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FULL HOUSE RESORTS INC
Form 8-K/A
June 22, 2001

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: June 22, 2001

FULL HOUSE RESORTS, INC.

(Name of Small Business Issuer in Its Charter)

| | | |
|---|-----------------------------|---|
| Delaware | 0-20630 | 13-3391527 |
| ----- | ----- | ----- |
| (State or Other Jurisdiction of Incorporation or Organization) | (Commission file number) | (I.R.S. Employer Identification No.) |

2300 West Sahara Avenue, Suite 450 - Box 23, Las Vegas, Nevada 89102

(Address and zip code of principal executive offices)

(702) 221-7800

(Issuer's Telephone Number, Including Area Code)

Item 2. Acquisition or Disposition of Assets.

On March 30, 2001, Full House Resorts, Inc. ("Company") acquired GTECH Corporation's 50% interest in three joint venture projects that had been jointly owned by the two companies: Gaming Entertainment (Michigan), LLC, owner of a Management Agreement with the Nottawaseppi Huron Band of Potawatomi Indians to develop and manage a gaming facility near Battle Creek, Michigan; and, Gaming Entertainment (California), LLC, owner of a Management Agreement with the Torres Martinez Band of Desert Cahuilla Indians to develop and manage a gaming facility near Palm Springs, California; Gaming Entertainment, LLC, owner of an agreement continuing through August 2002, with the Coquille Indian Tribe, which conducts gaming at The Mill Casino in Oregon. The purchase price was \$1.8 million and was funded through the Company's existing line of credit from Coast Community Bank.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

- (a) Financial Statements of Gaming Entertainment (Michigan) LLC and Gaming Entertainment (California) LLC for the years ended December 31, 2000 and 1999 and for the Period from April 1, 1995 (Inception) to December 31, 2000, and of Gaming Entertainment LLC for the years ended December 31, 2000 and 1999, together with the Independent Auditors' Reports.
- (b) Pro Forma Consolidated Balance Sheet as of December 31, 2000 and Pro Forma Consolidated Statement of Operations for the year ended December 31, 2000.

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(c) Exhibits.

2.5 Assignment and Sale Agreement dated March 30, 2001 by and among GTECH Corporation, Dreamport, Inc., GTECH Gaming Subsidiary 2 Corporation, Full House Resorts, Inc., and Full House Subsidiar, Inc. (Incorporated by reference to Exhibit 2.5 of the Company's Current Report on Form 8-K dated April 12, 2001).

23.1 Consent of Deloitte & Touche LLP.

23.2 Consent of Deloitte & Touche LLP.

23.3 Consent of Deloitte & Touche LLP.

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GAMING ENTERTAINMENT (MICHIGAN) L.L.C.
(A Development Stage Joint Venture Company)

Financial Statements for the Years Ended December 31, 2000 and 1999 and for the Period from April 1, 1995 (Inception) to December 31, 2000 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Management Committee and Members
of Gaming Entertainment (Michigan) L.L.C.:

We have audited the accompanying balance sheets of Gaming Entertainment (Michigan) L.L.C. (A Development Stage Joint Venture Company) (the "Company") as of December 31, 2000 and 1999, and the related statements of loss, members' capital, and cash flows for the years ended December 31, 2000 and 1999, and for the period from April 1, 1995 (Inception) to December 31, 2000. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years ended December 31, 2000 and 1999, and for the period from April 1, 1995 (Inception) to December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

The Company is in the development stage as of December 31, 2000. As discussed in Note 1 and Note 5 to the financial statements, successful completion of the Company's gaming project and, ultimately, the attainment of profitable operations is dependent upon future events, including obtaining the necessary regulatory approvals and achieving a level of revenues adequate to recover the Company's investment in the project and to support the Company's cost structure.

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As discussed in Note 2 to the financial statements, in 1999, the Company changed its method of accounting for start-up costs.

/s/ DELOITTE & TOUCHE, LLP
Miami, Florida

January 26, 2001

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GAMING ENTERTAINMENT (MICHIGAN) L.L.C.
(A Development Stage Joint Venture Company)

BALANCE SHEETS
DECEMBER 31, 2000 AND 1999

| ASSETS | 2000 | 1999 |
|--------------------------------------|--------------|--------------|
| CURRENT ASSETS - Cash | \$ 12,372 | \$ 23,010 |
| NOTES RECEIVABLE | 752,291 | 240,000 |
| PURCHASED GAMING RIGHTS | 4,155,212 | 4,155,212 |
| | ----- | ----- |
| TOTAL | \$ 4,919,875 | \$ 4,418,222 |
| | ===== | ===== |
| LIABILITIES AND MEMBERS' CAPITAL | | |
| CURRENT LIABILITIES: | | |
| Payable to members | \$ 2,125,686 | \$ 1,142,935 |
| Accrued expenses | 34,086 | 8,500 |
| | ----- | ----- |
| Total current liabilities | 2,159,772 | 1,151,435 |
| NOTES PAYABLE TO MEMBERS | 752,291 | 240,000 |
| MEMBERS' CAPITAL | 2,007,812 | 3,026,787 |
| | ----- | ----- |
| TOTAL | \$ 4,919,875 | \$ 4,418,222 |
| | ===== | ===== |

See notes to financial statements.

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GAMING ENTERTAINMENT (MICHIGAN) L.L.C.
(A Development Stage Joint Venture Company)

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STATEMENTS OF LOSS
 YEARS ENDED DECEMBER 31, 2000 AND 1999 AND
 PERIOD FROM APRIL 1, 1995 (INCEPTION) TO DECEMBER 31, 2000

| | 2000 | 1999 | Cum from 1 to Dec 2 |
|--|----------------|----------------|------------------------------|
| OPERATING COSTS AND EXPENSES- | | | |
| General and administrative | \$ 1,019,338 | \$ 949,093 | \$ 2, |
| OPERATING LOSS | (1,019,338) | (949,093) | (2, |
| OTHER INCOME - Interest income | 363 | 423 | |
| NET LOSS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | (1,018,975) | (948,670) | (2, |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR START-UP COSTS | - | 1,260,818 | 1, |
| NET LOSS | \$ (1,018,975) | \$ (2,209,488) | \$ (3, |

See notes to financial statements.

