GLOBAL CASINOS INC
Form 10-K
October 13, 2010

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

FORM 10-K

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2010

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to ____________

Commission file number 0-15415

GLOBAL CASINOS, INC.
(Exact name of Registrant as specified in its Charter)

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

1507 Pine Street, Boulder, Colorado 80302
(Address of principal executive offices) (Zip Code)

Registrant s telephone number: (303) 449-2100

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $.05 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act [___] Yes [__x_] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. [____]

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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

Large accelerated filer [___] Accelerated filer [__]

Non-accelerated filer [___] (Do not check if a smaller reporting company)

Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b2 of the Exchange Act). Yes [ ] No [x]

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant s most recently completed fiscal year is $1,540,917.

The number of shares outstanding of the registrant s common stock, as of October 11, 2010, are 6,420,488.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (*e.g.,* Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes

<u>Exhibits</u>

See Part IV, Item 15.

FORWARD LOOKING STATEMENTS

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

PART I

ITEM 1. BUSINESS

Overview

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

As of June 30, 2010, Global had two operating subsidiaries: one which owns and operates the Bull Durham Saloon & Casino ("Bull Durham") located in Black Hawk, Colorado; and one which owns and operates the Doc Holliday Casino (Doc Holliday) located in Central City, Colorado. In addition, Global also has a 25% equity investment in an entity which owns certain pending gaming technology patents. This investment is being accounted for under the equity method.

Description of Operations

Casinos U.S.A. - The Bull Durham Saloon and Casino

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

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

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

Presently, the casino occupies approximately 7,400 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 two tiers of deeds of trust securing a total of $1,503,519 in debt, as of June 30, 2010.

As of June 30, 2010, we operated 186 slot machines. The Bull Durham does not operate any table games.

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 or upgraded 38machines. The current popular trend is in the "penny" and "nickel" machines.

In 2005 we installed the Oasis Casino Management System ("Oasis System") produced by Aristocrat Technologies. The Oasis System connects our slot machines to a central computer that monitors all activity on each gaming device. It includes a "Player Tracking System" that allows us to implement new features and benefits into our Frequent Player Club (known as the "Sharpshooter Club") and also enables us to properly recognize our VIP players. As the system is fully automated, it provides several operational efficiencies in the collection and analysis of customer data, and allows us to target our marketing efforts towards the most active players. Our investment in the Oasis System totaled $380,000.

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. We also directly contract with 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.

In March 2008, in order to provide some of the cash necessary to permit the Company to acquire Doc Holliday, Astraea Investment Management, LP, as Trustee (Astraea) consented to Casinos USA lending $550,000 to Global Casinos. The loan is evidenced by an unsecured promissory note that was assigned to Astraea as further collateral for its mortgage notes. As part of the arrangement, Casinos USA agreed to an increase in the interest rate applicable to the two Astraea mortgage notes to 12% per annum. As part of Global Casino s purchase of the Astraea mortgage note in December 2009, the intercompany note between Casinos USA and Global Casinos was reassigned to Casinos USA. The promissory note was due June 30, 2009, was outstanding at June 30, 2010, and eliminates in consolidation.

In June 2009, Casinos USA loaned an additional $100,000 to Global Casinos. The proceeds of the loan were used to fund, in part, the purchase and installation of a digital surveillance system at Doc Holliday to comply with a new mandate of the Division of Gaming. The loan was evidenced by a promissory note which was repayable in two equal installments of $50,000 each, payable out of the quarterly profit distributions payable by Casinos USA to Global Casinos for the quarters ended June 30 and September 30, 2009. Both installments have been paid as scheduled and the note cancelled.

Management is currently working to obtain debt or equity financing, or a combination of both, to restructure all Company debt. No agreements have been made as of the date of this report, and there can be no assurance such financing will be obtained.

Doc Holliday Casino II, LLC

Background: On March 18, 2008 the Company completed its acquisition of substantially all the assets and certain liabilities of the Doc Holliday Casino (Doc Holliday   ). The operating results of Doc Holliday have been included in the consolidated financial statements since that date. Doc Holliday 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 Doc Holliday gives us an opportunity to benefit from joint marketing efforts, and to a lesser degree reduce our administrative operating expenses through economies of scale.

Operations: Doc Holliday is located approximately one hour from Denver, Colorado in the mountain town of Central City. The Company has operated Doc Holliday since March 2008. 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 12,710 square feet of space located at 129 - 131 Main Street in Central City, Colorado. The casino occupies that space under a lease which expires in July 2015. There are presently no options to renew or extend the lease. The monthly rent is $25,362 plus triple net expenses, subject to a three percent cap on annual increases.

As of June 30, 2010, we operated 188 slot machines and three table games, consisting of Three Card Poker, Texas Hold em, and Blackjack. In September 2010, all three table games were removed from the casino floor to provide additional space for 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. Since acquiring Doc Holliday in March 2008, we replaced or upgraded 22 machines. The current popular trend is in the "penny" and "nickel" machines.

We currently do not have a player tracking system similar to the Oasis system at Bull Durham. We plan to implement such a system when we have sufficient capital, as we estimate that a comparable system at Doc Holliday will cost approximately $500,000.

The Doc Holliday customer base consists primarily of day visitors from Denver. Many gamblers are transported to Central City on charter buses provided by the casinos. We also directly contract with certain bus companies to transport guests to our casino from Denver and its surrounding communities.

We sublease a parking lot in close proximity to the casino at a cost of approximately $5,000 per month. In addition, we rely 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.

Regulation

Both the Bull Durham and Doc Holliday Casinos operate as Class B Gaming Casinos, which limits each 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 $100.00 per bet.

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

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

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

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

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

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

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

Competition

Competition in the gaming industry in the United States is intense. There are numerous competitors engaged in the same business as the Company, and the Company's operations also compete with other forms of gaming activities, such as Bingo, Lotto, table games, sports betting and pari-mutuel wagering. Competition in Black Hawk, Colorado is particularly intense as competitors are in very close proximity to the Company's operations. There are now 19 casinos operating in the Black Hawk market. Additionally, there are 6 casinos, including our Doc Holliday Casino, located approximately one mile west in Central City. The Bull Durham Casino in Black Hawk is relatively small in comparison to the other casinos in the market. There are currently 8,738 slot machines in the Black Hawk market and 2,090 in the Central City market. Based upon the number of slot machines in Black Hawk, the Bull Durham casino represents approximately 2% of the Black Hawk market, while the Doc Holliday Casino represents approximately 9% of the total slot machines in Central City. Part of our strategy to stay competitive is by continually upgrading the casinos gaming devices to provide the most state-of-the-art gaming experience possible, and by providing personalized customer services designed to promote customer loyalty. A direct mail marketing campaign was also developed that targets repeat customers as part of our efforts to maintain market share.

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

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

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

Employees

The Company's President is Clifford L. Neuman, its Secretary is Pete Bloomquist and its Chief Financial Officer is Todd Huss.

The Bull Durham operates with an on-site general manager who shares his duties with the Doc Holliday casino. The Bull Durham currently employs 47 persons, including 34 that are considered full-time and 13 that are considered part-time. The Doc Holliday casino currently employs 29 persons, including 19 that are considered full-time and 10 that are considered part-time. The Company is not part of any collective bargaining agreement. There have been no work stoppages and the Company believes its employee relations are good.

Global Gaming Technologies, LLC

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 June 30, 2010, 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 years ended June 30, 2010 and 2009 we have recorded $-0-and $10,437, respectively, for various GGT product development expenditures. Since February 2006, we have recorded $50,883, cumulatively, for various GGT start-up costs, product development and marketing costs.

During the quarter ended June 30, 2009 we determined the investment in GGT was impaired due to GGT s inability to secure patents for the games in a reasonable time period which has provided significant uncertainty regarding the outcome of the patent process. Should patent protections not be obtained, the exclusivity of the games could be severely impaired, thereby significantly reducing the potential value of the games to GGT. Because of these uncertainties we believe the investment impairment is other than temporary, and as such we recorded an impairment charge of $50,410 at June 30, 2009.

As of June 30, 2010, the Company has made cash payments to GGT of $74,250 as part of the initial $100,000 cash capital payments required under the Agreement. The remaining $25,750 obligation is recorded as a current liability.

Intellectual Property

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

Consultants

On April 1, 2008 the Company entered into Consultation Agreement (Agreement) with an independent contractor to provide corporate development services. The Agreement was to terminate on September 1, 2008, but was extended by both parties on a month to month as needed basis by verbal agreement. The agreement required the Company pay the consultant a fee equal to $50,000 during the initial term of the agreement. For the year ended June 30, 2010 and 2009, $-0- and $21,680, respectively, was charged to operating, general and administrative expenses.

ITEM 1A. 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.

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

Our operations consist solely of the Bull Durham and Doc Holliday casinos. 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 assets to secure repayment of debt. If we default in the repayment of the debt, we could forfeit our productive assets.

All of our assets have been pledged as security for the repayment of debt in the approximate amount of $1.5 million. If we are unable to pay any of the debt, our assets would be subject to foreclosure by the creditor. Should foreclosure occur, it is likely that we would be forced to discontinue operations and our interest in the assets could be forfeited. These debts are currently due and we do not have the resources to retire the obligations. If the debt holders demand payment we could be forced to seek bankruptcy protection or be forced to liquidate the assets to satisfy the debts. We are currently engaged in discussions with both our existing lenders as well as new lenders to refinance the debt. While we have no agreement or commitments, we are optimistic that a refinance can be accomplished on reasonable terms.

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. The Colorado Division of Gaming is currently requiring certain of our shareholders to file an application for finding of suitability. If they are found by the division to be unsuitable, they could be required to divest their share positions.

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 and Central City are operated by large companies with multi-state operations and substantial resources. Our casinos also indirectly face 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 has not had a material beneficial impact on our business.

