

GLOBAL CASINOS INC  
Form 10-Q  
May 16, 2008

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

**FORM 10-Q**

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended March 31, 2008

**OR**

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

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

Commission file number 0-15415

**GLOBAL CASINOS, INC.**

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

Utah  
(State or other jurisdiction  
of incorporation or organization)

87-0340206  
I.R.S. Employer  
Identification number

5455 Spine Road, Suite C, Boulder, Colorado 80301  
(Address of Principal Executive Offices)

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

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

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the last 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

As of May 16, 2008, the Registrant had 5,752,907 shares of its Common Stock outstanding.

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## **PART 1. FINANCIAL INFORMATION**

### **Item 1.**

#### **Financial Statements**

The consolidated financial statements included herein have been prepared by Global Casinos, Inc. (the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such SEC rules and regulations. In the opinion of management of the Company the accompanying statements contain all adjustments necessary to present fairly the financial position of the Company as of March 31, 2008 and June 30, 2007, and its results of operations for the nine month periods ended March 31, 2008 and 2007, its statements of stockholders equity for the period July 31, 2006 through March 31, 2008, and its cash flows for the nine month periods ended March 31, 2008 and 2007. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of the Company's annual report on Form 10-KSB.

**GLOBAL CASINOS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

*March 31, 2008*                      *June 30, 2007*  
*(unaudited)*

**ASSETS**

Current Assets

|  |    |             |    |             |
|--|----|-------------|----|-------------|
| Cash and cash equivalents                            | \$ | 1,012,750   | \$ | 1,563,968   |
| Accrued gaming income                                |    | 139,320     |    | 39,273      |
| Inventory  |    | 17,849      |    | 7,410       |
| Prepaid expenses and other current assets            |    | 110,067     |    | 13,606      |
| Total current assets                                 |    | 1,279,986   |    | 1,624,257   |
| Acquisition escrow deposit                           |    | -           |    | 100,000     |
| Investment in Global Gaming Technologies             |    | 62,409      |    | 69,535      |
| Land, building and improvements, and equipment:      |    |             |    |             |
| Land   |    | 517,950     |    | 517,950     |
| Building and improvements                            |    | 4,121,308   |    | 4,110,685   |
| Equipment  |    | 3,055,915   |    | 2,347,232   |
| Total land, building and improvements, and equipment |    | 7,695,173   |    | 6,975,867   |
| Accumulated depreciation                             |    | (3,742,148) |    | (3,383,760) |
| Land, building and improvements, and equipment, net  |    | 3,953,025   |    | 3,592,107   |
| Goodwill   |    | 1,898,496   |    | -           |
| Total assets   | \$ | 7,193,916   | \$ | 5,385,899   |



**GLOBAL CASINOS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS***(continued)**March 31, 2008**June 30, 2007**(unaudited)***LIABILITIES AND STOCKHOLDERS' EQUITY**

## Current liabilities:

|                                   |    |           |    |         |
|-----------------------------------|----|-----------|----|---------|
| Accounts payable, trade           | \$ | 61,947    | \$ | 47,226  |
| Accounts payable, related parties |    | 20,770    |    | 24,850  |
| Accrued expenses                  |    | 364,115   |    | 243,100 |
| Accrued interest                  |    | 6,075     |    | 3,852   |
| Joint venture obligation          |    | 30,000    |    | 40,000  |
| Current portion of long-term debt |    | 659,339   |    | 52,664  |
| Other                             |    | 249,843   |    | 120,000 |
| Total current liabilities         |    | 1,392,089 |    | 531,692 |

|                                      |  |           |  |           |
|--------------------------------------|--|-----------|--|-----------|
| Long-term debt, less current portion |  | 1,688,547 |  | 1,899,647 |
|--------------------------------------|--|-----------|--|-----------|

## Commitments and contingencies

## Stockholders' equity:

Preferred stock: 10,000,000 shares authorized

Series A - no dividends, \$2.00 stated value, non-voting,

2,000,000 shares authorized, 200,500 shares issued and outstanding

401,000 401,000

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

400,000 shares authorized, no shares issued and outstanding

- -

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

600,000 shares authorized, no shares issued and outstanding

- -

Series D - 8% cumulative, convertible, \$1.00 stated value, non-voting

1,000,000 shares authorized, 700,000

700,000 -



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|  |    |              |              |
|--|----|--------------|--------------|
| shares issued and outstanding                                  |    |              |              |
| Common stock - \$0.05 par value; 50,000,000 shares authorized; |    |              |              |
| 5,752,907 and 5,202,907 shares issued and outstanding          |    | 287,646      | 260,146      |
| Additional paid-in capital                                     |    | 13,988,864   | 13,632,564   |
| Accumulated (deficit)  |    | (11,264,230) | (11,339,150) |
| Total equity   |    | 4,113,280    | 2,954,560    |
| Total liabilities and stockholders' equity                     | \$ | 7,193,916    | \$ 5,385,899 |

**GLOBAL CASINOS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

*for the three months ended March 31, 2008 and 2007*

*(Unaudited)*

|  | 2008        | 2007       |
|--|-------------|------------|
| Revenues:  |             |            |
| Casino   | \$ 966,364  | \$ 898,546 |
| Promotional allowances                           | (38,590)    | (36,531)   |
| Net Revenues                                     | 927,774     | 862,015    |
| Expenses:  |             |            |
| Casino operations                                | 926,156     | 758,376    |
| Operating, general, and administrative           | 26,276      | 71,623     |
|  | 952,432     | 829,999    |
| Income (Loss) from operations                    | (24,658)    | 32,016     |
| Other income (expense):                          |             |            |
| Interest   | (21,689)    | (22,272)   |
| Equity in earnings of Global Gaming Technologies | (904)       | (11,317)   |
| Loss before provision for income taxes           | (47,251)    | (1,573)    |
| Provision for income taxes                       | -           | -          |
| Net loss   | (47,251)    | (1,573)    |
| Series D Preferred dividends                     | (3,700)     | -          |
| Net loss attributable to common shareholders     | \$ (50,951) | \$ (1,573) |
| Earnings (loss) per common share:                |             |            |
| Basic  | \$ (0.01)   | \$ (0.00)  |
| Diluted  | \$ (0.01)   | \$ (0.00)  |

Weighted average shares  
outstanding:

|         |           |           |
|---------|-----------|-----------|
| Basic   | 5,282,193 | 5,174,574 |
| Diluted | 5,369,597 | 5,174,574 |

**GLOBAL CASINOS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

*for the nine months ended March 31, 2008 and 2007*

*(Unaudited)*

|  | 2008         | 2007         |
|--|--------------|--------------|
| Revenues:  |              |              |
| Casino   | \$ 2,829,589 | \$ 2,843,666 |
| Promotional allowances                           | (115,241)    | (125,495)    |
| Net Revenues                                     | 2,714,348    | 2,718,171    |
| Expenses:  |              |              |
| Casino operations                                | 2,445,784    | 2,301,226    |
| Operating, general, and administrative           | 124,937      | 214,439      |
|  | 2,570,721    | 2,515,665    |
| Income from operations                           | 143,627      | 202,506      |
| Other income (expense):                          |              |              |
| Interest   | (61,581)     | (72,934)     |
| Equity in earnings of Global Gaming Technologies | (7,126)      | (20,256)     |
| Income before provision for income taxes         | 74,920       | 109,316      |
| Provision for income taxes                       | -            | -            |
| Net income                                       | 74,920       | 109,316      |
| Series D Preferred dividends                     | (3,700)      | -            |
| Net income attributable to common shareholders   | \$ 71,220    | \$ 109,316   |
| Earnings (loss) per common share:                |              |              |
| Basic  | \$ 0.01      | \$ 0.02      |
| Diluted  | \$ 0.01      | \$ 0.02      |