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GAMING ENTERTAINMENT (MICHIGAN) L.L.C.
 (A Development Stage Joint Venture Company)

STATEMENTS OF MEMBERS' CAPITAL
 YEARS ENDED DECEMBER 31, 2000 AND 1999 AND
 PERIOD FROM APRIL 1, 1995 (INCEPTION) TO DECEMBER 31, 2000

| | FHS | DGS | GG2 |
|---|-----------|----------|----------|
| INCEPTION, APRIL 1, 1995 | \$ - | \$ - | \$ - |
| Capital contributions by members | 264,714 | 132,357 | 132,356 |
| Less capital contributions receivable from members | (12,500) | (6,250) | (6,250) |
| Net loss | (35,962) | (17,981) | (17,980) |
| BALANCE, DECEMBER 31, 1995 | 216,252 | 108,126 | 108,126 |
| Capital contributions by members | 4,372,446 | 108,616 | 108,617 |

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| | | | |
|----------------------------------|--------------|--------------|--------------|
| Net loss | (39,518) | (19,759) | (19,760) |
| BALANCE, DECEMBER 31, 1996 | 4,549,180 | 196,983 | 196,983 |
| Capital contributions by members | 173,462 | 86,731 | 86,731 |
| Net loss | (9,712) | (4,856) | (4,856) |
| BALANCE, DECEMBER 31, 1997 | 4,712,930 | 278,858 | 278,858 |
| Net loss | (17,185) | (8,593) | (8,593) |
| BALANCE, DECEMBER 31, 1998 | 4,695,745 | 270,265 | 270,265 |
| Net loss | (1,104,744) | (552,372) | (552,372) |
| BALANCE, DECEMBER 31, 1999 | 3,591,001 | (282,107) | (282,107) |
| Net loss | (509,488) | (254,744) | (254,743) |
| BALANCE, DECEMBER 31, 2000 | \$ 3,081,513 | \$ (536,851) | \$ (536,580) |

See notes to financial statements.

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GAMING ENTERTAINMENT (MICHIGAN) L.L.C.
(A Development Stage Joint Venture Company)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2000 AND 1999 AND
PERIOD FROM APRIL 1, 1995 (INCEPTION) TO DECEMBER 31, 2000

| | 2000 | 1999 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (1,018,975) | \$ (2,209,488) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Cumulative effect of change in accounting for start-up costs | - | 1,260,818 |
| Accrued expenses | 25,586 | (5,000) |
| Net cash used in operating activities | (993,389) | (953,670) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |

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| | | |
|---|-----------|-----------|
| Advances of notes receivable | (512,291) | (190,870) |
| Increase in payable to members | 982,751 | 951,490 |
| Advances from notes payable to members | 512,291 | 190,870 |
| Capital contribution | - | - |
| | ----- | ----- |
| Net cash provided by financing activities | 982,751 | 951,490 |
| | ----- | ----- |
| (DECREASE) INCREASE IN CASH | (10,638) | (2,180) |
| CASH, BEGINNING OF PERIOD | 23,010 | 25,190 |
| | ----- | ----- |
| CASH, END OF PERIOD | \$ 12,372 | \$ 23,010 |
| | ===== | ===== |
| SUPPLEMENTAL SCHEDULE OF NONCASH | | |
| INVESTING AND FINANCING ACTIVITIES - | | |
| Capital contribution of gaming rights and | | |
| Development costs | \$ - | \$ - |
| | ===== | ===== |

See notes to financial statements.

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GAMING ENTERTAINMENT (MICHIGAN) L.L.C.
(A Development Stage Joint Venture Company)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000 AND 1999 AND PERIOD FROM
APRIL 1, 1995 (INCEPTION) TO DECEMBER 31, 2000

1. ORGANIZATION AND DEVELOPMENT STAGE ACTIVITIES

Full House Resorts, Inc. ("FHRI") and GTECH Corporation ("GTECH") entered into a series of agreements to jointly pursue certain existing and future gaming opportunities. Although the agreements were dated December 29, 1995, the parties agreed to share equally in the equity investment, financing responsibility, and revenues and expenses of certain projects commencing April 1, 1995. Pursuant to the agreements, four joint venture corporations equally owned by subsidiaries of FHRI and GTECH have been formed.

Gaming Entertainment (Michigan) L.L.C. (the "Company"), one of these joint ventures, was incorporated as a Delaware limited liability company to conduct gaming development activities with the Nottawaseppi Huron Band of Potawatomi (the "Tribe"). The Company is in the development stage as of December 31, 2000 for financial reporting purposes. The successful completion of the Company's gaming project and, ultimately, the attainment of profitable operations is dependent upon future events, including achieving a level of revenues adequate to recover the Company's investment in the project and to support the Company's cost structure.

In December 1998, the Michigan State Legislature approved the Tribal-State Gaming Compacts that permit a casino to be opened by the Tribe in Battle Creek, Michigan. Additional approvals are required from

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the Bureau of Indian Affairs and various other state and federal agencies prior to the commencement of gaming operations.

The members of the Company and their membership interest are as follows:

- . Full House Subsidiary, Inc. (a wholly owned subsidiary of FHRI) ("FHS") - 50% interest. Prior to January 30, 1998, a 25% interest was held by Full House Joint Venture Subsidiary, Inc. (a wholly owned subsidiary of FHRI ("FHJVS")). FHJVS was merged into FHS on January 30, 1998.
- . Dreamport - a GTECH company (a wholly owned subsidiary of GTECH) ("DGS") - 25% interest.
- . GTECH Gaming Subsidiary 2 Corporation (a wholly owned subsidiary of GTECH) ("GGS2") - 25% interest.