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. While there was an initial increase in business following the opening of the highway, for the past several years that business has been waning, and we do not believe that it will have any lasting positive impact on Doc Holliday operations.

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

The operation of our casinos 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, Central City 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 casinos 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 casinos. Black Hawk and Central City are 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 and Central City is common during the peak summer season, holidays and other times and may discourage potential customers from traveling to the casinos, particularly if road construction is in process.

Because we are dependent on two casinos 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 two casinos 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 and Central City; or
- a decrease in gaming activities in Black Hawk and Central City.

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.

The smoking ban in casinos has had a material adverse impact on gaming operations in Colorado, including our casinos.

Effective January 1, 2008, a new Colorado law imposed a smoking ban applicable to all casinos in the state. Our data shows that a vast majority of our most important customers are smokers, and may be deterred from gaming because of the ban. Smoking bans in other jurisdictions have resulted in significant revenue declines. While the impact of the smoking ban on our casinos is uncertain, we believe that it has had an adverse impact on our gaming revenues.

Increases in the price of gasoline has had a material adverse impact on the gaming industry.

Black Hawk and Central City are only accessible by auto or bus. As a result, sharp increases in the price of gasoline has had a material adverse impact on our operations, inasmuch as the primary demographic of our customers is retired persons on fixed incomes. It is unlikely that we will be able to offset the effects of increased transportation costs with marketing and other incentives.

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 occur costs related to this matter in the future. To date, none of these matters of 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 cities of Black Hawk and Central City have imposed an annual device fee of $946 and $1,265, respectively, 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 cities of Black Hawk or Central City. 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 properties use 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.

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.

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. Except for dividends payable on our outstanding shares of Series D Preferred Stock, 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 preferred stock, options and warrants may impair our ability to raise capital.

At June 30, 2010, there were 835,000 shares of common stock issuable upon conversion of convertible preferred stock and exercise of outstanding options and warrants at a weighted average exercise price of $1.00 per share. During the life of the preferred stock, 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 and options are outstanding may be adversely affected and the existence of the warrants and options 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.

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 September 25, 2010, there were 6,420,488 shares of our common stock issued and outstanding. Approximately 2,110,242 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.

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.

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.

Changes in the corporate and securities laws and regulations are likely to increase our costs.

The Sarbanes-Oxley Act of 2002 (SOX), which became law in July 2002, has required changes in some of our corporate governance, securities disclosure and compliance practices. In response to the requirements of SOX, the SEC and major stock exchanges have promulgated new rules and listing standards covering a variety of subjects. Compliance with these new rules and listing standards that are likely to increase our general and administrative costs, and we expect these to continue to increase in the future. In particular, we are required to include the management report on internal control as part of this annual report for the year ending June 30, 2010 pursuant to Section 404 of SOX. We have evaluated our internal control systems in order (i) to allow management to report on, as required by these laws, rules and regulations, (ii) to provide reasonable assurance that our public disclosure will be accurate and complete, and (iii) to comply with the other provisions of Section 404 of SOX. Future compliance with SOX 404 will require a significant expenditure of human resources and finances, and could adversely impact our operations. Furthermore, there is no precedent available by which to measure compliance adequacy. If we are not able to implement the requirements relating to internal controls and all other provisions of Section 404 in a timely fashion or achieve adequate compliance with these requirements or other requirements of SOX, we might become subject to sanctions or investigation by regulatory authorities such as the SEC or NASD. Any such action may materially adversely affect our reputation, financial condition and the value of our securities, including our common stock. We expect that SOX and these other laws, rules and regulations will increase legal and financial compliance costs and will make our corporate governance activities more difficult, time-consuming and costly. We also expect that these new requirements will make it more difficult and expensive for us to obtain director and officer liability insurance.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential shareholders could lose confidence in our financial reporting, which would harm our business and the trading price of our stock.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. If we cannot provide financial reports or prevent fraud, our business reputation and operating results could be harmed. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

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.

Current difficult conditions in the financial services markets may materially and adversely impact our business

Dramatic declines in the values of, among other things, various derivative instruments, credit default swaps and the housing market during the prior year, with falling home prices and increasing foreclosures and unemployment, have resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. Many lenders and institutional investors have reduced, and in some cases, ceased to provide funding to borrowers, including other financial institutions. This market turmoil and tightening of credit have also led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and possibly a general reduction of business activity. A continuation of these conditions could have, among other things, the following potential negative effects:

1.

A reduction in discretionary spending by consumers could significantly impact the customer traffic and revenues of our casino operations; and

2.

While we do not depend on credit from the financial markets to finance our operations, most of our long-term debt has matured and must be refinanced. As of June 30, 2010 a note payable to the seller of the Doc Holliday Casino in the amount of $366,667 had matured on March 31, 2009, and was therefore in default. Since default, we have made interest payments under the default terms of the note. At the request of the note holder and beginning in January 2010, we have been making interest and additional monthly principal reduction payments of $12,500. As of the date of this report the Company has made all such monthly principal reduction and interest payments which have been accepted by the noteholder, however the note holder has not executed the modification agreement or a forebearance agreement, and as such all principal is considered in technical default. At June 30, 2010 the note had a principal balance of $279,167. And, as of the date of this report, other junior mortgage debt totaling $106,628 had also matured on September 19, 2009, and efforts to refinance or modify the terms of these notes with the noteholders has not been successful. Since 2008, the financial markets have experienced disruption that has had a dramatic impact on the availability and cost of capital and credit. Our ability to re-finance our matured long-term debt will likely be affected by the current financial market conditions. If we are successful in obtaining financing of our long-term debt, there can be no assurance that we will be able to negotiate rates and terms similar to those we currently have, and such negotiated rates could be significantly higher than those currently existing on our long-term debt.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None

ITEM 2. PROPERTIES

Corporate Offices

We utilize certain office functions and systems managed by the Company s president and chief executive officer in Boulder, Colorado. We do not expect additional further office space or services will be required under the current corporate operating structure.

Operating Subsidiaries

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

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

ITEM 3. LEGAL PROCEEDINGS

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None, except as previously disclosed.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The outstanding shares of Common Stock are traded over-the-counter and quoted on the OTC Bulletin Board ("OTCBB") under the symbol "GBCS". The reported high and low bid and ask prices for the common stock are shown below for the period from July 1, 2008 through June 30, 2010.

	Bid		Ask	
	High	Low	High	Low
2009 Fiscal Year				
July - Sept 2008	$1.12	$0.55	$1.20	$0.68
Oct - Dec 2008	0.76	0.51	1.10	0.58
Jan - Mar 2009	0.72	0.25	0.85	0.50
Apr - June 2009	0.54	0.20	0.60	0.36
2010 Fiscal Year				
July - Sept 2009	$0.50	$0.25	$0.60	$0.35
Oct Dec 2009	0.43	0.25	0.54	0.30
Jan Mar 2010	0.32	0.21	0.43	0.26
Apr June 2010	0.23	0.10	0.80	0.35

The bid and ask prices of the Company's common stock as of October 7, 2010 were $0.10 and $0.20 respectively, as reported on the OTCBB. The OTCBB 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 October 7, 2010,there were approximately 718 record owners of the Company's common stock.

The OTC Bulletin Board is a registered quotation service that displays real-time quotes, last sale prices and volume information in over-the-counter (OTC) securities. An OTC equity security generally is any equity that is not listed or traded on NASDAQ or a national securities exchange. The OTCBB is not an issuer listing service, market or exchange. Although the OTCBB does not have any listing requirements, per se, to be eligible for quotation on the OTCBB, issuers must remain current in their filings with the SEC or applicable regulatory authority.

The Company's Board of Directors may declare and pay dividends on outstanding shares of common stock out of funds legally available therefore in its sole discretion; however, to date other than the 8% dividend payable on our outstanding shares of Series D Preferred Stock, no dividends have been paid on common stock and the Company does not anticipate the payment of dividends in the foreseeable future. Further, under the terms of the convertible preferred stock issued by the Company, the Company is restricted from paying cash dividends on common stock during the period that the convertible preferred stock is outstanding.

Recent Sales of Unregistered Securities

1.

On March 17, 2008, the Company accepted a subscription agreement pursuant to which the Company agreed to issue, an aggregate of 100,000 shares of common stock, $.05 par value (the Common Stock or Shares) in consideration of $50,000.

a.

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.

b.

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

c.

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.

c.

Not applicable.

d.

The proceeds received were used in connection with the acquisition of substantially all of the tangible and intangible assets used in connection with the operation of the Doc Holliday Casino, Central City, Colorado which was finalized March 18, 2008.

2.

On April 15, 2008, the Company accepted a subscription agreement pursuant to which the Company agreed to issue, an aggregate of 100,000 shares of common stock, $.05 par value (the Common Stock or Shares) in consideration of $50,000.

a.

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.

b.

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

c.

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.

d.

Not applicable.

e.

The proceeds received were used in connection with the acquisition of substantially all of the tangible and intangible assets used in connection with the operation of the Doc Holliday Casino, Central City, Colorado which was finalized March 18, 2008.

3.

<u>Stock Grant for Services</u>

a. On September 2, 2008, the Company awarded an aggregate of 90,000 shares of common stock, $.05 par value (the Common Stock or Shares) valued at $0.50 per share in consideration of services provided by the Company s directors and executive officers.

b. The shares were issued to four persons, each of whom 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 grant 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.

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f.

Not applicable.

4. Cashless Option Exercise:

a.

Effective August 15, 2009, the Company issued to Clifford L. Neuman, the Company s President and a Director, 77,273 shares of common stock, $.05 par value (the Common Stock or Shares) pursuant to his cashless exercise of options exercisable to purchase 100,000 shares of common Stock at an exercise price of $0.10 per share. For purposes of the cashless exercise, the shares were valued at $0.44 per share, which was equal to 100% of the public trading price of the Common Stock on August 15, 2009 as quoted on the OTC Electronic Bulletin Board.

b.

