

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

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998.

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_.

0-20630

-----  
(Commission File No)

FULL HOUSE RESORTS, INC.

-----  
(Exact name of small business issuer as specified in its charter)

DELAWARE

13-3391527

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification No.)

12555 HIGH BLUFF DRIVE  
SUITE 380  
SAN DIEGO, CALIFORNIA

92130

-----  
(Address of principal executive offices)

-----  
(zip code)

(619) 350-2030

-----  
(Registrant's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of August 7, 1998, Registrant had 10,340,380 shares of its \$.0001 par value common stock outstanding.

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FULL HOUSE RESORTS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

&lt;TABLE&gt;

&lt;CAPTION&gt;

	JUNE 30, 1998	DECEMBER 31, 1997
	-----	-----
ASSETS		
CURRENT ASSETS:		
<S>	<C>	<C>
Cash and cash equivalents	\$ 1,766,224	\$ 2,422,884
Note receivable - joint venture, current portion	--	544,911
Restricted cash	--	530,881
Accounts receivable	39	10,210
Receivable from related party	--	106,760
Inventories	--	89,437
Prepaid expenses	86,155	286,126
Receivable from joint ventures	378,153	343,200
	-----	-----
Total current assets	2,230,571	4,334,409
ASSETS HELD FOR SALE - net		
	--	5,542,078
LAND HELD FOR DEVELOPMENT	4,568,090	--
GOODWILL - net	1,645,383	1,898,517
NOTE RECEIVABLE - JOINT VENTURE	29,249	23,748
INVESTMENTS IN JOINT VENTURES	5,121,734	5,025,379
OTHER ASSETS	333,383	922,612
	-----	-----
TOTAL	\$ 13,928,410	\$ 17,746,743
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ --	\$ 697,100
Accounts payable	82,370	93,504
Accrued expenses	35,738	526,297
Income taxes payable	9,880	16,862
	-----	-----
Total current liabilities	127,988	1,333,763
	-----	-----
LONG-TERM DEBT, net of current portion	3,000,000	6,190,562
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Cumulative, convertible preferred stock, par value \$.0001, 5,000,000 shares authorized; 700,000 shares issued and outstanding; aggregate liquidation preference of \$3,360,000 and \$3,255,000	70	70
Common stock, par value \$.0001, 25,000,000 shares authorized; 10,340,380 shares issued and outstanding	1,034	1,034
Additional paid in capital	17,096,373	16,957,487
Accumulated deficit	(6,297,055)	(6,736,173)
	-----	-----
Total stockholders' equity	10,800,422	10,222,418
	-----	-----
TOTAL	\$ 13,928,410	\$ 17,746,743
	=====	=====

&lt;/TABLE&gt;

See notes to condensed consolidated financial statements.

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FULL HOUSE RESORTS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

&lt;TABLE&gt;

&lt;CAPTION&gt;

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1998	1997	1998	1997
<S> JOINT VENTURE REVENUES	<C> \$ 967,297	<C> \$ 818,862	<C> \$ 1,794,690	<C> \$ 1,593,318
OPERATING COSTS AND EXPENSES:				
General and administrative	489,910	426,678	921,441	817,473
Depreciation and amortization	129,227	128,366	258,387	256,678
Total operating costs and expenses	619,137	555,044	1,179,828	1,074,151
OPERATING INCOME	348,160	263,818	614,862	519,167
OTHER INCOME (EXPENSE):				
Interest expense and debt issue costs	(101,032)	(63,195)	(203,313)	(127,215)
Interest and other income	106,064	37,261	137,087	78,815
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	353,192	237,884	548,636	470,767
Provision for income taxes	(73,175)	(82,400)	(137,700)	(128,425)
INCOME FROM CONTINUING OPERATIONS	280,017	155,484	410,936	342,342
DISCONTINUED OPERATIONS (NOTE 3):				
Income (loss) from operations of Deadwood Gulch Resort	(176,677)	37,917	(357,043)	(163,438)
Gain on disposal of Deadwood Gulch Resort	385,225	-	385,225	-
Impairment of Deadwood Gulch Resort long lived assets	-	-	-	(3,220)
NET INCOME	488,565	193,401	439,118	175,684
Less, undeclared dividends on cumulative preferred stock	(52,500)	(52,500)	(105,000)	(105,000)
NET INCOME APPLICABLE TO COMMON SHARES	\$ 436,065	\$ 140,901	\$ 334,118	\$ 70,684
INCOME PER COMMON SHARE FROM CONTINUING OPERATIONS BASIC AND DILUTED	\$ 0.02	\$ 0.01	\$ 0.03	\$ 0.02
NET INCOME PER COMMON SHARE BASIC AND DILUTED	\$ 0.04	\$ 0.02	\$ 0.03	\$ 0.01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	10,340,380	10,340,380	10,340,380	10,340,187

</TABLE>

See notes to condensed consolidated financial statements.