Weighted average shares  
outstanding:

|         |           |           |
|---------|-----------|-----------|
| Basic   | 5,272,634 | 5,160,024 |
| Diluted | 5,359,814 | 5,285,602 |

**GLOBAL CASINOS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**July 1, 2006 through March 31, 2008**

|  | SERIES A<br>PREFERRED<br>STOCK |            | SERIES D<br>PREFERRED<br>STOCK |            | COMMON<br>STOCK        |            | Additional<br>Paid<br>In<br>Capital | Accumulated<br>(Deficit) | Total        |
|--|--------------------------------|------------|--------------------------------|------------|------------------------|------------|-------------------------------------|--------------------------|--------------|
|  | Number of<br>Shares            | Amount     | Number of<br>Shares            | Amount     | Number<br>of<br>Shares | Amount     |                                     |                          |              |
| Balance as<br>of June 30,<br>2006                    | 200,500                        | \$ 401,000 | -                              | -          | 5,152,907              | \$ 257,646 | \$ 3,557,933                        | \$ (11,458,227)          | \$ 2,758,352 |
| Exercise of<br>options                               | -                              | -          | -                              | -          | 50,000                 | 2,500      | 4,000                               | -                        | 6,500        |
| Stock based<br>compensation                          | -                              | -          | -                              | -          | -                      | -          | 70,631                              | -                        | 70,631       |
| Net Income   | -                              | -          | -                              | -          | -                      | -          | -                                   | 119,077                  | 119,077      |
| Balance as<br>of June 30,<br>2007                    | 200,500                        | \$ 401,000 | -                              | -          | 5,202,907              | \$ 260,146 | \$ 3,632,564                        | (11,339,150)             | \$ 2,954,560 |
| Sale of<br>Series D<br>Preferred<br>stock            | -                              | -          | 700,000                        | 700,000    | -                      | -          | -                                   | -                        | 700,000      |
| Sale of<br>common<br>stock                           | -                              | -          | -                              | -          | 100,000                | 5,000      | 45,000                              | -                        | 50,000       |
| Issue<br>common<br>stock                             | -                              | -          | -                              | -          | 450,000                | 22,500     | 315,000                             | -                        | 337,500      |
| Declaration<br>of Series D<br>Preferred<br>dividends | -                              | -          | -                              | -          | -                      | -          | (3,700)                             | -                        | (3,700)      |
| Net Income   | -                              | -          | -                              | -          | -                      | -          | -                                   | 74,920                   | 74,920       |
| Balance as<br>of June 30,                            | 200,500                        | \$ 401,000 | 700,000                        | \$ 700,000 | 5,752,907              | \$ 287,646 | \$ 3,988,864                        | \$ (11,264,230)          | \$ 4,113,280 |

2007

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

*for the nine months ended March 31, 2008 and 2007*

*(Unaudited)*

|  | 2008        | 2007       |
|--|-------------|------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>           |             |            |
| Net income   | \$ 74,920   | \$ 109,316 |
| Adjustments to reconcile net income (loss) to net cash |             |            |
| provided by (used in) operating activities             |             |            |
| Depreciation   | 358,388     | 363,186    |
| Equity in earnings of Global Gaming Technologies       | 7,126       | 20,256     |
| Stock based compensation                               | -           | 70,631     |
| Changes in operating assets and liabilities            |             |            |
| Accrued gaming income                                  | (100,047)   | 37,073     |
| Inventories  | (501)       | (1,271)    |
| Other current assets                                   | 2,324       | 10,215     |
| Accounts payable and accrued expenses                  | 15,448      | 33,784     |
| Accrued interest                                       | 2,223       | -          |
| Other current liabilities                              | 4,843       | -          |
| Net cash provided by operating activities              | 364,724     | 643,190    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>            |             |            |
| Purchases of building improvements and equipment       | (38,532)    | (37,505)   |
| Release of acquisition escrow funds                    | 100,000     | -          |
| Acquisition of Doc Holliday net assets                 | (1,672,376) | -          |
| Investment in Global Gaming Technologies               | (10,000)    | (40,000)   |
| Net cash (used) by investing activities                | (1,620,908) | (77,505)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>            |             |            |
| Principal payments on long-term debt                   | (302,316)   | (211,332)  |
| Proceeds from sale of Series D preferred stock         | 700,000     | -          |
| Proceeds from sale of common stock                     | 50,000      | -          |
| Exercise of stock options                              | -           | 6,500      |
| Net cash provided (used) by financing activities       | 447,684     | (204,832)  |
| Net (decrease) increase in cash                        | (808,500)   | 360,853    |
| Cash at beginning of period                            | 1,563,968   | 1,181,908  |
| Cash acquired in acquisition of Doc Holliday           | 257,282     | -          |



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|                       |    |           |    |           |
|-----------------------|----|-----------|----|-----------|
| Cash at end of period | \$ | 1,012,750 | \$ | 1,542,761 |
|-----------------------|----|-----------|----|-----------|

SUPPLEMENTAL CASH FLOW INFORMATION:

|                        |    |        |    |        |
|------------------------|----|--------|----|--------|
| Cash paid for interest | \$ | 79,757 | \$ | 84,357 |
|------------------------|----|--------|----|--------|

|                            |    |   |    |   |
|----------------------------|----|---|----|---|
| Cash paid for income taxes | \$ | - | \$ | - |
|----------------------------|----|---|----|---|

SUPPLEMENTAL SCHEDULE OF NON-CASH  
INVESTING AND

FINANCING ACTIVITIES

|  |    |         |    |   |
|--|----|---------|----|---|
| Common stock issued in acquisition of Doc Holliday | \$ | 337,500 | \$ | - |
|--|----|---------|----|---|

|   |    |         |    |   |
|---|----|---------|----|---|
| Debt assumed in acquisition of Doc Holliday | \$ | 653,087 | \$ | - |
|---|----|---------|----|---|

|                                 |    |        |    |        |
|---------------------------------|----|--------|----|--------|
| Equipment financing obligations | \$ | 44,804 | \$ | 99,772 |
|---------------------------------|----|--------|----|--------|

|  |    |       |    |   |
|--|----|-------|----|---|
| Accrued and unpaid dividends on Series D preferred stock | \$ | 3,700 | \$ | - |
|--|----|-------|----|---|

**GLOBAL CASINOS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2008**  
**(UNAUDITED)**

**1. Organization and Consolidation**

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information and Item 310(b) of Regulation S-B. They do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. For further information, refer to the financial statements of the Company as of June 30, 2007, and for the two years then ended, including notes thereto included in the Company's Form 10-KSB. 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.

As of March 31, 2008, the Company's operating subsidiaries were Casinos USA, Inc. ("Casinos USA, a Colorado corporation), which owns and operates the Bull Durham Saloon and Casino ("Bull Durham"), located in the limited stakes gaming district of Black Hawk, Colorado, and Doc Holliday Casino II, LLC (a Colorado limited liability company), which operates the Doc Holliday Casino ( Doc Holliday ), located in the limited stakes gaming district of Central City, Colorado. Doc Holliday Casino II, LLC was incorporated in the state of Colorado on June 15, 2007 for the purpose of acquiring substantially all the assets and certain liabilities of the Doc Holliday Casino, and to operate the casino. The acquisition was completed on March 18, 2008. The results of Doc Holliday's operations have been included in the consolidated financial statements since that date.