The shares were issued exclusively 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 in satisfaction of the debt.

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 believe 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.

The issuance of the Shares is described in Item 3.02(a) above.

f.

The Company received the surrender of 22,737 options in consideration of the cashless exercise.

5. <u>Financing Fee</u>:

a.

Effective November 30, 2009, the Company issued to an investor, 50,000 shares of common stock, $.05 par value (the Common Stock or Shares) as payment of a Loan Participation Fee pursuant to that certain Allonge and Loan Participation Agreement.

b.

The shares were issued exclusively 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 in satisfaction of the debt.

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 believe 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.

The issuance of the Shares is described in paragraph (a) above.

f.

The Company received no proceeds from the issuance of the Shares.

6.

Financing Fee:

a.

The Company agreed to issue, an aggregate of 3,000 shares of common stock, $.05 par value (the Common Stock or Shares) as payment of Loan Participation fees.

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.

The issuance of the Shares is described in paragraph (a) above.

f.

There were no proceeds as a result of the issuance of Shares.

7.

Stock for Services:

a.

On January 18, 2008, the Company awarded an aggregate of 325,000 shares of common stock, $.05 par value (the Common Stock or Shares) valued at $0.30 per share in consideration of services provided by the Company s directors and executive officers.

b.

The shares were issued to five persons, four of whom 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 grant 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. Four investors qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D. The fifth investor met other suitability and sophistication requirements. 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.

Not applicable.

8.

Convertible Debentures:

a.

On July 16, 2010, the Company s board of directors approved a private offering of its securities consisting of up to $120,000 in 5% Unsecured Convertible Debentures (Debentures) on a $10,000 minimum, all-or-none, $120,000 maximum, best efforts basis (the Offering). The Debentures sold in this Offering will mature and be due and payable three years from date of issuance. The principal amount of the Debentures will accrue interest at the rate of 5% per annum. The interest will be payable at the maturity date. The Debentures are convertible, at the option of the investor, at any time, into shares of the Company s Series E Convertible Preferred Stock (Series E Preferred or the Conversion Stock) at a conversion price equal to $0.25 per share of Series E Preferred. The Debentures will automatically convert into shares of Series E Preferred Stock under certain circumstances. The Debentures will be unsecured. Between July and August 2010, the Company sold the entire $120,000 in Convertible Debentures.

b.

To date, an aggregate of $120,000 of Debentures have sold to four (4) persons who qualified as "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act of 1933 as amended (the "Securities Act").

c.

In the Offering, the Company paid no fees or commissions to any person or entity serving as placement agents.

d.

The sale of the Securities was and will be undertaken without registration under the Securities Act in reliance upon an exemption from the registration requirements of the Securities Act set forth in Rule 506 of Regulation D thereunder. All investors in the offering must qualify as "accredited investors" within the meaning of Rule 501(c) of Regulation D under the Securities Act of 1933, as amended. In addition, the Securities, which must be for investment purposes and not for resale, will be subject to restrictions on transfer. We did not and will not engage in any public advertising or general solicitation in connection with this transaction, and we will provide the investors in the Offering with disclosure of all aspects of our business, including providing the investors with our reports filed with the Securities and Exchange Commission and other financial, business and corporate information.

e.

The conversion terms of the Debentures are described in Item 3.02(a) above.

f.

The Company used the $120,000 raised in the Offering to purchase an aggregate of up to 2.566 million shares of common stock of ImageDoc USA, Inc. (ImageDoc or IDoc) as part of ImageDoc s ongoing private offering of its securities. The Company has agreed to declare a dividend, in the nature of a spinoff, of the ImageDoc common shares to the Company s shareholders (the Spin-Off), subject to several conditions, including the necessity that the distribution of the ImageDoc shares is subject to a Registration Statement to be filed by ImageDoc with the SEC and that the Registration Statement has been declared effective by the SEC. If consummated, the Spin-Off would be accomplished by distributing to the Global common shareholders one ImageDoc share for every four shares of Global common stock, Series A Preferred Stock and Series D Preferred Stock owned as of the record date, and one ImageDoc share for every one share of Series E Convertible Preferred Stock of Global owned as of the record date. The Debentures sold in this Offering will automatically convert into Series E Preferred Stock on the record date of the Spin-Off.

EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a) (b)
Equity compensation plans approved by security holders	-0-	$0.00	-0-
Equity compensation plans not approved by security holders(1)	135,000	$1.00	-0-
Total	135,000	$1.00	-0-

(1) Includes nonqualified options granted to directors and officers.

ITEM 6. Selected Financial Data

We have set forth below certain selected financial data. The information has been derived from the financial statements, financial information and notes thereto included elsewhere in this report.

Statement of Operations Data:	**Year Ended June 30, 2010**	**Year Ended June 30, 2009**

Total revenues	$ 5,952,229	$ 6,387,816
Operating expenses	$ 6,901,634	$ 6,180,585
Net income (loss)	$ (1,110,667)	$ (11,467)
Net income (loss) attributable to common shareholders	$ (1,167,445)	$ (68,245)
Basic earnings (loss) per common share	$ (0.19)	$ (0.01)
Shares used in computing basic earnings per share	6,203,204	5,940,420
Diluted earnings per share	$ (0.19)	$ (0.01)
Shares used in computing diluted earnings per share	6,203,204	5,940,420

Balance Sheet Data:	**June 30, 2010**	**June 30, 2009**
Working capital (deficit)	$ (527,689)	$ (1,154,348)
Total assets	$ 5,272,308	$ 7,025,633
Total liabilities	$ 2,135,988	$ 2,843,038
Stockholders' equity	$ 3,136,320	$ 4,182,595

ITEM 7 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 June 30, 2010, 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.

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 Year Ended June 30, 2010 Compared to the Year Ended June 30, 2009

We recognized a net (loss) attributable to common shareholders after $56,778 of dividends on our Series D preferred stock of $(1,167,445) ($(0.19) per share) for the year ended June 30, 2010, compared to a net loss attributable to common shareholders after dividends of $56,778, of $(68,245) ($(0.01) per share) for the year ended June 30, 2009. The increase in our net loss attributable to common shareholders is primarily attributable to the impairment charge taken during the third quarter on the goodwill of our Doc Holliday reporting unit which is discussed further below.

Revenues

Casino revenues for the year ended June 30, 2010 were $6,116,612 compared to $6,551,412 for the year ended June 30, 2009, a decrease of $(434,800) or 6.6%. Total casino revenues for the Bull Durham were $3,735,230 and $3,989,928 for the years ended June 30, 2010 and 2009, respectively, a decrease of $(254,698) or 6.4%. Total casino revenues for Doc Holliday were $2,381,382 and $2,561,484 for the years ended June 30, 2010 and 2009, respectively, a decrease of $(180,102) or 7.0%. Total casino coin-in was down 5.4 % for the year ended June 30, 2010 compared to the year ended June 30, 2009. We also experienced a 0.08% decrease in our hold percentage for the year ended June 30, 2010 compared to the year ended June 30, 2009. The decrease in casino revenues is primarily attributed to the unfavorable weather conditions during the second quarter, as well as to the generally poor consumer spending environment resulting from the continued poor local and regional economic environment.

Promotional allowances primarily include anticipated redemptions associated with the Bull Durham Casino s 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 by $787 from $163,596 to $164,383 for the years ended June 30, 2009 and 2010, respectively.

Operating Expenses

<u>Casino operations:</u> Includes all expenses associated with the operations of the Bull Durham Casino and the Doc Holliday Casino for the years ended June 30, 2010 and 2009. The following table summarizes such expenses for comparison and discussion purposes:

	For the years ended			
	June 30, 2010	**June 30, 2009**	**$ Change**	**% Change**
Labor & Benefits	$ 2,130,013	$ 2,202,784	$ (72,771)	-3.3%
Marketing & Advertising	1,217,898	1,248,133	(30,235)	-2.4%
Depreciation & Amortization	558,950	612,707	(53,757)	-8.8%

Food & Beverage	340,009	357,091	(17,082)	-4.8%
Repair, Maintenance & Supplies	234,050	224,882	9,168	4.1%
Device fees	425,638	434,180	(8,542)	-2.0%
Professional fees	86,676	132,995	(46,319)	-34.8%
Insurance, Taxes & Licenses	185,487	218,504	(33,017)	-15.1%
Utilities & Telephone	181,875	181,773	102	0.1%
Occupancy	242,312	206,805	35,507	17.2%
Other casino expenses	85,899	108,238	(22,339)	-20.6%
	$ 5,688,807	$ 5,928,092	$ (239,285)	-4.0%

Labor & Benefits: Includes all salary and contract labor costs associated with the operations of the casinos, payroll taxes, as well as costs associated with the casinos employee benefit and health insurance plans. The 3.3% decrease is primarily attributable to decreases in casino salaries and wages, which decreased by approximately $74,000 resulting from casino volume and seasonal adjustments. Total labor and benefits costs as a percentage of casino revenues changed from 33.6% to 34.8% for the years ended June 30, 2009 and 2010, respectively.

Marketing & Advertising: Includes all costs associated with our advertising and marketing efforts including promotional activities designed to drive customers to our casinos, and programs designed to foster customer loyalty. The 2.4% decrease is primarily attributed to a decrease in periodic purchases of marketing supplies at the Bull Durham Casino and decreases in charter bus services.

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 decrease of $53,757 is attributable to decreases in the casino depreciable asset bases resulting from our efforts to upgrade existing slot machines versus purchasing of new machines during the past year due to capital constraints and efforts to reduce operating expenses. However, we are continuing our efforts to upgrade and maintain the quality and appearance of the machines in both casinos as part of our strategy to provide the best customer experience possible to enhance customer loyalty.