Purchased Gaming Rights - During 1995, FHRI acquired 85% of the development rights to current and future gaming projects with the Tribe. Effective December 29, 1995, FHRI agreed, subject to the approval of the Tribe, to assign to the Company the development rights. The approval of the Tribe was obtained, and the development rights were assigned by FHRI in November 1996. Also in November 1996, the Company was assigned the remaining development rights with the Tribe

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(15%) for future contingently payable fees based on the gaming projects revenues. FHRI has agreed to make loans to the Company for its portion of the financing of the project. GTECH has agreed to contribute cash and has agreed to make loans to the Company for GTECH's portion of the financing of the project. GTECH will also provide project management, technology, and other expertise to analyze and develop/manage the implementation of opportunities developed by the Company, the cost of which will be shared equally, in those instances specified in the Master Agreement, by FHRI and GTECH.

The members contributed the following to capital (recorded at the predecessor cost to the members):

| | 2000 | 1999 | Cumulative from inception |
|-------------------------------------|-------|-------|---------------------------------|
| Gaming development costs and rights | \$ - | \$ - | \$5,416,030 |
| Cash capital contribution | - | - | 25,000 |
| | ----- | ----- | ----- |
| Total capital contributions | \$ - | \$ - | \$5,441,030 |
| | ===== | ===== | ===== |

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Allocation of Profits, Losses and Distributions - Profits, losses and distributions are allocated among the members based upon their proportionate interests in the Company.

Gaming Development Costs - Costs associated with gaming rights activities for which the Company has signed agreements are capitalized

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until the project begins operations and are amortized over the terms of the respective agreements. If a project is unsuccessful and its value is determined to be impaired, the related deferred costs are charged to expense at the time of impairment. The Company reviews each project in process and the costs capitalized on a quarterly basis for accounting purposes to determine whether any impairment of the assets has occurred. Management believes that it is probable that these assets will be recovered through management revenues earned in the future.

Payable to Members - Payable to members arises from the allocation of profits, losses and distributions and from the direct payment of certain operating expenses of the Company by the members.

Income Taxes - The Company is organized as a limited liability company and as such is not subject to federal income taxes. Taxable income or loss from the Company's operations is recognized in the tax returns of the members. Accordingly, income taxes have not been provided for in the accompanying financial statements.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The principal estimates made in preparing the Company's financial statements are the capitalization of gaming rights and the assessment of the recoverability of the assets. Actual results could differ from those estimates.

Change in Accounting Policy - Effective January 1, 1999, the Company adopted the American Institute of Certified Public Accountants' Statement of Position (SOP) 98-5, Reporting on the Costs of Start-Up Activities. SOP 98-5 provides guidance on the financial reporting of start-up and organizational costs and requires the costs of start-up activities to be expensed as incurred. As of January 1, 1999, the Company expensed deferred start-up costs of \$1,260,818 as a cumulative effect of a change in accounting principle.

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3. NOTES RECEIVABLE

The notes receivable at December 31, 2000 and 1999 consist of advances made by the Company to the Tribe to begin preliminary planning for the development of a gaming and entertainment facility in Battle Creek, Michigan. The notes receivable will be paid from the Tribe's share of net revenue, on a monthly basis, over the term of the management agreement, upon commencement of the planned gaming and entertainment operations and will bear interest at a rate to be agreed upon by the Tribe and the Company.

4. NOTES PAYABLE TO MEMBERS

During 2000 and 1999, the Company received proceeds from the issuance of notes payable to members. The notes proceeds are used for advances to the Tribe, and the notes are secured by the notes receivable from the Tribe. The notes payable will bear the same terms and conditions as the notes receivable from the Tribe (see Note 3).

5. GAMING LEGISLATION

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The Huron Potawatomi achieved final federal recognition as a tribe in April 1996 and obtained a Gaming Compact from Michigan's governor early in 1997 to operate an unlimited number of electronic gaming devices as well as roulette, Keno, dice and banking card games. The Michigan Legislature ratified the Compact by resolution in December 1999, along with compacts for three other tribes. A suit was filed in 2000 by "Taxpayers of Michigan Against Casinos" in Ingham County Circuit Court challenging the constitutionality of the approval process of these gaming compacts. On January 18, 2000, Judge Peter D. Houk issued a ruling that the compacts must be approved by a legislative bill rather than by resolution. The State of Michigan filed an appeal to the Michigan Court of Appeals on February 4, 2000. The Company, as an intervening defendant, joined in the appeal filing.

The Company and the Tribe have continued to move forward with their casino development plans while working towards a favorable resolution of the current litigation. The management agreements, along with the required licensing applications, were submitted to the National Indian Gaming Commission in December 2000. The parties have identified a suitable parcel of land for the gaming enterprise, which is under option, and have submitted a Fee to Trust application to the Bureau of Indian Affairs.

On November 5, 1996, Michigan voters approved licenses for three gaming facilities within the City of Detroit, approximately 100 miles from the Battle Creek area. Two temporary facilities began operations in 2000, and the third is expected to open in 2001. The Company does not believe that operation of three gaming facilities in Detroit will have a material adverse impact on the proposed Tribe casino.

6. SUBSEQUENT EVENT

On March 30, 2001, FHRI acquired GTECH's 50% interest in the Company. The Tribe and FHRI continue to evaluate strategies to optimize the Tribe's gaming enterprise opportunities.

* * * * *

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GAMING ENTERTAINMENT (CALIFORNIA) L.L.C.
(A Development Stage Joint Venture Company)

Financial Statements for the Years Ended December 31, 2000 and 1999
and for the Period from April 1, 1995 (Inception) to December 31, 2000
and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Management Committee and Members
of Gaming Entertainment (California) L.L.C.:

We have audited the accompanying balance sheets of Gaming Entertainment (California) L.L.C. (A Development Stage Joint Venture Company) (the "Company") as of December 31, 2000 and 1999, and the related statements of loss, members' capital, and cash flows for the years ended December 31, 2000 and 1999, and for the period from April 1, 1995 (inception) to December 31, 2000. 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.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of Gaming Entertainment (California) L.L.C. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years ended December 31, 2000 and 1999, and for the period from April 1, 1995 (inception) to December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

The Company is in the development stage as of December 31, 2000. As discussed in Note 1 and Note 3 to the financial statements, successful completion of the Company's gaming project and, ultimately, the attainment of profitable operations is dependent upon future events including obtaining the necessary regulatory approvals and achieving a level of revenues adequate to recover the Company's investment in the project and to support the Company's cost structure.