**2. Revenue Recognition**

In accordance with gaming industry practice, we recognize casino revenues as the net win from gaming activities, which is the difference between gaming wins and losses. Anticipated payouts resulting from our customer loyalty program (Sharpshooter's Club), in which registered customers are awarded cash based on the frequency and amounts of their gaming activities are included in promotional allowances. In accordance with gaming industry practice and EITF 00-22, these promotional allowances are presented as a reduction of casino revenues.

**3. Earnings per Common Share**

Earnings per share ("EPS") are calculated in accordance with the provisions of Statement of Financial Accounting Standard 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 35,045 and 112,784 were not included in the calculation of diluted earnings per share for the three months ended March 31, 2008 and 2007, respectively, as their inclusion would have been anti-dilutive. For the nine months ended March 31, 2008 and 2007 potentially dilutive shares of 38,077 and 15,000 were not included in the calculation of diluted earnings per share, respectively, as their inclusion would have been anti-dilutive.

#### **4. Accrued Gaming Income**

Gaming income represents the difference between the cash played by customers, and the cash paid out by the casino machines. On a regular basis, the cash representing the casino's revenue is pulled from the machines and deposited. However, this process does not always occur at the end of the last business day of the month. Accrued gaming income represents the amount of revenue (cash) in the machines that has not yet been pulled and deposited at the end of the reporting period. At March 31, 2008, \$139,320 of income was accrued and recorded as a current asset.

#### **5.**

#### **Stock-Based Compensation**

In 2006 we adopted the provisions of, and account for stock-based compensation in accordance with, the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards No. 123 revised 2004 (SFAS 123R), *Share-Based Payment* which replaced Statement of Financial Accounting Standards No. 123 (SFAS 123), *Accounting for Stock-Based Compensation* and supersedes APB Opinion No. 25 (APB 25), *Accounting for Stock Issued to Employees*. Under the fair value recognition provisions of this statement, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the period during which the holder is required to provide services in exchange for the award, i.e., the vesting period. We elected the modified-prospective method, under which prior periods are not revised for comparative purposes. The valuation provisions of SFAS 123R apply to new grants and to grants that were outstanding as of the effective date and are subsequently modified. Estimated compensation for grants that were outstanding as of the effective date will be recognized over the remaining service period using the compensation cost estimated for the SFAS 123 pro forma disclosures.

For the three and nine months ended March 31, 2007 we recorded compensation expense of \$29,664 and \$70,631, respectively, under the requirements as discussed above. No such expense was recorded for the three or nine months ended March 31, 2008.



**6. Notes Payable and Long-Term Debt**

At March 31, 2008, notes payable and long-term debt consisted of the following:

Senior mortgage payable to an investment company, collateralized by real estate, interest at 12%, monthly payments of \$7,646 through September 2009. Final payment of \$721,475.

\$ 728,183

Junior mortgages payable to private lenders, collateralized by real estate, interest at 4%, monthly payments of \$5,054 through September 2009. Final payment of \$909,000.

944,239

Note payable to seller of Doc Holliday Casino, total principal due March 31, 2009, no interest, net of discount of \$30,655.

369,345

Installment note payable to seller of Doc Holliday Casino, requiring monthly payments of \$13,541 beginning on April 18, 2008, interest at 8%, final payment due March 18, 2009.

155,670

Installment note payable to equipment supplier, requiring monthly payments of \$7,603, interest at 8.5%, final payment due September 18, 2009.

128,072

Installment note payable to equipment supplier under Discount Conversion Program Agreement, requiring monthly payments of \$2,797, no interest, final payment due December 10, 2008.

22,377

Total notes payable and long-term debt

2,347,886

|                      |                     |
|----------------------|---------------------|
| Less current portion | <u>(659,339)</u>    |
| Long-term debt, net  | <u>\$ 1,688,347</u> |

## 7. Stockholders Equity

On January 5, 2007, the stockholders approved a proposal to adopt and approve a reverse split of up to a ratio of one-for-five of the issued and outstanding shares of our common stock, and issued and outstanding options, warrants and other rights convertible into shares of our common stock, all at the discretion of our Board of Directors to be implemented in the future as and when determined by our Board of Directors.

On January 30, 2007, a previously awarded stock option grant to our General Manager at the Bull Durham Casino that was to expire on that date was extended for an additional year. Total compensation cost associated with the extension was \$29,664, and is included in operating, general, and administrative expenses for the three and nine months ended March 31, 2007. The fair value of the option extension was estimated utilizing the Black-Scholes option pricing model with the

following assumptions: expected life of 0.5 years; expected volatility of 65%; risk free interest rate of 5.11% and no dividend yield. On February 20, 2007 all the options associated with the extension were exercised, and as a result, 50,000 shares of common stock were issued. The Company realized proceeds of \$6,500 associated with the exercise of the options.

In March 2008, the Company completed a private offering of 700,000 shares of Series D Preferred stock. The preferred stock has a stated value of \$1.00 per share, and its holders are entitled to receive dividends at the rate of 8% per year, declared quarterly and payable on the 15<sup>th</sup> day of April, July, October and January of each year. The dividends are cumulative and may be paid in cash, or at the option of the holder in shares of the Company's common stock valued at the market price on the dividend record date. At March 31, 2008, \$3,700 of dividends were declared and accrued, and were subsequently paid on April 15, 2008. The preferred stock is redeemable at any time only at the option of the Company. At the option of the holder, each preferred share is convertible to one share of the Company's common stock. The \$700,000 proceeds from the private offering were used as partial payment to the seller of Doc Holliday at the acquisition closing on March 18, 2008.

Also in March 2008, the Company completed a private offering of 100,000 shares of common stock at a price of \$.50 per share. The proceeds of \$50,000 received from the sale were also used as partial payment to the seller of Doc Holliday at the acquisition closing on March 18, 2008.

As partial consideration for the acquisition of Doc Holliday, the Company issued 450,000 shares of common stock to the seller. The shares were valued at \$.75 per share using the average of the closing prices of the common stock for the day prior through the day after the closing of the acquisition on March 18, 2008.

## **8. Related Party Transactions**

An officer and director operates a law firm that provides legal services to the Company. During the nine months ended March 31, 2008 and 2007, his billings to the Company totaled \$59,003 and \$65,535 respectively.

In 2006, the Company contracted an officer to provide management and accounting services to the Company. During the nine months ended March 31, 2008 and 2007, his billings to the company for services were \$21,500 and \$13,000, respectively.

## **9. Commitments and Contingencies**

**Michael Jacobs vs. Global Casinos, Inc.**



This matter was filed as a civil action, which has been stayed since 1998, pending mandatory arbitration. There has been no action to prosecute the arbitration whatsoever and the matter has been dormant since 1998. 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 believes that the likelihood of a material adverse outcome in this matter is remote.

## Leases

Prior to January 2006, the Company leased approximately 4,200 square feet of space used as its corporate offices.

The lease required monthly payments of approximately \$3,500. A portion of the space was subleased for monthly rental income of approximately \$2,500. In January 2006, the lease with the landlord was terminated and assumed by Gunpark Asset Management, LLC (Gunpark), a company operated by the Company's former President and Director.

Concurrently, the Company entered into a Shared Services Agreement with Gunpark. The agreement requires Gunpark provide sufficient office space to the Company, and requires the Company make monthly payments directly to the landlord of \$3,000. The monthly payment is allocated as \$2,000 to rent expense, and \$1,000 to clerical services. The agreement expired on December 31, 2007 and at that time was extended under the same terms to December 31, 2008 by mutual agreement. In March 2008, the agreement was modified by both parties due to changes in the delivery of clerical services to be provided under the previous agreement. By mutual agreement of both parties, the current agreement will expire June 30, 2008. No plans currently exist to further modify this agreement.

At March 31, 2008 the minimum required payments through the remaining term of the Shared Services Agreement for fiscal year ending June 30, 2008 are \$9,000.