Food & Beverage: Includes all costs associated with our bar and limited menu food services. Total food and beverage costs as a percentage of casino revenues remained steady at approximately 6% for the years ended June 30, 2010 and 2009.

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 $9,168 is primarily attributable to the engagement of a janitorial contractor at our Doc Holliday casino which was previously performed in house and included in the casino s salaries and wages. Total repair, maintenance and supplies costs as a percentage of casino revenues is generally unchanged at approximately 4% for the years ended June 30, 2010 and 2009.

Device Fees: Includes fees paid to the local jurisdictions of the casinos based on the number of slot machines in operation. The slight decrease in the fees is attributable to fewer machines on the casino floor, particularly in the Doc Holliday casino as we adjust to customer activity.

<u>Professional Fees:</u> Includes all costs and fees associated with the casinos legal services, accounting and auditing services, and the Board of Directors of Casinos USA (d/b/a The Bull Durham Saloon & Casino). The decrease in professional fees is primarily attributable to a decrease in director fees to the Board of Directors of Casinos USA of $(48,170) from $102,336 to $54,166 for the years ended June 30, 2009 and 2010, respectively. The decrease in the fees is the result of the resignation of certain directors resulting from Global Casinos, Inc. purchase of the Bull Durham Casino first mortgage from the mortgage holder in November 2009 as discussed elsewhere in this report.

<u>Insurance, Taxes & Licenses:</u> Includes all non-payroll taxes, liability and property insurance, and licenses associated with the operation of the casinos. Total insurance, taxes and licenses as a percentage of casino revenues was generally unchanged at approximately 3% for the years ended June 30, 2010 and 2009.

Utilities & Telephone: Includes all costs associated with the casinos telephone systems, cell phone usage, and utility costs. Total utilities and telephone expenses as a percentage of revenues was generally unchanged at approximately 3% for the years ended June 30, 2010 and 2009.

Occupancy: Includes lease costs of the Doc Holliday Casino, which leases approximately 13,000 square feet of space used for its gaming activities, supporting offices and storage space under an operating lease that terminates in July 2015. The lease requires the Casino to pay for a portion of the building expenses until the landlord secures additional tenants to occupy the remaining building space. To the extent the Casino pays total building expenses in excess of the Casino s portion as defined by the lease, any excess amounts paid are credited to the following lease year s rent payments. As of June 30, 2010, prepaid rent credits available to offset future rent payments was approximately $82,000 and are recorded as prepaid expenses and other current assets. The difference between the amount recorded as occupancy expense and the scheduled rent payments is due to the amortization of available prepaid rent credits resulting from certain prior payments of building expenses as discussed above.

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

Other Casino Expenses: Includes all other costs of the casino operations not included in the above categories, including travel, armored car services, postage, casino entertainment, employee education programs, bank and other financing fees, and lease costs associated with off-site storage units. Total other casino expenses as a percentage of revenues was 1.4% and 1.7% for the years ended June 30, 2010 and 2009, respectively.

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

Total operating, general, and administrative costs were $317,910, as compared to $249,213 for the years ended June 30, 2010 and 2009, respectively, an increase of $68,697, and is attributable to two primary factors. First, on January 18, 2010 the Company awarded an aggregate of 325,000 shares of common stock valued at $97,500 ($.30 per share) in consideration of services provided by the Company s directors and management. The fair value of the shares was determined based on market trading activity on and around the award date. During the year ended June 30, 2009 the Company awarded an aggregate of 90,000 shares of common stock valued at $45,000 ($.50 per share) in consideration of services provided by the Company s directors and executive officers. The fair value of the shares was determined based on market trading activity on and around the award date, with discounts applied due to illiquidity and the restricted nature of the common stock granted. Second, on November 30, 2009 the Company consummated a Loan Document Purchase and Assignment

Agreement with the holder of the senior mortgage of the Bull Durham Casino in which the Company obtained all of the rights, title and interest in and to the Note and Loan Agreement. Upon the acquisition of the Note, we sold participations in the Note to two investors, one being a director of the Company, which also required the payment of participation fees in the form of common stock. As such, we recorded loan participation fees totaling $20,170 and the issuance of 53,000 shares of the Company s common stock during the year ended June 30, 2010. No such financing fees were recorded during the year ended June 30, 2009.

Loss on asset disposals

During the year ended June 30, 2009 we disposed certain casino equipment with a book value of $4,917 which was recorded as a loss on asset disposals. During the year ended June 30, 2009 we disposed certain casino equipment with a book value of $3,680, for which we received $400. The resulting $3,280 loss was recorded as a loss on asset disposals.

Impairment

During the quarter ended March 31, 2010, and based on a combination of factors, including the continuing poor local and regional economic environment, the sustained period of decline in the Company s market capitalization, and poor operating results of the Doc Holliday Casino, we concluded there were sufficient indicators to perform an interim impairment test of the reporting unit s recorded goodwill.

The estimate of the reporting unit s fair value was determined by discounting estimating future cash flows based on internally developed revenue, operating cost, and cash flow forecasts considering historical results, local and regional current and expected economic conditions, as well as the potential impact of business and operational strategies in light of capital constraints based on current financial market conditions. No significant additional investment in operating assets was assumed other than to maintain the quality of the gaming equipment. For purposes of discounting future cash flows, we have used 12%, which is management s best estimate of our cost of capital based on historical values, recent borrowings, current market conditions both in terms of borrowing rates and availability of credit, and considerations for risks associated with the reporting unit. Operating estimates for the next ten years were used to determine estimated future cash flows. No terminal value was assigned to the fair value as the property is leased and management determined that estimates beyond ten years were dependent upon significant upgrades to the property, which could not be appropriately evaluated. We believe the assumptions used in the impairment analysis are consistent with the factors and risks inherent within the industry.

The analysis incorporated four discounted cash flow models: zero to slow growth, slow to moderate growth; moderate growth; and, moderate to aggressive growth. Revenue growth assumptions used in the models varied from 1% per year in the zero to slow growth model to 5% per year in the aggressive growth model. Operating expense growth was dependent upon the revenue growth and reflected increases in personnel and other operating costs necessary to support the associated revenue growth assumption. Operating expense growth assumptions used in the models varied from 0.25% per year in the zero to slow growth model to 2.5% per year in the aggressive growth model. In all models, fiscal year 2011 does not include the full growth assumptions as we anticipate fiscal year 2011 growth will continue to be sluggish due to the local and regional economic conditions.

Because of the significant uncertainties regarding the local and regional economic recoveries, the results from the aggressive growth model were discarded. The fair value calculated in the zero to slow growth model was also discarded as overly conservative and not indicative of historical performances nor does it appropriately reflect expected improvements over time in the local and regional economies. Therefore, the best estimate of fair value based on the discounted cash flow model was determined to be between the slow to moderate growth and moderate growth models which utilized revenue growth assumptions of 3% to 4%, and expense growth assumptions of 1% to 2%. The average fair value of these two models was approximately $700,000, and was assigned to the Step 1 analysis. The result of the Step 1 analysis resulted in a fair value less than the recorded value of the reporting unit. As such, Step 2 analysis was performed. This analysis included a hypothetical valuation of the reporting unit s long term assets including its gaming and other fixed assets as if as if it had been acquired in a business combination. For all other assets and liabilities the fair value and recorded values were considered equal. After the allocation of the fair value to the entities operating assets, the recorded value of the goodwill was in excess of its implied fair value, and as such an impairment adjustment to the carrying value of the goodwill in the amount of $890,000 was recorded for the three months ended March 31, 2010.

We also evaluated the reporting unit s recorded goodwill as of June 30, 2010. As of June 30, 2010 the Company s evaluation for goodwill impairment essentially mirrored the interim analysis performed as of March 31, 2010, with minor adjustments made to the reporting unit s cash flow forecasts which were partially based on estimated operating results for the fourth quarter, which are now known. As no significant changes in either the operating or economic environment have occurred since the last interim evaluation which is discussed in detail below, management determined all other pertinent assumptions and estimates remained unchanged from the March 31, 2010 evaluation, including the 12% rate used to discount future cash flows, revenue and expense growth assumptions, asset investment assumptions, and utilization of the ten year horizon with no terminal value assigned. Based on the current evaluation, the fair value of the reporting unit including the goodwill exceeded its carrying value by approximately 20%.

The estimates of future operations of the reporting unit represent management s best estimates given data known at the time the analysis was prepared. To the extent actual future results vary from estimated future results, additional impairment of goodwill may be recognized.

Interest Expense

Interest expense was $161,262 for the year ended June 30, 2010 compared to $157,851 for the year ended June 30, 2009, and primarily represents regularly scheduled payments on various senior and junior mortgages collateralized by the Bull Durham Saloon and Casino real estate, as well as certain debt incurred to facilitate the acquisition of the Doc Holliday Casino in March 2008. The increase is generally attributable to interest rate increases associated with the maturity defaults on our mortgage obligation balances, as well as interest paid on the loan participation obligations as discussed elsewhere in this report. Interest expense is partially offset by interest income earned on certain cash balances maintained at financial institutions.

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 year ended June 30, 2009 we recorded $10,347 for various GGT organizational, product development and marketing expenditures.

During the quarter ended June 30, 2009 we determined the investment in GGT was impaired due to GGT s inability to secure patents for the games in a reasonable time period which has provided significant uncertainty regarding the outcome of the patent process. Should patent protections not be obtained, the exclusivity of the games could be severely impaired, thereby significantly reducing the potential value of the games to GGT. Because of these uncertainties we believe the investment impairment is other than temporary, and as such we recorded an impairment charge of $50,410 at June 30, 2009 to write off the balance of our equity investment.

