A., Astraea and third parties and previously filed as exhibits with the Securities and Exchange Commission.



The term sheet providing for the foregoing was executed by an on behalf of us, 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, we nevertheless began making revised payments based upon the restructured interest rate and maturity date provided for in the term sheet in the fourth quarter of 2002, without objection or protest on the part of the holders of those subordinated mortgage notes. We are taking the position that by their acquiescence, those subordinated note holders are deemed to be bound by the terms of the term sheet.

#### Redemption of Astraea Option

In January 2005, we used the proceeds from the sale of \$500,000 in convertible debentures to redeem the option which we had granted to Astraea which would have permitted Astraea to purchase our interest in the Bull Durham for the sum of \$100.00. As part of the option redemption, we retired the \$500,000 promissory note payable to Astraea together with accrued interest recomputed at the rate of 12% per annum. Our net payment to Astraea was \$524,500.

Our obligation to repay the convertible debentures is secured by 100% of our shares of common stock of Casinos, USA, Inc. The debentures are repayable, with interest at 12% per annum, in quarterly installments of principal and interest ending December 31, 2007.

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, we 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 term sheet described above. This restructuring was undertaken, in part, at the behest of the Division of Gaming.

Because we are 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 also 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, 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 our 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. We must

notify each person who is subject to this regulation of its requirements as soon as we become 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 our 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 our company and our subsidiaries.

We have 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 our company and our 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", 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 adjusted gross proceeds to 20% on adjusted gross proceeds 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 us, and our 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 our 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. Video lottery terminals 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 video lottery terminals 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

Our 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. We currently have 42 employees, as follows:

	<u>Full-Time</u>	<u>Part-Time</u>	<u>Total Employees</u>
Bull Durham Casino	32	10	42

We are not part of any collective bargaining agreement. There have been no work stoppages and we believe our employee relations are good.

#### Intellectual Property

We do not claim any intellectual property protection to any of our assets and do not believe that intellectual property protection is material to our 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 managing 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.

#### Description of Property

##### Corporate Offices

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

##### Operating Subsidiaries

The facilities and properties of our sole operating subsidiary are described above under the heading "Business," "Description of Operations."

We believe 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.

#### Legal Proceedings

Our company and our officers and directors are involved in the following material legal proceedings:

#### **Securities and Exchange Commission**

## Edgar Filing: GLOBAL CASINOS INC - Form SB-2

*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, our company and our 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 us 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 our company in Dallas, Texas and is asserting claims for compensation for services rendered while under the supervision of William P. Martindale at our then existing Dallas, Texas office. We have retained local legal counsel and are defending the matter. The matter has been dormant and inactive for several years. We believe that the likelihood of a material adverse outcome in this matter is remote.

Howard Schmidt v. Global Casinos, Inc., Dennison Parker v. Global Casinos, Inc.

These companion cases were brought on March 1, 2005 in Arapahoe County District Court, Colorado, to recover sums due under two promissor