## 10. 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>2007</u> | <u>2006</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 March 31, 2007, the Company had net operating loss carry-forwards of approximately \$5,677,000 available to reduce future taxable income. The Company does not expect the acquisition of Doc Holliday in March 2008 will materially affect the Company's ability to utilize the operating loss carry-forwards.



## 11. Investment in Global Gaming Technologies

On February 28, 2006, the Company entered into an Organization Agreement with a certain individual to form a for-profit limited liability company under the name of Global Gaming Technologies, LLC ( GGT ). Under the terms of the Agreement, the individual contributed to GGT all of his intellectual property rights related to two games of poker, which he individually developed. The Company agreed to make an initial cash capital contribution to GGT of \$100,000, for which it received a 25% equity interest in GGT. At the Company's election, it may make an additional \$100,000 cash capital contribution to GGT for which it will receive an additional 25% equity interest. The initial cash contribution will be used to further develop the two games and to investigate possible patent protection. At the present time, both games are still under development and neither has been approved for use in any gaming jurisdiction. As of March 31, 2008, GGT had no revenues.

The investment is being accounted for under the equity method. Its cash outlays have primarily been related to investigating patent protection for the products under development and for various product development, organizational start-up costs and limited marketing efforts. For the nine months ended March 31, 2008 and 2007 we have recorded \$7,126 and \$20,256, respectively, for various GGT product development expenditures. Since February 2006, we have recorded \$37,591, cumulatively, for various GGT start-up, product development and marketing costs.

As of March 31, 2008, the Company has made cash payments to GGT of \$70,000 as part of the initial \$100,000 cash capital payments required under the Agreement. The remaining \$30,000 obligation was recorded as a current liability.

## 12. Acquisition

On March 18, 2008 the Company completed its acquisition of substantially all the assets and certain liabilities of the Doc Holliday Casino ( Casino ). The results of the Casino have been included in the consolidated financial statements since that date. The Casino is a limited stakes gaming establishment located in Central City, Colorado and is generally considered to be in the same market and gaming environment as the Bull Durham Saloon and Casino. Our acquisition of the Casino will allow us to benefit from joint marketing efforts, and to a lesser degree reduce its administrative operating expenses through economies of scale.

The purchase was accounted for under the purchase method of accounting in accordance with *Statement of Financial Accounting Standards No. 141, Business Combinations*. Under the purchase method of accounting, the total purchase price, including transaction costs, is allocated to the assets and liabilities acquired based on their fair values at the completion of the transaction. The aggregate purchase price was \$2,900,471, including \$1,665,376 in cash, 450,000 shares of the Company's common stock valued at \$.75 per share totaling \$337,500, and a business personal property appraisal expense of \$7,000, as well as \$365,580 of liabilities assumed, and new short-term debt of \$525,015. The value of the common stock was determined by the average of the closing prices of the Company's common stock for the day prior through the day after the closing of the acquisition. Two notes payable were issued to the seller by Doc Holliday II, LLC. The first note was a 0% interest note of \$400,000, due in full on or before March 31, 2009, and was

valued at \$369,345 using a

discount rate of 8%. The second note in the amount of \$155,670, is an 8% installment note requiring monthly principal and interest payments of \$13,541, and matures on March 18, 2009.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of the acquisition. Intangible assets purchased have been determined to have minimal value, and as such none have been recorded.

|   | At March 18,<br>2008 |
|---|----------------------|
| Current assets, including \$257,282 in cash | \$ 366,005           |
| Furniture, fixtures and equipment           | 635,970              |
| Goodwill                                    | 1,898,496            |
| Total assets acquired                       | 2,900,471            |
| Current liabilities                         | 237,508              |
| Debt  | 653,087              |
| Total liabilities assumed                   | 890,595              |
| Net assets acquired                         | \$ 2,009,876         |

Goodwill resulting from the transaction has not been allocated to specific intangible assets. It is expected that all goodwill will be deductible for tax purposes.

The following supplemental pro forma information is provided assuming the acquisition was completed at the beginning of each period presented:

|  | Three months ended |           | Nine months ended |            |
|--|--------------------|-----------|-------------------|------------|
|  | March 31,          |           | March 31,         |            |
|  | 2008               | 2007      | 2008              | 2007       |
|  | \$                 | \$        | \$                | \$         |
| Revenues                                     | 1,573,000          | 1,729,000 | 4,650,000         | 5,319,000  |
| Net loss attributable to common shareholders | \$ (46,000)        | \$ 24,000 | \$ 64,000         | \$ 191,000 |
|  | \$                 |           |                   |            |
| Net loss per share                           | (0.01)             | \$ 0.00   | \$ 0.01           | \$ 0.03    |

Pro forma adjustments include:

- 1) Adjustments to recalculate depreciation on fixed assets purchased;
- 2) Adjustments to recalculate interest expense based on new debt issued and liabilities assumed; and,
- 3) Adjustments to accrue dividends earned on the Series D Preferred Stock, proceeds from which were used as consideration for the transaction.
- 4) Recalculations of weighted average common shares outstanding for: a) common stock issued to seller; and, b) new shares sold, the proceeds of which were used as partial consideration for the transaction.

### **13. Subsequent Events**

On April 1, 2008 the Company entered into Consultation Agreement ( Agreement ) with an independent contractor to provide corporate development services. The Agreement will automatically terminate on September 1, 2008, unless extended by both parties. The agreement requires the Company pay the consultant a fee equal to \$50,000 payable in sums of not less than \$10,000 per month.

In April 2008, the Company completed a private offering of 100,000 shares of common stock to one investor at a price of \$.50 per share. The proceeds were used for general working capital.

## **ITEM 2. 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 our 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.

### **Overview**

We operate in the domestic gaming industry. We were organized as a holding company for the purpose of acquiring and operating casinos, gaming properties and other related interests.

As of March 31, 2008, our operating subsidiaries were Casinos USA, Inc. ("Casinos USA, a Colorado corporation), which owns and operates the Bull Durham Saloon and Casino ("Bull Durham"), located in the limited stakes gaming district of Black Hawk, Colorado, and Doc Holliday Casino II, LLC (a Colorado limited liability company), which operates the Doc Holliday Casino ( Doc Holliday ), located in the limited stakes gaming district of Central City,



Colorado. Doc Holliday Casino II, LLC was incorporated in the state of Colorado on June 15, 2007 for the purpose of acquiring substantially all the assets and certain liabilities of the Doc Holliday Casino, and to operate the casino. The acquisition was completed on March 18, 2008. The results of Doc Holliday's operations have been included in the consolidated financial statements since that date.

Our operations are seasonal. Our casinos typically experience a significant increase in business during the summer tourist season.

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

### **Results of Operations - Three Months Ended March 31, 2008 Compared to the Three Months Ended March 31, 2007**

We recognized a net loss available to common shareholders after dividends declared on our Series D preferred stock of \$(50,951) (\$0.01 per share) for the three months ended March 31, 2008 compared to a net loss of \$(1,573) (\$0.00 per share) for the same period in 2007. The increase in our net loss is primarily due to operating expenses of the Doc Holliday operations during our start up period, as well as certain marketing and promotional efforts of the Bull Durham operations designed to increase customer traffic during the traditionally slow winter months.

#### Revenues

Casino revenues for the three months ended March 31, 2008 were \$966,364 compared to \$898,546 for the 2007 period, an increase of \$67,818 or 7.5%, and is generally attributed to revenues of the Doc Holliday casino from the commencement of operations after the acquisition from March 19 through March 31, 2008. The full period coin-in for the Bull Durham casino was up by 1.2% for the three months ended March 31, 2008 over the comparable period in 2007, however we also experienced a slight 0.15% decrease in our hold percentage for the three months ended March 31, 2008 over the three months ended March 31, 2007.