<u>Series D Preferred Stock:</u> Holders of our Series D Preferred Stock are entitled to receive dividends at the rate of 8% per year, declared quarterly and payable the 15th day of April, July, October and January of each year. For the year ended June 30, 2010, dividends of $56,778 were declared on the Series D Preferred Stock, of which $42,622 had been paid as of June 30, 2010. The remaining accrued dividends of $14,156 are included in accrued expenses at June 30, 2010, and were subsequently paid in July 2010. For the year ended June 30, 2009, dividends of $56,778 were declared on the Series D Preferred Stock, of which $42,622 had been paid as of June 30, 2009. The remaining accrued dividends of $14,156 were included in accrued expenses at June 30, 2009 and were subsequently paid in July 2009.

<u>Net Operating Loss Carryover:</u> For federal income tax purposes, Global has a net operating loss carryover (NOL) approximating $4,987,000, 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. 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.

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.

Liquidity and Capital Resources

Our primary source of cash is internally generated through operations. As of June 30, 2010, 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 though 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. Cash flows from our other operating subsidiary, Doc Holliday, have not been sufficient to fund its operations and necessary capital improvements, however operating changes we have implemented since its acquisition in March 2008, have stabilized its cash flows to near break-even. 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.

Effective September 19, 2009, all of the secured obligations of Casinos, USA, Inc., a wholly-owned subsidiary of Global Casinos, Inc. had matured and became due and payable. The secured obligations are secured by deeds of trust encumbering the Bull Durham Casino property located in Blackhawk, Colorado.

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

On December 30, 2009 we consummated an Allonge and Modification Agreement with the holder of a second deed of trust note on the Bull Durham Casino. Immediately prior to the modification the Note had a principal balance of $616,988. The agreement required a principal pay down of $100,000, monthly principal and interest payments of $5,596 beginning on January 1, 2010, and extended the maturity date of the Note to December 31, 2010. In addition, the Company paid to the note holder a loan extension fee of $2,585, and $8,000 to reimburse the note holder for legal and other costs associated with the modification. Subject to the Note not being in default at the maturity date, and together with an additional $50,000 pay down of the Note principal, the Company will have the option to extend the maturity date of the Note to December 31, 2011. Then, subject to the Note not being in default at December 31, 2011, together with an additional $50,000 pay down on the Note, the Company will have an additional option to extend the maturity date to December 31, 2012. After December 31, 2012 the maturity date will only be further extended by written mutual agreement upon terms acceptable to both parties.

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

While no agreements have been reached as of the date of this report, we have been in communication with the remaining junior mortgage note holders concerning the need to extend the maturity dates of the notes. Until their maturity, all payments required under the notes have been made in a timely fashion. We intend to continue to make payments under the notes pending our efforts to renegotiate their maturity dates.

In addition, the note payable to the seller of Doc Holliday Casino acquired in March 2008, matured on March 31, 2009. The note did not bear interest, however upon its maturity a default interest rate of 8% with interest payments due monthly became effective. Since default, we have made interest payments under the default terms of the note. At the request of the note holder and beginning in January 2010, we have been making interest and additional monthly principal reduction payments of $12,500 which the noteholder has been accepting without protest. As of the date of this report, the note holder has not executed the modification agreement, and as such all principal totaling $279,167 is considered in technical default and is classified as a current obligation.

At June 30, 2010, the Company had cash and cash equivalents of $811,286, 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 June 30, 2010 were in excess of funds required by gaming regulations.

Our working capital increased by $626,569 to a working capital deficit of $(527,689) at June 30, 2010 from a working capital deficit of $(1,154,348) at June 30, 2009. The working capital deficit is entirely due to mortgage debt associated with the Bull Durham casino, and debt associated with the acquisition of the Doc Holliday casino now due or maturing within one year, and as such is classified as short term liabilities at June 30, 2010. Cash flows generated from our operations have been sufficient to service the monthly installments on the mortgage debt. As discussed above, we are currently exploring our options to renegotiate or refinance all our remaining debt obligations. There can be no assurance these efforts will be successful.

Cash provided by operating activities was $368,277 for the year ended June 30, 2010. For the year ended June 30, 2009, operating activities provided net cash of $767,642. The decrease in cash provided by operating activities was primarily the result of certain non-cash operating expenses incurred during the years ended June 30, 2010 and 2009.

Cash used in investing activities was $140,659 for the year ended June 30, 2010, and primarily represents purchases of gaming and security equipment. Cash used in investing activities was $210,685 for the year ended June 30, 2009, and also generally represents purchases of gaming and security equipment. For the year ended June 30, 2009, we also received $400 of proceeds on the disposal of certain equipment, and made payments totaling $4,150 under our joint venture obligation. For the year ended June 30, 2010, we made a payment of $100 under our joint venture obligation.

For the year ended June 30, 2011 and depending upon available capital resources, we expect to acquire up to approximately $150,000 in gaming equipment and other capital items, primarily to continue our efforts to upgrade and purchase new slot machines and leasehold improvements at the Doc Holliday Casino designed to improve the customer experience. We are also contemplating installing a customer tracking system at the Doc Holliday casino similar to the system operating at the Bull Durham casino. Such a system would require the outlay of approximately $400,000, and as of the date of this report no specific financing has been obtained.

Cash flows used by financing activities were $794,406 for the year ended June 30, 2010, compared to cash used of $342,299 during the year ended June 30, 2009. Principal payments on debt totaled $269,229 for the year ended June 30, 2010, and represents principal payments on our mortgage debt, debt associated with the acquisition of the Doc Holliday casino, and equipment financing obligations. Principal payments on debt totaled $285,521 for the year ended June 30, 2009, and also represent principal payments on our mortgage debt, debt associated with the March 2008 acquisition of the Doc Holliday casino, and equipment financing obligations.

As discussed above, on November 30, 2009 we consummated a Loan Document Purchase and Assignment Agreement with the holder of the senior mortgage of the Bull Durham Casino in which the Company obtained all of the rights, title and interest in and to the Note and Loan Agreement. The total amount of principal paid to the note holder was $721,021. Also on November 30, 2009 we executed a Loan Participation Agreement whereby the Company assigned to an unaffiliated third party an undivided 34.7% interest in the Note for total consideration of $250,000 and a loan participation fee of 50,000 shares of the Company s common stock valued at $0.38 per share. And on December 30, 2009 the Company executed a Loan Participation Agreement whereby the Company assigned to a director an undivided 2.08% interest in the Note for total consideration of $15,000 and a loan participation fee of 3,000 shares of the Company s common stock valued at $0.39 per share. As of June 30, 2010 we have made $12,378 in principal payments under the loan participation agreements.

In March 2008, we completed a private offering of 700,000 shares of Series D Preferred stock with a stated value of $1.00 per share. 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. Holders of our Series D Preferred Stock are entitled to receive dividends at the rate of 8% per year, declared quarterly and payable the 15th day of April, July, October and January of each year. For the year ended June 30, 2010, dividends of $56,778 were declared on the Series D Preferred Stock, of which $42,622 had been paid as of June 30, 2010. The remaining accrued dividends of $14,156 are included in accrued expenses at June 30, 2010, and were subsequently paid in July 2010. For the year ended June 30, 2009, dividends of $56,778 were declared on the Series D Preferred Stock, of which $42,622 had been paid as of June 30, 2009. The remaining accrued dividends of $14,156 were included in accrued expenses at June 30, 2009 and were subsequently paid in July 2009.

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, including estimates of liabilities incurred under customer rewards programs, 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 7A.

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.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

1. Report of Independent Registered Public Accounting Firm
2. Consolidated Balance Sheets as of June 30, 2010 and June 30, 2009
3. Consolidated Statements of Earnings for the Years Ended June 30, 2010 and 2009
4. Consolidated Statement of Stockholders' Equity for the Years Ended June 30, 2010 and 2009
5. Consolidated Statements of Cash Flows for the Years Ended June 30, 2010 and 2009
6. Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Board of Directors

Global Casinos Inc.

We have audited the accompanying balance sheets of Global Casinos Inc. and Consolidated Subsidiaries as of June 30, 2010 and 2009, and the related Statements of Operations, Stockholders' Equity, and Cash Flows for the two years ended June 30, 2010 and 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Casinos, Inc. and Consolidated Subsidiaries as of June 30, 2010 and 2009, and the results of its operations and cash flows for the two years ended June 30, 2010 and 2009, in conformity with accounting principles generally accepted in the United States of America.

SCHUMACHER & ASSOCIATES, INC.

Denver, Colorado
October 11, 2010

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2010	June 30, 2009
ASSETS		
Current Assets		
Cash and cash equivalents	$ 811,286	$ 1,378,074
Accrued gaming income	294,061	190,516
Inventory	22,636	19,309
Prepaid expenses and other current assets	90,027	100,791
Total current assets	1,218,010	1,688,690
Land, building and improvements, and equipment:		
Land	517,950	517,950
Building and improvements	4,137,271	4,121,308
Equipment	3,186,475	3,192,703
Total land, building and improvements, and equipment	7,841,696	7,831,961
Accumulated depreciation	(4,795,894)	(4,393,514)
Land, building and improvements, and equipment, net	3,045,802	3,438,447
Goodwill	1,008,496	1,898,496
Total assets	$ 5,272,308	$ 7,025,633
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, trade	$ 89,745	$ 140,541
Accounts payable, related parties	11,410	18,507
Accrued expenses	334,859	368,352
Accrued interest	11,121	6,720
Chip and Token liability	332,000	245,000
Joint venture obligation	25,750	25,850
Current portion of long-term debt	913,479	2,038,068
Current portion of loan participation obligations	27,335	-
Total current liabilities	1,745,699	2,843,038
Long-term debt, less current portion	165,002	-
Loan participation obligations, less current portion	225,287	-
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: 10,000,000 shares authorized		