As discussed in Note 2 to the financial statements, in 1999 the Company changed its method of accounting for start-up costs.

/s/ DELOITTE & TOUCHE LLP
Miami, Florida

January 26, 2001

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GAMING ENTERTAINMENT (CALIFORNIA) L.L.C.
(A Development Stage Joint Venture Company)

BALANCE SHEETS
DECEMBER 31, 2000 AND 1999

| ASSETS | 2000 | 1999 |
|----------------------------------|------------|------------|
| CURRENT ASSETS - Cash | \$ 11,609 | \$ 22,957 |
| | ----- | ----- |
| TOTAL | \$ 11,609 | \$ 22,957 |
| | ===== | ===== |
| LIABILITIES AND MEMBERS' CAPITAL | | |
| CURRENT LIABILITIES: | | |
| Payable to members | \$ 430,543 | \$ 292,193 |
| Accrued expenses | 8,500 | 8,500 |
| | ----- | ----- |

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| | | |
|---------------------------|-----------|-----------|
| Total current liabilities | 439,043 | 300,693 |
| MEMBERS' CAPITAL | (427,434) | (277,736) |
| | ----- | ----- |
| TOTAL | \$ 11,609 | \$ 22,957 |
| | ===== | ===== |

See notes to financial statements.

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GAMING ENTERTAINMENT (CALIFORNIA) L.L.C.
(A Development Stage Joint Venture Company)

STATEMENTS OF LOSS
YEARS ENDED DECEMBER 31, 2000 AND 1999 AND
PERIOD FROM APRIL 1, 1995 (INCEPTION) TO DECEMBER 31, 2000

| | 2000 | 1999 |
|--|--------------|--------------|
| OPERATING COSTS AND EXPENSES- | | |
| General and administrative | \$ 150,049 | \$ 83,427 |
| | ----- | ----- |
| OPERATING LOSS | (150,049) | (83,427) |
| OTHER INCOME - Interest income | 351 | 494 |
| | ----- | ----- |
| NET LOSS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | (149,698) | (82,933) |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | - | 240,765 |
| | ----- | ----- |
| NET LOSS | \$ (149,698) | \$ (323,698) |
| | ===== | ===== |

See notes to financial statements.

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GAMING ENTERTAINMENT (CALIFORNIA) L.L.C.
(A Development Stage Joint Venture Company)

STATEMENTS OF MEMBERS' CAPITAL
YEARS ENDED DECEMBER 31, 2000 AND 1999 AND
PERIOD FROM APRIL 1, 1995 (INCEPTION) TO DECEMBER 31, 2000

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| | FHS | DGS | GG2 |
|---|--------------|--------------|--------------|
| INCEPTION, APRIL 1, 1995 | \$ - | \$ - | \$ - |
| Capital contributions by members | 75,897 | 37,948 | 37,949 |
| Less capital contributions receivable from members | (12,500) | (6,250) | (6,250) |
| BALANCE, DECEMBER 31, 1995 | 63,397 | 31,698 | 31,699 |
| Capital contributions by members | 51,670 | 25,835 | 25,834 |
| Distributions to members | (10,782) | (5,391) | (5,391) |
| Net loss | (32,679) | (16,339) | (16,340) |
| BALANCE, DECEMBER 31, 1996 | 71,606 | 35,803 | 35,802 |
| Capital contributions by members | 28,598 | 14,299 | 14,299 |
| Net loss | (36,922) | (18,461) | (18,460) |
| BALANCE, DECEMBER 31, 1997 | 63,282 | 31,641 | 31,641 |
| Net loss | (40,301) | (20,151) | (20,150) |
| BALANCE, DECEMBER 31, 1998 | 22,981 | 11,490 | 11,491 |
| Net loss | (171,940) | (80,924) | (80,925) |
| BALANCE, DECEMBER 31, 1999 | (138,868) | (69,434) | (69,434) |
| Net loss | (74,849) | (37,424) | (37,425) |
| BALANCE, DECEMBER 31, 2000 | \$ (213,717) | \$ (106,858) | \$ (106,859) |

See notes to financial statements.

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GAMING ENTERTAINMENT (CALIFORNIA) L.L.C.
(A Development Stage Joint Venture Company)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2000 AND 1999 AND
PERIOD FROM APRIL 1, 1995 (INCEPTION) TO DECEMBER 31, 2000

| | 2000 | 1999 |
|---------------------------------------|------|------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |

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| | | |
|---|--------------|--------------|
| Net loss | \$ (149,698) | \$ (323,698) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Cumulative effect of change in accounting for start-up costs | - | 240,765 |
| Accrued expenses | - | 1,000 |
| Decrease in gaming development costs | - | - |
| | ----- | ----- |
| Net cash used in operating activities | (149,698) | (81,933) |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase in payable to members | 138,350 | 79,701 |
| Capital contributed | - | - |
| Distributions to members | - | - |
| | ----- | ----- |
| Net cash by financing activities | 138,350 | 79,701 |
| | ----- | ----- |
| (DECREASE) INCREASE IN CASH | (11,348) | (2,232) |
| CASH, BEGINNING OF PERIOD | 22,957 | 25,189 |
| | ----- | ----- |
| CASH, END OF PERIOD | \$ 11,609 | \$ 22,957 |
| | ===== | ===== |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES - | | |
| Capital contribution of gaming development costs | \$ - | \$ - |
| | ===== | ===== |

See notes to financial statements.

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GAMING ENTERTAINMENT (CALIFORNIA) L.L.C.
(A Development Stage Joint Venture Company)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000 AND 1999 AND
PERIOD FROM APRIL 1, 1995 (INCEPTION) TO DECEMBER 31, 2000

1. ORGANIZATION AND DEVELOPMENT STAGE ACTIVITIES

Full House Resorts, Inc. ("FHRI") and GTECH Corporation ("GTECH") entered into a series of agreements to jointly pursue certain existing and future gaming opportunities. Although the agreements were dated December 29, 1995, the parties agreed to share equally in the equity investment, financing responsibility, and revenues and expenses of certain projects commencing April 1, 1995. Pursuant to the agreements, four joint venture corporations equally owned by subsidiaries of FHRI and GTECH have been formed.