Promotional allowances primarily include anticipated redemptions associated with our Sharpshooter's Club which awards customers with cash payouts dependent upon the frequency and amount of their gaming activities on our slot machines. The total allowances increased \$2,059 from \$36,531 to \$38,590 for the three months ended March 31, 2008 and 2007, respectively. The primary reason for the increase was due increases in gaming and a change in our estimate of the expected redemption rates under the program during the current year.

#### Operating Expenses

Casino operations: Includes all expenses associated with the operations of the Bull Durham Casino and the Doc Holliday casino from March 19 through March 31, 2008. The following table summarizes such expenses for comparison and discussion purposes:

**For the three months  
ended**

|                                | <b>March 31,</b>   | <b>March 31,</b>   |                        |                        |
|--------------------------------|--------------------|--------------------|------------------------|------------------------|
|                                | <b><u>2008</u></b> | <b><u>2007</u></b> | <b><u>\$</u></b>       | <b><u>%</u></b>        |
|                                |                    |                    | <b><u>Variance</u></b> | <b><u>Variance</u></b> |
| Labor & Benefits               | 363,617            | 307,253            | 56,364                 | 18.3%                  |
| Marketing & Advertising        | 162,770            | 109,935            | 52,835                 | 48.1%                  |
| Depreciation &<br>Amortization | 123,621            | 121,030            | 2,591                  | 2.1%                   |

|                                |                |                |                |              |
|--------------------------------|----------------|----------------|----------------|--------------|
| Food & Beverage                | 54,721         | 48,030         | 6,691          | 13.9%        |
| Repair, Maintenance & Supplies | 51,704         | 39,204         | 12,500         | 31.9%        |
| Device fees                    | 42,745         | 39,849         | 2,896          | 7.3%         |
| Professional fees              | 26,000         | 26,000         | -              | 0.0%         |
| Insurance, Taxes & Licenses    | 47,004         | 31,089         | 15,915         | 51.2%        |
| Utilities & Telephone          | 26,883         | 18,929         | 7,954          | 42.0%        |
| Other casino expenses          | <u>27,091</u>  | <u>17,057</u>  | <u>10,034</u>  | <u>58.8%</u> |
|                                | <u>926,156</u> | <u>758,376</u> | <u>167,780</u> | <u>22.1%</u> |

**Labor & Benefits:** Includes all salary and contract labor costs associated with the operations of the casinos, payroll taxes, and costs associated with the casinos' employee benefit and health insurance plans. The 18.3% increase is primarily attributable to Doc Holliday operations after the acquisition from March 19 through March 31, 2008. Total labor and benefits costs as a percentage of casino revenues increased for the quarter from 34.2% to 37.6% for the three months ended March 31, 2007 and 2008, respectively. We expect our total labor and benefits costs as a percentage of casino revenues to decrease as the Doc Holliday casino operations stabilize over the near term.

**Marketing & Advertising:** Includes all costs associated with our advertising and marketing efforts including promotional activities designed to drive customers to our casino, and programs designed to foster customer loyalty. Approximately \$25,000 of the increase is attributed to the Doc Holliday operations after the acquisition from March 19 through March 31, 2008. The remaining approximately \$28,000 of the increase is attributed to increased promotional activity including marketing supplies, mailers and charter busses utilized during the quarter.

**Depreciation & Amortization:** Primarily includes depreciation on our gaming equipment, casino building improvements, furniture and fixtures, as well as amortization on our customer tracking software. The increase of \$2,591 is primarily associated with the gaming assets of Doc Holliday casino. Our efforts to upgrade and maintain the quality and appearance of the machines in our casinos are part of our customer loyalty strategy to provide the best customer experience possible.

**Food & Beverage:** Includes all costs associated with our bar and limited menu food services. The \$6,691 increase from the comparable period in 2006 is primarily the result of Doc Holliday operations after the acquisition from March 19 through March 31, 2008.

Repair, Maintenance & Supplies: Includes costs associated with the general upkeep of the facility, as well as parts and repair efforts to maintain the quality of our slot machines. The increase of \$12,500 is primarily attributable to our continued efforts to upgrade and maintain the quality and appearance of the machines in our casinos are part of our customer loyalty strategy to provide the best customer experience possible.

Device Fees: Includes local fees paid to the city of Blackhawk by the Bull Durham casino based on the number of slot machines in operation. The slight increase of \$2,896 for the quarter over quarter

comparison is attributed to the turnover of new and upgraded machines placed in service.

Professional Fees: Includes all costs and fees associated with legal services, accounting and auditing services, and the Board of Directors of Casinos USA (d/b/a The Bull Durham Saloon & Casino). There were no significant changes in the costs within this category during the quarter.

Insurance, Taxes & Licenses: Includes all non-payroll taxes, liability and property insurance, and licenses associated with the operation of the casinos. The increase of \$15,915 is primarily attributed licenses obtained or renewed for the Doc Holliday casino due to the change in ownership with the acquisition completed on March 18, 2008.

Utilities & Telephone: Includes all costs associated with the casino's telephone system, cell phone usage, and utility costs. The increase of \$7,954 is primarily attributed to the Doc Holliday operations after the acquisition from March 19 through March 31, 2008, and to a lesser degree general increases in utility costs.

Other Casino Expenses: Includes all other costs of the casino operations not included in the above categories, including travel, postage, bad debts, parking allowances and lease costs associated with the Doc Holliday casino and off-site storage. The increase of approximately \$10,000 is attributed to lease costs relating to the Doc Holliday casino.

Operating, general, and administrative: Generally includes all expenses associated with the operations of the parent entity, Global Casinos, Inc., including legal services provided by the company's principal executive officer, and accounting services provided by the company's principal accounting officer, as well as clerical and bookkeeping services, corporate marketing efforts, and stock-based compensation costs relating to the company's executive officers, directors, and subsidiary management.

For the three months ended March 31, 2008, total operating, general, and administrative costs were \$26,276, as compared to \$71,623 for the comparable three months ended March 31, 2007, a decrease of \$45,347 or 63.3%, and is attributable to two primary factors. First, during the quarter ended March 31, 2007 we recognized \$29,664 of stock based compensation costs associated with the vesting of certain stock purchase options. No stock compensation expense was incurred during the three months ended March 31, 2008. Second, certain costs associated with the Doc Holliday acquisition were paid on behalf of the casino prior to the completion of the acquisition. Upon completion of the acquisition, those costs totaling approximately \$20,000 were charged back to the Doc Holliday operating subsidiary. Other than these two items, there were no significant variances in operating, general, and administrative costs between the comparable periods.

We have adopted the provisions of, and account for stock-based compensation in accordance with, the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards No. 123 revised 2004 (SFAS 123R), *Share-Based Payment* which replaced Statement of Financial Accounting Standards No. 123 (SFAS 123),

*Accounting for Stock-Based Compensation* and supersedes APB Opinion No. 25 ( *APB 25* ), *Accounting for Stock Issued to Employees*. Under the fair value recognition provisions of this statement, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense

on a straight-line basis over the period during which the holder is required to provide services in exchange for the award, i.e., the vesting period.

Other than that noted above, neither period included any unusual items or significant fluctuations.

### **Interest expense**

Interest expense was \$21,689 for the three months ended March 31, 2008 compared to \$22,272 for the comparable period in 2007, and primarily represents regularly scheduled payments on various senior and junior mortgages collateralized by the Bull Durham Saloon and Casino real estate. Interest expense is partially offset by interest income earned on certain cash balances maintained at financial institutions. We expect our interest expense to increase in future periods as a result of new debt associated with the acquisition of the Doc Holliday casino.