Series A - no dividends, $2.00 stated value, non-voting,				
2,000,000 shares authorized, 200,500 shares issued and outstanding		401,000		401,000
Series B - 8% cumulative, convertible, $10.00 stated value, non-voting,				
400,000 shares authorized, no shares issued and outstanding		-		-
Series C - 7% cumulative, convertible, $1.20 stated value, voting				
600,000 shares authorized, no shares issued and outstanding		-		-
Series D - 8% cumulative, convertible, $1.00 stated value, non-voting				
1,000,000 shares authorized, 700,000 shares issued and outstanding		700,000		700,000
Common stock - $0.05 par value; 50,000,000 shares authorized;				
6,420,488 and 5,955,215 shares issued and outstanding		321,025		297,761
Additional paid-in capital		14,183,355		14,085,449
Accumulated deficit		(12,469,060)		(11,301,615)
Total equity		3,136,320		4,182,595
Total liabilities and stockholders' equity	$	5,272,308	$	7,025,633

See accompanying notes to these financial statements

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GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
for the years ended June 30, 2010 and 2009

	2010	2009
Revenues:		
Casino	$ 6,116,612	$ 6,551,412
Promotional allowances	(164,383)	(163,596)
Net Revenues	5,952,229	6,387,816
Expenses:		
Casino operations	5,688,807	5,928,092
Operating, general, and administrative	317,910	249,213
Loss on asset disposals	4,917	3,280
Impairment of goodwill	890,000	-
	6,901,634	6,180,585
Income (loss) from operations	(949,405)	207,231
Other income (expense):		
Interest	(161,262)	(157,851)
Equity in earnings of Global Gaming Technologies	-	(10,437)
Impairment of investment in Global Gaming Technologies	-	(50,410)
Income (loss) before provision for income taxes	(1,110,667)	(11,467)
Provision for income taxes	-	-
Net income (loss)	(1,110,667)	(11,467)
Series D Preferred dividends	(56,778)	(56,778)
Net income (loss) attributable to common shareholders	$ (1,167,445)	$ (68,245)
Earnings (loss) per common share:		

Basic	$	(0.19)	$	(0.01)
Diluted	$	(0.19)	$	(0.01)
Weighted average shares outstanding:				
Basic		6,203,204		5,940,420
Diluted		6,203,204		5,940,420

See accompanying notes to these financial statements

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
July 1, 2008 through June 30, 2010

	SERIES A PREFERRED STOCK		SERIES D PREFERRED STOCK		COMMON STOCK			
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional Paid In Capital	Accumulate (Deficit)
Balance as of June 30, 2008	200,500	$ 401,000	700,000	$ 700,000	5,865,215	$ 293,261	$ 14,044,949	(11,233,37
Common stock issued to officers and directors	-	-	-	-	90,000	4,500	40,500	-
Series D Preferred dividends	-	-	-	-	-	-	-	(56,77
Net loss	-	-	-	-	-	-	-	(11,46
Balance as of June 30, 2009	200,500	$ 401,000	700,000	$ 700,000	5,955,215	$ 297,761	$ 14,085,449	(11,301,61
Cashless exercise of stock options by officer	-	-	-	-	77,273	3,864	(3,864)	-
Common stock issued for retainer under consulting agreement	-	-	-	-	10,000	500	3,000	-
Common stock issued under loan participation agreement	-	-	-	-	50,000	2,500	16,500	-
Common stock issued to director	-	-	-	-	3,000	150	1,020	-

under loan participation agreement								
Common stock issued to officers and directors for services	-	-	-	-	325,000	16,250	81,250	-
Series D Preferred dividends	-	-	-	-	-	-	-	(56,77
Net loss	-	-	-	-	-	-	-	(1,110,66
Balance as of June 30, 2010	200,500	$ 401,000	700,000	$ 700,000	6,420,488	$ 321,025	$ 14,183,355	(12,469,06

See accompanying notes to these financial statements

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2010 and 2009

	2010	*2009*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (1,110,667)	$ (11,467)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	558,950	612,709
Impairment of goodwill	890,000	-
Loan participation financing fees paid with common stock	20,170	-
Professional fees paid with common stock	3,500	-
Equity in losses of Global Gaming Technologies	-	10,437
Impairment of investment in Global Gaming Technologies	-	50,410
Stock based compensation	97,500	45,000
Loss on disposals of fixed assets	4,917	3,280
Amortization of debt discount	-	22,991
Changes in operating assets and liabilities		
Accrued gaming income	(103,545)	29,305
Inventories	(3,327)	(2,840)
Other current assets	10,764	(7,819)
Accounts payable and accrued expenses	(91,386)	17,163
Accrued interest	4,401	(1,527)
Chip and Token liabilities	87,000	-
Net cash provided by operating activities	368,277	767,642
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of building improvements and equipment	(140,559)	(206,935)
Proceeds from sale of assets	-	400
Payments on joint venture obligation	(100)	(4,150)
Net cash (used in) provided by investing activities	(140,659)	(210,685)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(269,229)	(285,521)

Purchase of casino mortgage		(721,021)		-
Proceeds from loan participation obligations		265,000		-
Payments on loan participation obligations		(12,378)		-
Payment of Series D preferred stock dividends		(56,778)		(56,778)
Net cash used in financing activities		(794,406)		(342,299)
Net decrease in cash		(566,788)		214,658
Cash at beginning of period		1,378,074		1,163,416
Cash at end of period	$	811,286	$	1,378,074
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	$	156,567	$	141,276
Cash paid for income taxes	$	-	$	-
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND				
FINANCING ACTIVITIES				
Equipment financing obligations	$	30,663	$	51,606
Accrued and unpaid dividends on Series D preferred stock	$	14,156	$	14,156
Cashless exercise of stock options by officer	$	3,864	$	-

See accompanying notes to these financial statements

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

June 30, 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Organization and Consolidation

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

As of June 30, 2010, the Company s operating subsidiaries were Casinos USA, Inc. ("Casinos USA, a Colorado corporation), which owns and operates the Bull Durham Saloon and Casino ("Bull Durham"), located in the limited stakes gaming district of Black Hawk, Colorado, and Doc Holliday Casino II, LLC (a Colorado limited liability company), which operates the Doc Holliday Casino (Doc Holliday), located in the limited stakes gaming district of Central City, Colorado.

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

Presentation and Comparability

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

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates included herein relate to the recoverability of assets, the value of long-lived assets and liabilities, the value of share based compensation transactions, the future obligations resulting from promotional activities, the long-term viability of the business, the future impact of gaming regulations, and future obligations under various tax statutes. Actual results may differ from estimates.

Risk Considerations

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

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

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

Concentrations of Credit Risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash and cash equivalents, and accounts receivables. At June 30, 2010, the Company had approximately $53,000 of cash or cash equivalents in financial institutions in excess of amounts insured by agencies of the U.S. Government.

Fair Value of Financial Instruments

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

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

Cash and Cash Equivalents

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

Accrued Gaming Income

Gaming income represents the difference between the cash played by customers, and the cash paid out by the casino machines. On a regular basis, the cash representing the casino s revenue is pulled from the machines and deposited. However, this process does not always occur at the end of the last business day of the month. Accrued gaming income represents the amount of revenue (cash) in the machines that has not yet been pulled and deposited at the end of the reporting period. At June 30, 2010 and 2009, $294,061 and $190,516 of income, respectively, was accrued and recorded as a current asset.

Inventories

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

Land, Building and Improvements, and Equipment

Land, building and improvements, and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives. The building is depreciated over 31 years, and improvements and equipment are depreciated over five to seven years. Depreciation expense for the years ended June 30, 2010 and 2009 was $558,950 and $612,709, respectively.

Impairment of Long-Lived Assets

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

Goodwill

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

See Note 2 for further discussion regarding the Company s goodwill.

Revenue Recognition

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

Advertising Costs

The Company expenses all advertising costs as they are incurred. Advertising costs were $421 and $476 for the years ended June 30, 2010 and 2009, respectively.

Consulting Expenses

From time-to-time the Company engages consultants to perform various professional and administrative functions including public relations and corporate marketing. Expenses for consulting services are generally recognized when services are performed and billable by the consultant. In the event an agreement requires payments in which the timing of the payments is not consistent with the performance of services, expense is recognized as either service events occur, or recognized evenly over the period of the consulting agreement where specific services performed under the agreement are not readily identifiable. Consulting agreements in which compensation is contingent upon the successful occurrence of one or more events are only expensed when the contingency has been, or is reasonably assured to be met.

Income Taxes

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

Earnings Per Common Share

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

Potentially dilutive shares of 135,000 were not included in the calculation of diluted earnings per share for the year ended June 30, 2010, as their inclusion would have been anti-dilutive due to the net loss for the period, and represent out of the money stock options. Potentially dilutive shares of 235,000 were not included in the calculation of diluted earnings per share for the year ended June 30, 2009, as their inclusion would have been anti-dilutive due to the net loss for the period.

Stock-Based Compensation

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

On January 18, 2010, the Company s board of directors granted a total of 325,000 shares of the Company s common stock to members of senior management as consideration of services provided by the Company s directors and executive officers. The services were valued at $.30 per share as determined by market trading activity on and around the award date, and as such $97,500 of stock based compensation was recognized and included in operating, general and administrative expenses for the year ended June 30, 2010.

On September 2, 2008, the Company s board of directors granted a total of 90,000 shares of the Company s common stock to its members and certain members of senior management as consideration of services provided by the Company s directors and executive officers. The services were valued at $.50 per share as determined based on market trading activity on and around the award date with discounts applied due to illiquidity and the restricted nature of the common stock granted, and as such $45,000 of stock based compensation was recorded and included in operating, general and administrative expenses for the year ended June 30, 2009.

Comprehensive Income

Financial Accounting Standards Board (FASB) Accounting Standards Codification (the ASC) Topic 220, *Comprehensive Income,* provides guidance for reporting and display of comprehensive income, its components and accumulated balances. For the years ended June 30, 2010 and 2009, there were no differences between reported net income and comprehensive income.