Gaming Entertainment (California) L.L.C. (the "Company"), one of these

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joint ventures, was incorporated as a Delaware limited liability company to conduct gaming development activities with the Torres Martinez Desert Cahuilla Indians (the "Tribe"). The Company is in the development stage as of December 31, 2000. The successful completion of the Company's gaming project and, ultimately, the attainment of profitable operations is dependent upon future events, including obtaining the necessary regulatory approvals and achieving a level of revenues adequate to recover the Company's investment in the project and to support the Company's cost structure.

The members of the Company and their membership interest are as follows:

- . Full House Subsidiary, Inc. (a wholly owned subsidiary of FHRI) ("FHS") - 50% interest. Prior to January 30, 1998, a 25% interest was held by Full House Joint Venture Subsidiary, Inc. (a wholly owned subsidiary of FHRI ("FHJVS")). FHJVS was merged into FHS on January 30, 1998.
- . Dreamport - a GTECH company (a wholly owned subsidiary of GTECH) ("DGS") - 25% interest.
- . GTECH Gaming Subsidiary 2 Corporation (a wholly owned subsidiary of GTECH) ("GGS2") - 25% interest.

On April 21, 1995, FHRI entered into a Gaming and Development Agreement with the Tribe. Effective December 29, 1995, the financing obligation and the gaming agreement (which had no recorded book value) were contributed to capital by FHS and FHJVS. During 1997, the Company entered into a new Class III Gaming Management Agreement with the Tribe whereby the Company is required to provide financing for the development of a gaming facility, and to provide management and operating services in exchange for a management fee equal to 30% of net revenues, as defined in the agreement for a period of seven years from commencement of gaming operations. The Company has recorded the gaming agreement at zero, the predecessor cost basis to FHRI. FHRI has agreed to make loans to the Company for its portion of the financing of the project.

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GTECH agreed to contribute cash and has agreed to make loans to the Company for GTECH's portion of the financing of the project. GTECH will also provide project management, technology, and other expertise to analyze and develop/manage the implementation of opportunities developed by the Company, the cost of which will be shared equally, in those instances specified in the Master Agreement, by FHRI and GTECH.

In addition, the members contributed to capital the following (recorded at the predecessor cost to the members):

| | 2000 | 1999 | Cumulative from Inception |
|-----------------------------|-------|-------|------------------------------|
| Gaming development costs | \$ - | \$ - | \$ 262,329 |
| Cash contributed | - | - | 25,000 |
| | ----- | ----- | ----- |
| Total capital contributions | \$ - | \$ - | \$ 287,329 |
| | ----- | ----- | ----- |

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Allocation of Profits, Losses and Distributions - Profits, losses and distributions will be allocated among the members based upon their proportionate interests in the Company.

Payable to members arises from the allocation of profits, losses and distributions and from the direct payment of certain operating expenses of the Company by the members.

Income Taxes - The Company is organized as a limited liability company and as such is not subject to federal income taxes. Taxable income or loss from the Company's operations is recognized in the tax returns of the members. Accordingly, income taxes have not been provided for in the accompanying financial statements.

Use of Estimates - 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The principal estimates made in preparing the Company's financial statements are the capitalization of gaming development costs and the assessment of the recoverability of the assets. Actual results could differ from those estimates.

Change in Accounting Policies - Effective January 1, 1999, the Company adopted the American Institute of Certified Public Accountants' Statement of Position ("SOP") 98-5, Reporting on the Costs of Start-Up Activities. SOP 98-5 provides guidance on the financial reporting of start-up and organizational costs and requires the costs of start-up activities be expensed as incurred. As of January 1, 1999, the Company expensed deferred start-up costs of \$240,765 as a cumulative effect of a change in accounting principle.

3. GAMING LEGISLATION

In November 1998, the "Tribal Government Gaming and Economic Self-Sufficiency Act of 1998" (the "Act") was passed by the voters of California in the general election. The Act guarantees any federally recognized tribe within the state, that has land eligible for gaming, the right to operate limited forms of Class III gaming under specified terms. However, the Act's constitutionality is pending before the California Supreme Court. The ultimate outcome of this action or its effect on the future development of gaming operations by the Tribe cannot presently be determined.

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4. SUBSEQUENT EVENT

On March 30, 2001, FHRI acquired GTECH's 50% interest in the Company. The Tribe and FHRI continue to evaluate strategies to optimize the Tribe's gaming enterprise opportunities.

* * * * *

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GAMING ENTERTAINMENT L.L.C.
(A Joint Venture Company)

Financial Statements for the Years Ended December 31, 2000 and 1999
and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Management Committee and Members
of Gaming Entertainment L.L.C.:

We have audited the accompanying balance sheets of Gaming Entertainment L.L.C. (a Joint Venture Company) (the "Company") as of December 31, 2000 and 1999, and the related statements of income, members' capital and cash flows for the years then ended. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, in 1999 the Company changed its method of accounting for start-up costs.

/s/ DELOITTE & TOUCHE LLP
Miami, Florida

January 26, 2001

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GAMING ENTERTAINMENT L.L.C.
(A Joint Venture Company)

BALANCE SHEETS
DECEMBER 31, 2000 AND 1999

| ASSETS | 2000 | 1999 |
|----------------------|---------|------------|
| CURRENT ASSETS | | |
| Cash | \$ - | \$ 200,022 |
| Accounts receivable | 177,596 | 175,124 |
| Due from members | 105,488 | - |
| Other current assets | - | 3,379 |

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| | | |
|----------------------------------|------------|------------|
| TOTAL | \$ 283,084 | \$ 378,525 |
| | ===== | ===== |
| LIABILITIES AND MEMBERS' CAPITAL | | |
| CURRENT LIABILITIES: | | |
| Payable to members | \$ - | \$ 175,023 |
| Accrued expenses | 98,444 | 16,500 |
| | ----- | ----- |
| Total current liabilities | 98,444 | 191,523 |
| MEMBERS' CAPITAL | 184,640 | 187,002 |
| | ----- | ----- |
| TOTAL | \$ 283,084 | \$ 378,525 |
| | ===== | ===== |

See notes to financial statements.