### **Other**

Global Gaming Technologies: On February 28, 2006, we entered into an Organization Agreement with a certain individual to form a for-profit limited liability company under the name of Global Gaming Technologies, LLC ( GGT ). GGT was formed for the purpose of bringing to market two games of poker developed by the other party to the agreement, whose contribution included all of his intellectual property rights related to the two games which he developed. At the present time, both games are still under development and neither has been approved for use in any gaming jurisdiction. At this time GGT has no revenues and none are expected until such time that patent protections are secured and significant marketing of the games can commence. The investment is being accounted for under the equity method. Its cash outlays have primarily been related to investigating patent protection for the products under development and for various product development and organizational costs. For the three months ended March 31, 2008 and 2007 we recorded \$904 and \$11,317, respectively, for various GGT organizational, product development and marketing expenditures.

Series D Preferred Stock: In March 2008 we sold 700,000 shares of Series D preferred stock at its stated value of \$1.00 per share. The proceeds from the sale were used as partial compensation to the seller of the Doc Holliday casino. The holders of the preferred shares are entitled to receive dividends at the rate of 8% per year, declared quarterly and payable the 15<sup>th</sup> day of April, July, October and January of each year. On March 31, 2008, \$3,700 of dividends were declared and subsequently paid to the preferred shareholders on April 15, 2008.

Net Operating Loss Carryover: For federal income tax purposes, Global has a net operating loss carryover (NOL) approximating \$5,677,000, 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. We do not believe the acquisition of Doc Holliday will result in impairment of our NOL. However, there is no guarantee that Global will be able to utilize its NOL before it expires and accordingly, no potential benefit has been recorded in the financial statements.

Inflation did not have a material impact on the Company's operations for the period.

### **Results of Operations - Nine Months Ended March 31, 2008 Compared to the Nine Months Ended March 31, 2007**

We recognized net income available to common shareholders after dividends declared on our Series D preferred stock of \$71,220 (\$0.01 per share) for the three months ended March 31, 2008 compared to net income of \$109,316 (\$0.02 per share) for the same period in 2007. The decrease in our net income is primarily due to operating results of the Doc Holliday casino during our start up period from March 19 through March 31, 2008.

#### Revenues

Casino revenues for the nine months ended March 31, 2008 were \$2,829,589 compared to \$2,843,666 for the 2007 period, a slight decrease of \$14,077 or 0.5%. Total full period revenues for the Bull Durham were \$2,750,643, while revenues for Doc Holliday were \$78,946 from commencement of operations after the acquisition from March 19 through March 31, 2008. The full period coin-in for the Bull Durham casino was down 0.4% for the nine months ended March 31, 2008 over the comparable period in 2007, and we also experienced a slight 0.18% decrease in our hold percentage for the nine months ended March 31, 2008 over the nine months ended March 31, 2007.

Promotional allowances primarily include anticipated redemptions associated with our Sharpshooter's Club which awards customers with cash payouts dependent upon the frequency and amount of their gaming activities on our slot machines. The total allowances decreased \$10,254 from \$125,495 to \$115,241 for the nine months ended March 31, 2007 and 2008, respectively. The primary reason for the decrease was attributed to a decrease in earnings under the program.

#### Operating Expenses

Casino operations: Includes all expenses associated with the operations of the Bull Durham Casino and the Doc Holliday casino from March 19 through March 31, 2008. The following table summarizes such expenses for comparison and discussion purposes:

|                         | <b>For the nine months ended</b> |                    |                        |                        |
|-------------------------|----------------------------------|--------------------|------------------------|------------------------|
|                         | <b>March 31,</b>                 | <b>March 31,</b>   |                        |                        |
|                         | <u><b>2008</b></u>               | <u><b>2007</b></u> | <u><b>\$</b></u>       | <u><b>%</b></u>        |
|                         |                                  |                    | <u><b>Variance</b></u> | <u><b>Variance</b></u> |
| Labor & Benefits        | 985,146                          | 938,558            | 46,588                 | 5.0%                   |
| Marketing & Advertising | 410,604                          | 372,712            | 37,892                 | 10.2%                  |

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|                                |         |         |         |        |
|--------------------------------|---------|---------|---------|--------|
| Depreciation & Amortization    | 358,388 | 363,186 | (4,798) | (1.3)% |
| Food & Beverage                | 154,577 | 153,787 | 790     | 0.5%   |
| Repair, Maintenance & Supplies | 124,658 | 117,768 | 6,890   | 5.9%   |
| Device fees                    | 128,234 | 107,199 | 21,035  | 19.6%  |
| Professional fees              | 80,000  | 75,000  | 5,000   | 6.7%   |

|                             |                  |                  |                |              |
|-----------------------------|------------------|------------------|----------------|--------------|
| Insurance, Taxes & Licenses | 82,612           | 72,060           | 10,552         | 14.6%        |
| Utilities & Telephone       | 64,721           | 53,253           | 11,468         | 21.5%        |
| Other casino expenses       | <u>56,844</u>    | <u>47,703</u>    | <u>9,141</u>   | <u>19.2%</u> |
|                             | <u>2,445,784</u> | <u>2,301,226</u> | <u>144,558</u> | <u>6.3%</u>  |

**Labor & Benefits:** Includes all salary and contract labor costs associated with the operations of the casinos, payroll taxes, and costs associated with the casinos' employee benefit and health insurance plans. The 5.0% increase is primarily attributable to Doc Holliday operations after the acquisition from March 19 through March 31, 2008. Total labor and benefits costs as a percentage of casino revenues increased for the quarter from 33.0% to 34.8% for the nine months ended March 31, 2007 and 2008, respectively. We expect our total labor and benefits costs as a percentage of casino revenues to decrease as the Doc Holliday casino operations stabilize over the near term.

**Marketing & Advertising:** Includes all costs associated with our advertising and marketing efforts including promotional activities designed to drive customers to our casino, and programs designed to foster customer loyalty. Approximately \$25,000 of the increase is attributed to the Doc Holliday operations after the acquisition from March 19 through March 31, 2008. The remaining approximately \$13,000 of the increase is attributed to increased promotional activity including marketing supplies, mailers and charter busses utilized during the period.

**Depreciation & Amortization:** Primarily includes depreciation on our gaming equipment, casino building improvements, furniture and fixtures, as well as amortization on our customer tracking software. The slight decrease of \$4,798 is primarily associated with casino games that have fully depreciated. Our efforts to upgrade and maintain the quality and appearance of the machines in our casinos are part of our customer loyalty strategy to provide the best customer experience possible.

**Food & Beverage:** Includes all costs associated with our bar and limited menu food services. The slight \$790 increase from the comparable period in 2006 is primarily the result of Doc Holliday operations after the acquisition from March 19 through March 31, 2008.

**Repair, Maintenance & Supplies:** Includes costs associated with the general upkeep of the facility, as well as parts and repair efforts to maintain the quality of our slot machines. The increase of \$6,890 is primarily attributable to our continued efforts to upgrade and maintain the quality and appearance of the machines in our casinos are part of our customer loyalty strategy to provide the best customer experience possible.

Device Fees: Includes local fees paid to the city of Blackhawk by the Bull Durham casino based on the number of slot machines in operation. Prior to calendar year 2007, the city of Blackhawk waived device fees on the first fifty slot machines operated by a casino. In 2007, this waiver of fees was eliminated. The increase of \$21,035 over the comparable period in 2007 is attributed to the elimination of this waiver.