Derivative Instruments and Hedging Activities

Financial Accounting Standards Board (FASB) Accounting Standards Codification (the ASC) Topic 815, *Derivatives and Hedging,* provides guidance for disclosure of derivative instruments and hedging activities. During the periods covered by the financial statements the Company did not have any derivative financial instruments and did not participate in hedging activities.

Segment Information

The Company currently operates in one business segment as determined in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (the ASC) Topic 280, *Segment reporting.* The determination of reportable segments is based on the way management organizes financial information for making operating decisions and assessing performance. All operations are located in the United States of America.

Recent Pronouncements

The FASB s Accounting Standards Codification is effective for all interim and annual financial statements issued after September 15, 2009. The ASC is now the single official source of authoritative, nongovernmental generally accepted accounting principles (GAAP) in the United States. The historical GAAP hierarchy was eliminated and the ASC became the only level of authoritative GAAP, other than guidance issued by the Securities and Exchange Commission. Our accounting policies were not affected by the conversion to ASC. However, we have conformed references to specific accounting standards in these notes to our consolidated financial statements to the appropriate section of ASC.

During the first quarter of 2010, the U.S. Congress passed and the President signed into law the Patient Protection and Affordable Care Act as well as the Health Care and Education Reconciliation Act of 2010, which represent significant changes to the current U.S. health care system. The legislation is far-reaching and is intended to expand access to health insurance coverage over time by increasing the eligibility thresholds for most state Medicaid programs and providing certain other individuals and small businesses with tax incentives to subsidize a portion of the cost of health insurance coverage. The legislation includes a requirement that most individuals obtain health insurance coverage beginning in 2014 and that most large employers offer coverage to their employees or they will be required to pay a financial penalty. Some of the more significant changes, including the requirement that individuals obtain coverage, do not become effective until 2014 or later. It is too early to fully understand the impacts of the legislation on our business.

There were various other accounting standards and interpretations issued during 2010 and 2009, none of which are expected to have a material impact on the Company s consolidated financial position, operations, or cash flows.

2. GOODWILL

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

Total Goodwill as of June 30, 2009	$	1,898,496
Impairment charges		(890,000)
Total Goodwill as of June 30, 2010	$	1,008,496

Goodwill is evaluated for impairment annually at the reporting unit level as of June 30, and whenever the occurrence of an event or a change in circumstances would suggest that the carrying value of the reporting unit including goodwill might be in excess of its fair value. Such factors include, but are not limited to, adverse changes in the business climate, and significant and unexpected changes in the reporting unit s cash flows. Due to various factors, the Company evaluated the goodwill recorded in our Doc Holliday Casino reporting unit during the quarter ended March 31, 2010, which is discussed below. As of June 30, 2010 the Company s evaluation for goodwill impairment essentially mirrored the interim analysis performed as of March 31, 2010, with minor adjustments made to the reporting unit s cash flow forecasts which were partially based on estimated operating results for the fourth quarter, which are now known. As no significant changes in either the operating or economic environment have occurred since the March 31, 2010 interim evaluation which is discussed in detail below, management determined all other pertinant assumptions and estimates remained unchanged from the that evaluation, including the 12% rate used to discount future cash flows, revenue and expense growth assumptions, asset investment assumptions, and utilization of the ten year horizon with no terminal value assigned. Based on the current evaluation, the fair value of the reporting unit including the goodwill exceeded its carrying value by approximately 20%. As such, step two of the evaluation was not performed at June 30, 2010.

During the quarter ended March 31, 2010, and based on a combination of factors, including the continuing poor local and regional economic environment, the sustained period of decline in the Company s market capitalization, and poor operating results of the Doc Holliday Casino, the Company concluded there were sufficient indicators to perform an interim impairment test of the reporting unit s recorded goodwill.

The Company s estimate of the reporting unit s fair value at March 31, 2010 was determined by discounting estimating future cash flows based on internally developed revenue, operating cost, and cash flow forecasts considering historical results, local and regional current and expected economic conditions, as well as the potential impact of business and operational strategies in light of capital constraints based on current financial market conditions. No significant additional investment in operating assets was assumed other than to maintain the quality of the gaming equipment. For purposes of discounting future cash flows, we used 12%, which is management s best estimate of our cost of capital based on historical values, recent borrowings, current market conditions both in terms of borrowing rates and availability of credit, and considerations for risks associated with the reporting unit. Operating estimates for the next ten years were used to determine estimated future cash flows. No terminal value was assigned to the fair value as the property is leased and management determined that estimates beyond ten years were dependent upon significant upgrades to the property, which could not be appropriately evaluated. The Company believes the assumptions used in the impairment analysis are consistent with the factors and risks inherent within the industry.

The analysis incorporated four discounted cash flow models: zero to slow growth, slow to moderate growth; moderate growth; and, moderate to aggressive growth. Revenue growth assumptions used in the models varied from 1% per year in the zero to slow growth model to 5% per year in the aggressive growth model. Operating expense growth was dependent upon the revenue growth and reflected increases in personnel and other operating costs necessary to support the associated revenue growth assumption. Operating expense growth assumptions used in the models varied from 0.25% per year in the zero to slow growth model to 2.5% per year in the aggressive growth model. In all models, fiscal year 2011 does not include the full growth assumptions as we anticipate fiscal year 2011 growth will continue to be sluggish due to the local and regional economic conditions.

Because of the significant uncertainties regarding the local and regional economic recoveries, the results from the aggressive growth model were discarded. The fair value calculated in the zero to slow growth model was also discarded as overly conservative and not indicative of historical performances nor does it appropriately reflect expected improvements over time in the local and regional economies. Therefore, the best estimate of fair value based on the discounted cash flow model was determined to be between the slow to moderate growth and moderate growth models which utilized revenue growth assumptions of 3% to 4%, and expense growth assumptions of 1% to 2%. The average fair value of these two models was approximately $700,000, and was assigned to the Step 1 analysis. The result of the Step 1 analysis resulted in a fair value less than the recorded value of the reporting unit. As such, Step 2 analysis was performed. This analysis included a hypothetical valuation of the reporting unit s long term assets including its gaming and other fixed assets as if it had been acquired in a business combination. For all other assets and liabilities the fair value and recorded values were considered equal. After the allocation of the fair value to the reporting unit s operating assets, the recorded value of the goodwill was in excess of its implied fair value, and as such an impairment adjustment to the carrying value of the goodwill in the amount of $890,000 was recorded for the three months ended March 31, 2010.

The estimates of future operations of the reporting unit represent management s best estimates given data known at the time the analysis was prepared. To the extent actual future results vary from estimated future results, additional impairment of goodwill may be recognized. For example, should actual future operations be indicative of our zero to slow growth model, the impairment charge would have exceeded $1.5 million.

Fiscal year ended June 30, 2009 represented the first full year of operations of the Doc Holliday reporting unit under our management. As such, our ability to forecast the operations was limited. This limitation was compounded by significant uncertainties regarding the local, regional and general economic conditions, and how those conditions would affect the operations in both the short term and long term. In addition, Colorado had recently increased gaming limits and hours of operations, and we were uncertain if this would be a benefit or a detriment to smaller operations such as the Doc Holliday Casino. Because of our limited operating history and significant uncertainties regarding the local and regional economies, we determined that reliance on internal forecasts and projections to derive the unit s fair value was not appropriate. Therefore, we obtained an independent appraisal from a local appraiser with knowledge of the local markets. Utilizing market comparatives and cost approaches, the appraisal returned a fair value of the reporting unit of $2,814,000, of which approximately 47% was assigned to the unit s fixed assets which primarily included gaming equipment. Utilizing the appraisal fair value resulted in a fair value in excess of the unit s recorded value of approximately $1.16 million, or 61%. The analysis also considered that if the book values of the unit s fixed assets were assumed at fair value, which was significantly less than the appraised value based on the cost approach, the unit s fair value in excess of its recorded value would have been approximately $350,000, or 21%. Based on the Step 1 analysis, Step 2 was not necessary and no impairment was recorded during the year ended June 30, 2009.

3. NOTES PAYABLE AND LONG-TERM DEBT

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

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

On December 30, 2009 the Company consummated an Allonge and Modification Agreement with the holder of a second deed of trust note on the Bull Durham Casino. Immediately prior to the modification the Note had a principal balance of $616,988. The agreement required a principal pay down of $100,000, monthly principal and interest payments of $5,596 beginning on January 1, 2010, and extended the maturity date of the Note to December 31, 2010. In addition, the Company paid to the note holder a loan extension fee of $2,585, and $8,000 to reimburse the note holder for legal and other costs associated with the modification. Subject to the Note not being in default at the maturity date, and together with an additional $50,000 pay down of the Note principal, the Company will have the option to extend the maturity date of the Note to December 31, 2011. Then, subject to the Note not being in default at December 31, 2011, together with an additional $50,000 pay down on the Note, the Company will have an additional option to extend the maturity date to December 31, 2012. After December 31, 2012 the maturity date will only be further extended by written mutual agreement upon terms acceptable to both parties.

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

In addition, a note payable to the seller of Doc Holliday Casino acquired in March 2008, matured on March 31, 2009. The note did not bear interest, however upon its maturity a default interest rate of 8% with interest payments due monthly became effective. Since default, we have made interest payments under the default terms of the note. At the request of the note holder and beginning in January 2010, we have been making interest and additional monthly principal reduction payments of $12,500. As of the date of this report the Company has made all monthly principal reduction and interest payments, however the note holder has not executed the modification agreement, and as such all principal is considered in technical default and is classified as a current obligation.