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GAMING ENTERTAINMENT L.L.C.
(A Joint Venture Company)

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2000 AND 1999

| | 2000 | 1999 |
|---|--------------|--------------|
| OPERATING REVENUES AND INCOME: | | |
| Participation fees | \$ 2,302,146 | \$ 2,297,181 |
| OPERATING COSTS AND EXPENSES: | | |
| General and administrative | 32,124 | 52,455 |
| | ----- | ----- |
| OPERATING INCOME | 2,270,022 | 2,244,726 |
| OTHER INCOME: | | |
| Interest income | 9,350 | 4,653 |
| | ----- | ----- |
| NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | 2,279,372 | 2,249,379 |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR START-UP COSTS | - | 137,351 |
| | ----- | ----- |
| NET INCOME | \$ 2,279,372 | \$ 2,112,028 |
| | ===== | ===== |

See notes to financial statements.

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GAMING ENTERTAINMENT L.L.C.
(A Joint Venture Company)

STATEMENTS OF MEMBERS' CAPITAL
YEARS ENDED DECEMBER 31, 2000 AND 1999

| | FHS | DGS | GS2 |
|----------------------------|-------------|-----------|-----------|
| BALANCE, JANUARY 1, 1999 | \$ 166,825 | \$ 83,413 | \$ 83,412 |
| Distribution to members | (1,129,338) | (564,669) | (564,669) |
| Net income | 1,056,014 | 528,007 | 528,007 |
| BALANCE, DECEMBER 31, 1999 | 93,501 | 46,751 | 46,750 |
| Distribution to members | (1,140,867) | (570,434) | (570,433) |
| Net income | 1,139,686 | 569,843 | 569,843 |
| BALANCE, DECEMBER 31, 2000 | \$ 92,320 | \$ 46,160 | \$ 46,160 |

See notes to financial statements.

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GAMING ENTERTAINMENT L.L.C.
(A Joint Venture Company)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2000 AND 1999

| | 2000 | 1999 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 2,279,372 | \$ 2,279,372 |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Cumulative effect of change in accounting for start-up costs | - | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (2,472) | (2,472) |
| Other current assets | 3,379 | 3,379 |
| Accrued expenses | 81,944 | 81,944 |
| Net cash provided by operating activities | 2,362,223 | 2,362,223 |

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CASH FLOWS FROM FINANCING ACTIVITIES:

| | | |
|---------------------------------------|-------------|-------|
| Decrease in payable to members | (280,511) | |
| Distributions to members | (2,281,734) | (2) |
| | ----- | ----- |
| Net cash used in financing activities | (2,562,245) | (2) |
| | ----- | ----- |
| NET DECREASE IN CASH | (200,022) | |
| CASH, BEGINNING OF PERIOD | 200,022 | |
| | ----- | ----- |
| CASH, END OF PERIOD | \$ -0- | \$ |
| | ===== | ===== |

See notes to financial statements.

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GAMING ENTERTAINMENT L.L.C.
(A Joint Venture Company)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000 AND 1999

1. ORGANIZATION

Full House Resorts, Inc. ("FHRI") and GTECH Corporation ("GTECH") entered into a series of agreements to jointly pursue certain existing and future gaming opportunities. Although the agreements were dated December 29, 1995, the parties agreed to share equally in the equity investment, financing responsibility, and in revenues and expenses of certain projects commencing April 1, 1995. Pursuant to the agreements, four joint venture corporations equally owned by subsidiaries of FHRI and GTECH have been formed.

Gaming Entertainment L.L.C. (the "Company"), one of these joint ventures, was incorporated as a Delaware limited liability company to conduct gaming activities with the Coquille Indian Tribe in North Bend, Oregon (the "Tribe").

The members of the Company and their membership interest are as follows:

- . Full House Subsidiary, Inc. (a wholly owned subsidiary of FHRI) ("FHS") - 50% interest. Prior to January 30, 1998, a 25% interest was held by Full House Joint Venture Subsidiary, Inc. (a wholly owned subsidiary of FHRI ("FHJVS")). FHJVS was merged into FHS on January 30, 1998.
- . Dreamport - a GTECH company (a wholly owned subsidiary of GTECH) ("DGS") - 25% interest.
- . GTECH Gaming Subsidiary 2 Corporation (a wholly owned subsidiary of GTECH) ("GGS2") - 25% interest.

The members contributed gaming development costs to capital, recorded

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at the predecessor cost to the members. In addition, in 1997 the members contributed \$25,000 in cash.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Participation Fees - Participation fees represent revenues earned by the Company from the Mill Resort Casino (the "Casino") based upon a percentage of gross gaming revenues as defined in the agreements between the Company and the Casino. Participation fees are recorded as earned.

Accounts Receivable - Accounts receivable represents participation fees earned but not received at December 31, 2000 and 1999.

Allocation of Profits, Losses and Distributions - Profits, losses and distributions are allocated among the members based upon their proportionate interests in the Company.

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Due from Members - Receivables from members represent distributions paid in excess of earned distributions at December 31, 2000 and 1999.

Payable to Members - Payable to members represents unpaid distributions to members at December 31, 2000 and 1999.

Income Taxes - The Company is organized as a limited liability company and as such is not subject to federal income taxes. Taxable income or loss from the Company's operations is recognized in the tax returns of the members. Accordingly, income taxes have not been provided for in the accompanying financial statements.

Use of Estimates - 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Changes in Accounting Policies - Effective January 1, 1999, the Company adopted the American Institute of Certified Public Accountants' Statement of Position ("SOP") 98-5, Reporting on the Costs of Start-Up Activities. SOP 98-5 provides guidance on the financial reporting of start-up and organizational costs and requires the costs of start-up activities to be expensed as incurred. As of January 1, 1999, the Company expensed deferred start-up costs of \$137,351 as a cumulative effect of a change in accounting principle.