Professional Fees: Includes all costs and fees associated with legal services, accounting and auditing services, and the Board of Directors of Casinos USA (d/b/a The Bull Durham Saloon & Casino). The increase of \$5,000 is primarily attributed to an increase in the director per meeting compensation at Casinos USA and an increase in accounting and audit service accruals.

Insurance, Taxes & Licenses: Includes all non-payroll taxes, liability and property insurance, and licenses associated with the operation of the casinos. The increase of \$10,552 is primarily attributed licenses obtained or renewed for the Doc Holliday casino due to the change in ownership with the acquisition completed on March 18, 2008.

Utilities & Telephone: Includes all costs associated with the casino's telephone system, cell phone usage, and utility costs. The increase of \$11,468 is primarily attributed to the Doc Holliday operations after the acquisition from March 19 through March 31, 2008, and to a lesser degree general increases in utility costs.

Other Casino Expenses: Includes all other costs of the casino operations not included in the above categories, including travel, postage, bad debts, parking allowances and lease costs associated with the Doc Holliday casino and off-site storage. The increase of approximately \$9,000 is attributed to lease costs relating to the Doc Holliday casino.

Operating, general, and administrative: Generally includes all expenses associated with the operations of the parent entity, Global Casinos, Inc., including legal services provided by the company's principal executive officer, and accounting services provided by the company's principal accounting officer, as well as clerical and bookkeeping services, corporate marketing efforts, and stock-based compensation costs relating to the company's executive officers, directors, and subsidiary management.

For the nine months ended March 31, 2008, total operating, general, and administrative costs were \$124,937, as compared to \$214,439 for the comparable nine months ended March 31, 2007, a decrease of \$89,502 or 41.7%, and is attributable to two primary factors. First, during the nine months ended March 31, 2007 we recognized \$70,631 of stock based compensation costs associated with the vesting of certain stock purchase options. No stock compensation expense was incurred during the nine months ended March 31, 2008. Second, during the nine months ended March 31, 2007 we incurred approximately \$19,000 of expenses associated with the preparation and distribution of our annual meeting proxy materials. No costs associated with the preparation and distribution of our 2007 annual meeting proxy were incurred during the nine months ending March 31, 2008. Other than these two items, there were no significant variances in operating, general, and administrative costs between the comparable periods.

We have adopted the provisions of, and account for stock-based compensation in accordance with, the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards No. 123 revised 2004 (SFAS 123R), *Share-Based Payment* which replaced Statement of Financial Accounting Standards No. 123 (SFAS 123), *Accounting for Stock-Based Compensation* and supersedes APB Opinion No. 25 (APB 25), *Accounting for Stock Issued to Employees*. Under the fair value recognition provisions of this statement, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense



on a straight-line basis over the period during which the holder is required to provide services in exchange for the award, i.e., the vesting period.

Other than that noted above, neither period included any unusual items or significant fluctuations.

### **Interest expense**

Interest expense was \$61,581 for the nine months ended March 31, 2008 compared to \$72,934 for the comparable period in 2007, and primarily represents regularly scheduled payments on various senior and junior mortgages collateralized by the Bull Durham Saloon and Casino real estate. Interest expense is partially offset by interest income earned on certain cash balances maintained at financial institutions. We expect our interest expense to increase in future periods as a result of new debt associated with the acquisition of the Doc Holliday casino.

### **Other**

Global Gaming Technologies: On February 28, 2006, we entered into an Organization Agreement with a certain individual to form a for-profit limited liability company under the name of Global Gaming Technologies, LLC ( GGT ). GGT was formed for the purpose of bringing to market two games of poker developed by the other party to the agreement, whose contribution included all of his intellectual property rights related to the two games which he developed. At the present time, both games are still under development and neither has been approved for use in any gaming jurisdiction. At this time GGT has no revenues and none are expected until such time that patent protections are secured and significant marketing of the games can commence. The investment is being accounted for under the equity method. Its cash outlays have primarily been related to investigating patent protection for the products under development and for various product development and organizational costs. For the nine months ended March 31, 2008 and 2007 we recorded \$7,126 and \$20,256, respectively, for various GGT organizational, product development and marketing expenditures.

Series D Preferred Stock: In March 2008 we sold 700,000 shares of Series D preferred stock at its stated value of \$1.00 per share. The proceeds from the sale were used as partial compensation to the seller of the Doc Holliday casino. The holders of the preferred shares are entitled to receive dividends at the rate of 8% per year, declared quarterly and payable the 15<sup>th</sup> day of April, July, October and January of each year. On March 31, 2008, \$3,700 of dividends were declared and subsequently paid to the preferred shareholders on April 15, 2008.

Net Operating Loss Carryover: For federal income tax purposes, Global has a net operating loss carryover (NOL) approximating \$5,677,000, 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. We do not believe the acquisition of Doc Holliday will result in impairment of our NOL. However, there is no guarantee that Global will be able to utilize its NOL before it expires and accordingly, no potential benefit has been recorded in the financial statements.

Inflation did not have a material impact on the Company's operations for the period.

### **Liquidity and Capital Resources**

Our primary source of cash is internally generated through operations. As of March 31, 2007, neither the Company nor its subsidiaries have commercial bank credit facilities. Consequently, we believe that cash necessary for future operating needs must be internally generated through operations. Cash flow at one of the Company's operating subsidiaries, Bull Durham, has been sufficient to fund operations and we believe that cash flow will be sufficient during the next twelve months to continue our operations. We have not had sufficient time to determine if cash flows from our other operating subsidiary, Doc Holliday, will be sufficient to fund its operations. From time to time, we have depended on funds received through debt and equity financing to address operating shortfalls and capital requirements. We have 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 us in the future if necessary, as there is no legal obligation on these parties to provide such loans.

At March 31, 2008, the Company had cash and cash equivalents of \$1,012,750, substantially all of which was utilized in our casino operations. Pursuant to state gaming regulations, the casinos are required to maintain cash balances sufficient to pay potential jackpot awards. Our cash balances at March 31, 2007 were in excess of funds required by gaming regulations.

Our working capital decreased by \$1,204,688 to \$(112,103) at March 31, 2008 from \$1,092,565 at June 30, 2006, entirely due to cash outlays and short term debt issued in connection with our acquisition of Doc Holliday on March 18, 2008.

Cash provided by operating activities was \$364,724 for the nine months ended March 31, 2008. For the same period in 2007, operating activities provided net cash of \$643,190. The decrease in cash provided by operating activities of \$(278,466) was primarily the result of certain non-cash charges for stock based compensation in fiscal year 2007, as well as increases during the nine months ended March 31, 2008 in our accrued gaming income.

Cash used in investing activities was \$(1,620,908) for the nine months ended March 31, 2008. On March 18, 2008 we completed the acquisition of substantially all the assets and certain liabilities of the Doc Holliday casino. The Asset Purchase and Sale Agreement ( Agreement ) required us to deposit into escrow \$100,000 as earnest money. Upon closing of the acquisition, these funds were released from escrow. The aggregate purchase price was \$2,900,471, including \$1,665,376 in cash, 450,000 shares of the Company's common stock valued at \$.75 per share totaling \$337,500, and a business personal property appraisal expense of \$7,000, as well as \$365,580 of liabilities assumed, and new short-term debt of \$525,015. The new short term debt consists of two notes payable to the seller. The first note was a 0% interest note of \$400,000, due in full on or before March 31, 2009, and was valued at \$369,345 using a discount rate of 8%. The second note in the amount of \$155,670, is an 8% installment note requiring monthly principal and interest payments of \$13,541, and matures on March 18, 2009.



During the nine months ended March 31, 2008 we made cash purchases of gaming equipment totaling \$38,532.