At June 30, 2010, notes payable and long-term debt, exclusive of the Loan Participations discussed in Note 4, consisted of the following:

Junior mortgage payable to private lender, collateralized by real estate, interest at 8%, monthly payments of $5,596, maturing December 31, 2010	$ 501,637
Junior mortgage payable to private lender, collateralized by real estate, interest at 8%, monthly payments of $1,911, maturing April 1, 2013.	174,324
Junior mortgages payable to private lenders, collateralized by real estate, interest at 4%, monthly payments of $605. Notes matured September 19, 2009.	106,628
Installment note payable to equipment supplier, collateralized by equipment, requiring monthly payments of $7,603, interest at 8.5%, final payment due December 31, 2010.	16,725
Note payable to seller of Doc Holliday Casino, uncollateralized, no interest. Note matured March 31, 2009. Default interest rate of 8% applies until note paid in full.	279,167
Total notes payable and long-term debt	1,078,481
Less current portion	(913,479)
Long-term debt, net	$ 165,002

Scheduled maturities of notes payable and long-term debt for the one year periods ending June 30th is as follows:

2011	$ 913,479
2012	10,096
2013	154,906
	$ 1,078,481

4. LOAN PARTICIPATION OBLIGATIONS

As discussed in Note 2: Notes Payable and Long Term Debt, on November 30, 2009 the Company consummated a Loan Document Purchase and Assignment Agreement with the holder of the senior mortgage of the Bull Durham Casino in which the Company obtained all of the rights, title and interest in and to the Note and Loan Agreement. Then, and also on November 30, 2009 the Company executed a Loan Participation Agreement (Agreement) whereby the Company assigned to an unaffiliated third party an undivided 34.7% interest in the Note for total consideration of $250,000 and a loan participation fee of 50,000 shares of the Company s common stock valued at $0.38 per share. The Company is considered the Loan Servicing Agent under the Agreement. Monthly principal and interest payments began on January 1, 2010, and are based on a seven year amortization at 12% annual interest. In addition, the participant is entitled to an additional 1% per year in year one, 2% per year in year 2, and 3% in year 3.

On December 30, 2009 the Company executed an additional Loan Participation Agreement whereby the Company assigned to a director an undivided 2.08% interest in the Note for total consideration of $15,000 and a loan participation fee of 3,000 shares of the Company s common stock valued at $0.39 per share. The Company is considered the Loan Servicing Agent under the Agreement. Monthly principal and interest payments began on January 1, 2010, and are based on a seven year amortization at 12% annual interest. In addition, the participant is entitled to an additional 1% per year in year one, 2% per year in year 2, and 3% in year 3.

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

At June 30, 2010, loan participation obligations consisted of the following:

Participation obligation payable to unaffiliated third party with and undivided 34.7% interest in senior mortgage secured by real estate, monthly principal and interest payments of $4,417, plus additional interest of 1% in 2010, 2% in 2011, and 3% in 2012.	$ 238,208
Participation obligation payable to director with and undivided 2.08% interest in senior mortgage secured by real estate, monthly principal and interest payments of $265 plus additional interest of 1% in 2010, 2% in 2011, and 3% in 2012.	14,414
Total loan participation obligations	252,622
Less current portion	(27,335)
Loan participation obligations, less current portion	$ 225,287

5. STOCKHOLDERS' EQUITY

Preferred Stock

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

Series A Convertible Redeemable Preferred Stock

The Company's Board of Directors has authorized 2,000,000 shares of $2.00 stated value, Series A Preferred Stock. The preferred stock has a senior liquidation preference value of $2.00 per share. It does not bear dividends. The conversion privileges originally included with the stock have expired. The preferred stock originally contained a mandatory redemption feature that required the Company to redeem the outstanding stock on May 31, 1995 at a rate of $2.00 per share. On May 31, 1995, a majority of the preferred stockholders agreed to waive the mandatory redemption in consideration for a lower conversion price into common shares at $1.125 per share. Subsequently, holders of 1,205,750 shares of Series A preferred stock converted their holdings into common stock. The remaining 200,500 outstanding shares of Series A preferred stock are held by owners who chose not to participate in the revised offer and remain outstanding at March 31, 2010. During the year ended June 30, 2005, the Company determined that the mandatory redemption feature expired due to the statute of limitations. Accordingly, the Series A preferred stock was reclassified from current liabilities to stockholders' equity.

Series B Convertible Redeemable Preferred Stock

The Company's Board of Directors has authorized 400,000 shares of $10.00 stated value, Series B Convertible Preferred Stock. Each share of Series B preferred stock is convertible into one share of the Company's common stock or may be redeemed at an exercise price of $10.00 per share. In addition, the Series B shares have a junior liquidation preference of $10.00 per share. Holders of the Series B preferred stocks are entitled to receive an annual dividend payable at the rate of 8% per annum, which is cumulative, and unpaid dividends bear interest at an annual rate of 12%. As of June 30, 2010 and 2009 there were no shares outstanding.

Series C Convertible Preferred Stock

In January 1999, the Board of Directors of the Company ratified the issuance of Series C preferred stock. The Company has authorized 600,000 Series C shares with a stated value of $1.20 per share. Series C shares are convertible into common stock at a rate of $1.20 per share. Holders of Series C preferred stock are entitled to vote and to receive dividends at the annual rate of 7% based on the stated value per share. In addition, the holders of Series C preferred stock are entitled to participate, pro rata, in dividends paid on outstanding shares of common stock. The dividends are cumulative and unpaid dividends bear interest at an annual rate of 10%. As of June 30, 2010 and 2009 there were no shares outstanding.

Series D Convertible Preferred Stock

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

Series D preferred stock plus any declared and unpaid dividends are convertible to shares of the Company s common stock at a conversion rate of $1.00 per share.

In March 2008, the Company completed a private offering of 700,000 shares of Series D Preferred stock. The $700,000 proceeds from the private offering were used as partial payment to the seller of Doc Holliday at the acquisition closing on March 18, 2008. On June 30, 2010, $14,156 of dividends were declared and are included in accrued expenses at June 30, 2010. All other quarterly dividends declared have been paid.

Common Stock

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

On August 24, 2009 the Company entered into a Consulting Agreement (Agreement) with a corporate marketing firm to assist us in our efforts to refinance our existing debt, and to assist us in developing other possible strategic alternatives. The agreement required the Company to pay a one time non-refundable retainer in the amount of 10,000 shares of the Company s common stock. The stock with a value of $3,500, or $0.35 per share determined by market trading activity on and around the settlement date, was issued in October 2009.

As discussed in Loan Participation Obligations, in November 2009 the Company issued 50,000 shares of the Company s common stock valued at $0.38 per share determined by market trading activity on and around the settlement date, as a participation fee to an unaffiliated third party.

Also as discussed in Loan Participation Obligations, in December 2009 the Company issued 3,000 shares of the Company s common stock valued at $0.39 per share determined by market trading activity on and around the settlement date, as a participation fee to a director.

On January 18, 2010, the Company s board of directors granted a total of 325,000 shares of the Company s common stock to members of senior management as consideration of services provided by the Company s directors and executive officers. The services were valued at $.30 per share as determined by market trading activity on and around the award date, and as such $97,500 of stock based compensation was recognized and included in operating, general and administrative expenses for the year ended June 30, 2010.

On September 2, 2008, the Company s board of directors granted a total of 90,000 shares of the Company s common stock to its members and certain members of senior management as consideration of services provided by the Company s directors and executive officers. The services were valued at $.50 per share as determined based on market trading activity on and around the award date with discounts applied due to illiquidity and the restricted nature of the common stock granted, and as such $45,000 of stock based compensation was recorded and included in operating, general and administrative expenses for the year ended June 30, 2009.

On August 15, 2009, the Company issued to Clifford L. Neuman, the Company s President and a Director, 77,273 shares of common stock, $.05 par value pursuant to his cashless exercise of options exercisable to purchase 100,000 shares of common Stock at an exercise price of $0.10 per share. For purposes of the cashless exercise, the shares were valued at $0.44 per share, which was equal to 100% of the public trading price of the Common Stock on August 15, 2009 as quoted on the OTC

Electronic Bulletin Board. As a result, the Company received the surrender of 22,737 options in consideration of the cashless exercise.

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

6. COMMITMENTS AND CONTINGENCIES

Leases

The Doc Holliday Casino currently leases approximately 13,000 square feet of space used for its gaming activities, supporting offices and storage space for $25,362 per month under an operating lease that terminates in July 2015. The lease requires the Casino to pay for all building expenses until the landlord secures additional tenants to occupy the remaining building space. If the building is fully leased the Casino s proportionate share will be equal to 32% of the total building expense burden. The lease also provides for a credit against future monthly rent payments to the extent the total building expenses paid by the casino increase by more than 3% over a 2004 base year calculation (floor). The total amount of building expenses expected to be in excess of the floor is estimated and capitalized on a monthly basis and reconciled to the actual allowable excess annual expenses in April each year. The actual excess expenses are available for credit against rent payments beginning the following July each year under the lease. At June 30, 2010 the total credit available to apply against future rent payments was $82,041. Rent expense for the years ended June 30, 2010 and 2009, net of monthly applied expense credits was $242,312 and $206,805, respectively.

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

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

2011	$ 297,677
2012	304,344
2013	304,344
2014	304,344
2015	25,362
Total	$ 1,236,071

7. 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 entirely of net operating loss carry-forwards.

For the years ended June 30, 2010 and 2009, the reconciliation between the statutory federal tax rate and the effective tax rate as a percentage is as follows:

	2010	2009
Statutory federal income tax rate	34%	34%
Effect of net operating loss carry-forward	(34)	(34)
	-%	-%

At June 30, 2010, the Company had net operating loss carry forwards of approximately $4,987,000 available to reduce future taxable income. The net operating loss carry forwards expire in the years ending June 30 as follows:

2011	$518,000

2012	790,000
2013	1,985,000
2014	316,000
2015	985,000
2016	