3. SUBSEQUENT EVENT

On March 30, 2001, FHRI acquired GTECH's 50% interest in the Company. The Tribe and FHRI continue to evaluate strategies to optimize the Tribe's gaming enterprise.

* * * * *

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PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The accompanying pro forma consolidated financial statements present pro forma information for the Company and Gaming Entertainment (Michigan) LLC ("GEM"), Gaming Entertainment (California) LLC ("GEC"), and Gaming Entertainment LLC ("GEO") (collectively, the "Acquired Entities"), giving effect to the acquisition using the purchase method of accounting. The pro forma consolidated financial statements of the Company are based on the historical consolidated financial statements of the Company and the Acquired Entities as of and for the year ended December 31, 2000.

The accompanying pro forma consolidated balance sheet as of December 31, 2000 has been presented as if the Acquisition occurred on December 31, 2000. The accompanying pro forma consolidated statement of operations for the year ended December 31, 2000 has been presented as if the Acquisition occurred on January 1, 2000.

The pro forma adjustments are based on currently available information and upon certain assumptions that management of the company believes are reasonable under the circumstances. The allocation of the purchase price is preliminary. The final determination and allocation of the purchase price may differ from the amounts assumed in the pro forma financial statements.

The accompanying pro forma consolidated financial statements are provided for informational purposes only and are not necessarily indicative of the results that will be achieved for future periods. The accompanying pro forma consolidated financial statements do not purport to represent what the Company's result of operations would actually have been if the Acquisition in fact had occurred at January 1, 2000. The accompanying pro forma consolidated financial statements and the related notes thereto should be read in conjunction with the Company's consolidated financial statements and the consolidated financial statements of the Acquired Entities.

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FULL HOUSE RESORTS, INC.

PRO FORMA CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 2000

| ASSETS | FHRI Historical | GEM Historical | GEC Historical |
|------------------------------|--------------------|-------------------|-------------------|
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ 455,143 | \$ 12,372 | \$ 11,609 |
| Accounts receivable | 0 | 0 | 0 |
| Prepaid expenses | 92,804 | 0 | 0 |
| LLC Member receivable | 0 | 0 | 0 |
| Total current assets | 547,947 | 12,372 | 11,609 |
| INVESTMENT IN JOINT VENTURES | 3,192,634 | 0 | 0 |
| GOODWILL - net | 379,713 | 0 | 0 |
| PROPERTY AND EQUIPMENT - net | 47,202 | 0 | 0 |

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| | | | |
|--|---------------|--------------|-----------|
| GAMING CONTRACT RIGHTS | 0 | 4,155,212 | 0 |
| NOTE RECEIVABLE, net of current portion | 1,667,269 | 752,291 | 0 |
| LAND HELD FOR DEVELOPMENT | 4,621,670 | 0 | 0 |
| DEFERRED TAX ASSET | 294,900 | 0 | 0 |
| DEPOSITS OTHER ASSETS | 2,701,344 | 0 | 0 |
| | ----- | ----- | ----- |
| TOTAL | \$ 13,452,679 | \$ 4,919,875 | \$ 11,609 |
| | ===== | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable | \$ 18,106 | \$ 34,086 | \$ 8,500 |
| LLC Member payable | 27,831 | 2,125,686 | 430,543 |
| Accrued expenses | 182,024 | 0 | 0 |
| | ----- | ----- | ----- |
| Total current liabilities | 227,961 | 2,159,772 | 439,043 |
| | ----- | ----- | ----- |
| LONG-TERM DEBT, net of current portion | 3,150,000 | 752,291 | 0 |
| | ----- | ----- | ----- |
| STOCKHOLDERS' EQUITY (DEFICIT): | | | |
| Preferred stock | 70 | 0 | 0 |
| Common stock | 1,034 | 0 | 0 |
| Members' capital | 0 | 2,007,812 | (427,434) |
| Additional paid in capital | 17,429,889 | 0 | 0 |
| Accumulated deficit | (7,356,275) | 0 | 0 |
| | ----- | ----- | ----- |
| Total stockholders' equity (deficit) | 10,074,718 | 2,007,812 | (427,434) |
| | ----- | ----- | ----- |
| TOTAL | \$ 13,452,679 | \$ 4,919,875 | \$ 11,609 |
| | ===== | ===== | ===== |

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FULL HOUSE RESORTS, INC.

PRO FORMA CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2000

| ASSETS | COMBINED TOTAL | ADJUSTMENTS AND ELIMINATIONS | |
|---------------------------|-------------------|------------------------------------|-----|
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ 479,124 | \$ 38,664 | (a) |
| Accounts receivable | 177,596 | (177,596) | (a) |
| Prepaid expenses | 92,804 | 0 | |
| LLC Member receivable | 105,488 | (105,488) | (a) |

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| | | | |
|---|---------------|----------------|-----|
| Total current assets | 855,012 | (244,420) | |
| INVESTMENT IN JOINT VENTURES | 3,192,634 | (2,954,564) | (b) |
| GOODWILL - net | 379,713 | 0 | |
| PROPERTY AND EQUIPMENT - net | 47,202 | 0 | |
| GAMING CONTRACT RIGHTS | 4,155,212 | 1,423,854 | (c) |
| NOTE RECEIVABLE, net of current portion | 2,419,560 | (1,667,269) | (d) |
| LAND HELD FOR DEVELOPMENT | 4,621,670 | 0 | |
| DEFERRED TAX ASSET | 294,900 | 0 | |
| DEPOSITS OTHER ASSETS | 2,701,344 | 0 | |
| | ----- | ----- | |
| TOTAL | \$ 18,667,247 | \$ (3,442,399) | |
| | ===== | ===== | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable | \$ 159,136 | \$ (141,030) | (a) |
| LLC Member payable | 2,584,060 | (2,584,060) | (d) |
| Accrued expenses | 182,024 | 0 | |
| | ----- | ----- | |
| Total current liabilities | 2,925,220 | (2,725,090) | |
| | ----- | ----- | |
| LONG-TERM DEBT, net of current portion | 3,902,291 | 1,047,709 | (e) |
| | ----- | ----- | |
| STOCKHOLDERS' EQUITY: | | | |
| Preferred stock | 70 | 0 | |
| Common stock | 1,034 | 0 | |
| Members' capital | 1,765,018 | (1,765,018) | (f) |
| Additional paid in capital | 17,429,889 | 0 | |
| Accumulated deficit | (7,356,275) | 0 | |
| | ----- | ----- | |
| Total stockholders' equity | 11,839,736 | (1,765,018) | |
| | ----- | ----- | |
| TOTAL | \$ 18,667,247 | \$ (3,442,399) | |
| | ===== | ===== | |

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FULL HOUSE RESORTS, INC.