Additional gaming equipment valued at \$44,804 was acquired in vendor financing arrangements. At March 31, 2008 our remaining liability on the vendor financing arrangements was \$22,377, and requires monthly payments of \$2,797 through December 2008. For the year ended June 30, 2008 we expect to spend approximately \$150,000 in capital expenditures primarily to continue our efforts to upgrade and purchase new slot machines. We expect much of this activity to continue to be short-term financed by our vendors under similar terms. Also during the nine months ended March 31, 2008 we paid \$10,000 on the obligation regarding our investment in Global Gaming Technologies, LLC.

For the nine months ended December 31, 2007, we used net cash of \$77,505 in investing activities, which included \$37,505 used for purchases of gaming equipment and building improvements, as well as \$40,000 paid on the obligation regarding our investment in Global Gaming Technologies, LLC.

On February 28, 2006, we entered into an Organization Agreement with a certain individual to form a for-profit limited liability company under the name of Global Gaming Technologies, LLC ( GGT ). GGT was formed for the purpose of bringing to market two games of poker developed by the other party to the agreement, whose contribution included all of his intellectual property rights related to the two games which he developed. At the present time, both games are still under development and neither has been approved for use in any gaming jurisdiction. At this time GGT has no revenues and none are expected until such time that patent protections are secured and marketing of the games can commence. Under the terms of the agreement we agreed to make an initial cash contribution to GGT of \$100,000 in exchange for a 25% equity interest. As of March 31, 2008, we had made total cash contributions totaling \$70,000. The balance due of \$30,000 under the terms of the agreement has been recorded as a current liability. The timing of the future cash payments required under the agreement is dependent upon the cash requirements of GGT to execute its business plan. Also under the terms of the agreement, we have the option to make additional cash contribution of \$100,000 in exchange for an additional 25% equity interest. At this time GGT has no revenues. The investment is being accounted for under the equity method. Its cash outlays have primarily been related to investigating patent protection for the products under development and for various product development, organizational and marketing costs. For the nine months ended March 31, 2008 and 2007 we recorded \$7,126 and \$20,256, respectively, for various GGT product development, organizational and marketing costs.

Cash flows provided by financing activities increased \$652,516 to \$447,684 for the nine months ended March 31, 2008, compared to cash used of \$(204,832) in fiscal 2007. Principal payments on our long term debt totaled \$302,316 for the nine months ended March 31, 2008, including the payoff of a senior mortgage in the amount of \$238,853 to an investment company relating to the Bull Durham Casino. Principal payments on long term debt totaled \$211,332 for the nine months ended March 31, 2007 , and generally represent principal payments on our mortgage debt and equipment financing obligations.

In March 2008, we completed a private offering of 700,000 shares of Series D Preferred stock. The preferred stock has a stated value of \$1.00 per share, and its holders are entitled to receive dividends at the rate of 8% per year, declared quarterly and payable on the 15<sup>th</sup> day of April, July, October and January of each year. The dividends are cumulative and may be paid in cash, or at the option of the holder in shares of the Company's common stock valued at the market price on the dividend record



date. At March 31, 2008, \$3,700 of dividends were declared and accrued, and were subsequently paid on April 15, 2008. The preferred stock is redeemable at any time only at the option of the Company. At the option of the holder, each preferred share is convertible to one share of the Company's common stock. The \$700,000 proceeds from the private offering were used as partial payment to the seller of Doc Holliday at the acquisition closing on March 18, 2008.

Also in March 2008, the Company completed a private offering of 100,000 shares of common stock at a price of \$.50 per share. The proceeds of \$50,000 received from the sale were also used as partial payment to the seller of Doc Holliday at the acquisition closing on March 18, 2008.

### Subsequent Events

On April 1, 2008 the Company entered into Consultation Agreement ( Agreement ) with an independent contractor to provide corporate development services. The Agreement will automatically terminate on September 1, 2008, unless extended by both parties. The agreement requires the Company pay the consultant a fee equal to \$50,000 payable in sums of not less than \$10,000 per month.

In April, 2008, the Company completed a private offering of 100,000 shares of common stock to one investor at a price of \$.50 per share. The proceeds were used for general working capital.

### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Securities and Exchange Commission regulation S-K.

### Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates included herein relate to the recoverability of assets, the value of long-lived assets and liabilities, the value of share based compensation transactions, the 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.

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.

**ITEM 3.**

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our short term money market investments. The Company does not have any financial instruments held for trading or other speculative purposes and does not invest in derivative financial instruments, interest rate swaps or other investments that alter interest rate exposure. The Company does not have any credit facilities with variable interest rates.

**ITEM 4.**

**CONTROLS AND PROCEDURES**

- a) The Company's Principal Executive Officer and Principal Financial Officer, have established and are currently maintaining disclosure controls and procedures for the Company. The disclosure controls and procedures have been designed to provide reasonable assurance that the information required to be disclosed by the Company in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

The Principal Executive Officer and Principal Financial Officer conducted a review and evaluation of the effectiveness of the Company's disclosure controls and procedures and have concluded, based on their evaluation as of the end of the period covered by this Report, that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and to ensure that the information required to be disclosed by the Company is accumulated and communicated to management, including our principal executive officer and our principal financial officer, to allow timely decisions regarding required disclosure.

- b)



There has been no change in our internal control over financial reporting during the quarter ended March 31, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Our principal executive and financial officer do not expect that our disclosure controls or internal controls will prevent all error and all fraud. Although our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives and our principal executive and financial officer have determined that our disclosure controls and procedures are effective at doing so, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be

considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented if there exists in an individual a desire to do so. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

**PART OTHER INFORMATION**

**II.**

**Item 1. Legal Proceedings**

None, except as previously disclosed.

**Item 1A Risk Factors**

None

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following sets forth the information required by Item 701 of Regulation S-B with respect to the unregistered sales of equity securities by Global Casinos, Inc., a Utah corporation (the "Company"), completed in April, 2008:

a.

In April, 2008, the Company sold and issued an aggregate of 100,000 shares of common stock, \$.05 par value (the Common Stock or Shares ) in consideration of \$50,000.

b.

The shares were issued to one person who qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act of 1933 as amended (the "Securities Act"). The shares issued were restricted securities under the Securities Act.

c.

The Company paid no fees or commissions in connection with the issuance of the Shares.

d.

The sale of the Securities was undertaken without registration under the Securities Act in reliance upon an exemption from the registration requirements of the Securities Act set forth in Sections 4(2) thereunder. The investor qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D. In addition, the Securities, which were taken for investment purposes and not for resale, were subject to restrictions on transfer. We did not engage in any public advertising or general solicitation in connection with this transaction, and we provided the investor with disclosure of all aspects of our business, including providing the investor with our reports filed with the Securities and Exchange Commission and other financial, business and corporate information. Based on our investigation, we believed that the accredited investor obtained all information regarding the Company that he requested, received answers to all questions posed and otherwise understood the risks of accepting our Securities for investment purposes.

e.

Not  
applicable.

f.

The proceeds  
received were  
used for  
general  
working  
capital.

**Item 3.**

**Defaults Upon Senior Securities**

None, except as previously disclosed.

**Item 4.**

**Submission of Matters to a Vote of Security Holders**

None, except as previously disclosed.

**Item 5.**

**Other Information**

None, except as previously disclosed.

**Item 6.**

**Exhibits**

Certification

Certification pursuant to 18 U.S.C. Section 1350

**SIGNATURES**

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

**GLOBAL CASINOS, INC.**

Date: May 16, 2008

By: /s/ Clifford L. Neuman

Clifford L. Neuman

President

**GLOBAL CASINOS, INC.**

Date: May 16, 2008

By: /s/ Todd Huss

Todd Huss,

Chief Financial Officer