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000

FHRI

GEM

GEC

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| | Historical | Historical | Historical |
|---|-------------|----------------|--------------|
| OPERATING REVENUES: | | | |
| Management fees | \$ 0 | \$ 0 | \$ 0 |
| Joint ventures | 3,923,329 | 0 | 0 |
| | ----- | ----- | ----- |
| Total operating revenues | 3,923,329 | 0 | 0 |
| | ----- | ----- | ----- |
| OPERATING COSTS AND EXPENSES: | | | |
| Joint venture pre-opening costs | 584,337 | 0 | 0 |
| General and administrative | 1,845,704 | 1,019,338 | 150,049 |
| Depreciation and amortization | 531,043 | 0 | 0 |
| | ----- | ----- | ----- |
| Total operating costs and expenses | 2,961,084 | 1,019,338 | 150,049 |
| | ----- | ----- | ----- |
| INCOME / (LOSS) FROM OPERATIONS | 962,245 | (1,019,338) | (150,049) |
| | ----- | ----- | ----- |
| OTHER INCOME (EXPENSE): | | | |
| Interest expense and debt issue costs | (328,379) | 0 | 0 |
| Interest income | 11,616 | 363 | 351 |
| | ----- | ----- | ----- |
| Total other income (expense) | (316,763) | 363 | 351 |
| | ----- | ----- | ----- |
| INCOME / (LOSS) BEFORE TAXES | 645,482 | (1,018,975) | (149,698) |
| | ----- | ----- | ----- |
| PROVISION FOR TAXES | 490,393 | 0 | 0 |
| | ----- | ----- | ----- |
| NET INCOME / (LOSS) | \$ 155,089 | \$ (1,108,975) | \$ (149,698) |
| | ===== | ===== | ===== |
| Less, undeclared dividends on cumulative preferred stock | (210,000) | | |
| | ----- | | |
| Net income / (loss) applicable to common shares | \$ (54,911) | | |
| | ===== | | |
| Income / (loss) per common share | \$ (0.01) | | |
| | ===== | | |
| Weighted average number of common shares outstanding | 10,340,380 | | |
| | ===== | | |

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FULL HOUSE RESORTS, INC.

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000

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| | COMBINED TOTAL | ADJUSTMENTS AND ELIMINATIONS | |
|---|-------------------|------------------------------------|-----|
| OPERATING REVENUES: | | | |
| Management fees | \$ 2,302,146 | \$ 0 | |
| Joint ventures | 3,923,329 | (1,139,686) | (g) |
| | ----- | ----- | |
| Total operating revenues | 6,225,475 | (1,139,686) | |
| | ----- | ----- | |
| OPERATING COSTS AND EXPENSES: | | | |
| Joint venture pre-opening costs | 584,337 | 584,694 | (g) |
| General and administrative | 3,047,215 | (1,185,449) | (g) |
| Depreciation and amortization | 531,043 | 211,450 | (h) |
| | ----- | ----- | |
| Total operating costs and expenses | 4,162,595 | (389,305) | |
| | ----- | ----- | |
| INCOME / (LOSS) FROM OPERATIONS | 2,062,880 | (750,381) | |
| | ----- | ----- | |
| OTHER INCOME (EXPENSE): | | | |
| Interest expense and debt issue costs | (328,379) | (148,406) | (i) |
| Interest income | 21,680 | (5,032) | (g) |
| | ----- | ----- | |
| Total other income (expense) | (306,699) | (153,438) | |
| | ----- | ----- | |
| INCOME / (LOSS) BEFORE TAXES | 1,756,181 | (903,819) | |
| PROVISION FOR TAXES | 490,393 | 142,232 | (j) |
| | ----- | ----- | |
| NET INCOME / (LOSS) | \$ 1,265,788 | \$ (1,046,051) | |
| | ===== | ===== | |
| Less, undeclared dividends on cumulative preferred stock | | | |
| Net income / (loss) applicable to common shares | | | |
| Income / (loss) per common share | | | |
| Weighted average number of common shares outstanding | | | |

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FULL HOUSE RESORTS, INC.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The pro forma adjustments contained in the pro forma consolidated financial

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statements reflect the following adjustments and eliminations:

- (a) The elimination of cash, receivables and payables not acquired in the transaction.
- (b) The elimination of the investment in the entities acquired.
- (c) To record the allocation of the excess purchase price over the fair value of the net assets acquired to intangible gaming contract rights.
- (d) The elimination of inter-company balances of \$1,667,269 and \$2,584,060.
- (e) The elimination of inter-company note payable balance of \$752,291 and recording the \$1,800,000 credit facility draw to effect the purchase.
- (f) The elimination of the LLCs' historical equity.
- (g) To eliminate the equity method income/loss recorded by FHRI.
- (h) To record the amortization of the gaming contract rights acquired. The rights are amortized over the life of the contract, which is generally 7 years.
- (i) To record interest expense on the assumed average balance outstanding of \$1,519,000 under the credit facility at an average interest rate of 9.77%.
- (j) The adjustment to the tax provision to reflect the C corporation status of the incremental LLC income.

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FULL HOUSE RESORTS, INC.

Date: June 22, 2001

/s/ Michael P. Shaunnessy

Michael P. Shaunnessy, Executive Vice
President and Chief Financial Officer

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Exhibit Index

| Ex# | Exhibit Description |
|------|----------------------------------|
| 23.1 | Consent of Deloitte & Touche LLP |
| 23.2 | Consent of Deloitte & Touche LLP |

23.3 Consent of Deloitte & Touche LLP