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FULL HOUSE RESORTS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>  
<CAPTION>

	SIX MONTHS ENDED JUNE 30,	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S> Net income	<C> \$ 439,118	<C> \$ 175,684
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	258,387	256,678

Debt issue costs and imputed interest amortization	33,840	128,556
Amortization of deferred compensation expense	138,886	50,473
Impairment of long-lived assets	--	3,220
Gain on disposal of assets held for sale	(385,225)	(274)
Equity in income of joint ventures	(1,794,690)	(1,593,318)
Investments in joint ventures	--	(147,060)
Distributions from joint ventures	1,698,335	1,621,487
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	112,944	(45,025)
Decrease in restricted cash	530,881	81,484
Decrease in inventories	8,297	3,734
Decrease in prepaid expenses	173,597	63,521
Increase in other assets	(4,774)	(1,480)
Increase (decrease) in accounts payable and accrued expenses	(421,301)	104,266
	-----	-----
Net cash provided by operating activities	788,295	701,946
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of assets held for sale	(5,855)	(42,371)
Proceeds from sale of assets held for sale	5,930,326	43,661
Proceeds from sale of current assets and liabilities	11,439	--
Acquisition of land held for development	(3,954,340)	--
Net payments on purchase options	(25,000)	--
(Increase) decrease in receivables from joint ventures	504,457	(369,925)
	-----	-----
Net cash provided by (used in) investing activities	2,461,027	(368,635)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank loan	2,000,000	--
Proceeds from exercise of warrants	--	3,500
Repayment of debt	(5,905,982)	(141,706)
	-----	-----
Net cash used in financing activities	(3,905,982)	(138,206)
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(656,660)	195,105
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,422,884	1,049,183
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,766,224	\$ 1,244,288
	=====	=====

</TABLE>

See notes to condensed consolidated financial statements.

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FULL HOUSE RESORTS, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTERIM CONDENSED FINANCIAL STATEMENTS - The interim condensed consolidated financial statements of Full House Resorts, Inc. (the "Company") included herein reflect all adjustments which are, in the opinion of management, necessary to present a fair statement of the results for the interim periods presented. All such adjustments are of a normal recurring nature. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 1997.

The results of operations for the three and six month periods ended June 30, 1998 are not necessarily indicative of the results to be expected for the year ending December 31, 1998.

CONSOLIDATION - The condensed consolidated financial statements include the accounts of the Company and all its majority-owned subsidiaries. All material intercompany accounts and transactions have been eliminated.

2. RECENTLY ISSUED ACCOUNTING STANDARDS

The Financial Accounting Standards Board recently issued Statement of Financial Accounting Standards No. 130, REPORTING COMPREHENSIVE INCOME (FASB 130), which is effective for fiscal years beginning after December 15, 1997. FASB 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. The Company adopted FASB 130 during the first quarter of 1998 without a material effect on the disclosures in its consolidated financial statements.

The Financial Accounting Standards Board recently issued Statement of Financial Accounting Standards No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION (FASB 131), which is effective for financial statements for periods beginning after December 15, 1997. FASB 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments on interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company has not yet determined the effect adoption of FASB 131 will have on disclosures in its consolidated financial statements.

### 3. DISCONTINUED OPERATIONS

On May 12, 1998, the Company completed the sale of Deadwood Gulch Resort ("DGR") for \$6 million cash and the proration of certain related items. The company received net proceeds of \$5,941,765 from the sale of DGR, which includes the \$6 million cash portion of the sales price in addition to \$11,439 received from the buyer for the proration of inventory, receivables and prepaid assets offset by advance deposits, progressive jackpot liabilities and closing costs of \$69,674. Revenues from DGR for the three and six month periods ended June 30, 1998 were \$309,303 and \$1,076,240 compared to \$1,287,902 and \$2,182,606 for the comparable periods of 1997. The gain on the sale, recorded in the second quarter of 1998, was \$385,225. The results of DGR have been classified as discontinued operations in the accompanying financial items.

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### 4. SUPPLEMENTAL STATEMENT OF CASH FLOW INFORMATION

Cash payments for interest for the six months ended June 30, 1998 and 1997 were \$372,864 and \$221,186, respectively.

The following noncash investing activity is not reflected in the condensed consolidated statements of cash flows:

During the six months ended June 30, 1998, the Company applied purchase option deposits of \$613,750 towards the acquisition of land held for development.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### RESULTS OF OPERATIONS

THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 1998 COMPARED TO THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 1997

JOINT VENTURE INCOME. Increased \$148,435, or 18.1%, and \$201,372, or 12.6%, for the three month and six month periods ended June 30, 1998 as compared to the comparable periods in 1997. These increases are due to the improved operating results from the Delaware and Oregon joint ventures.

DELAWARE JOINT VENTURE. The Company's share of income from the Delaware joint venture was \$710,807 and \$1,305,556, respectively, for the three and six month periods ended June 30, 1998. These represented increases in the Company's share of income of \$113,155, or 18.9%, and \$153,675, or 13.3%, over the comparable periods of 1997. The increases are attributed to an established marketing plan in place at the facility and the addition of 122 video slot machines on May 22, 1998. As a result of operating results exceeding initial projections, Midway Slots and Simulcast has prepaid its obligation to the Delaware joint venture. The joint venture, in turn, prepaid its obligation to the Company in February 1998.

OREGON JOINT VENTURE. The Company's share of income from the Oregon joint venture increased \$28,221, or 11.8%, and \$47,978, or 10.2%, for the three and six month periods ended June 30, 1998, respectively, as compared to 1997 as a result of improved marketing of the casino.

CALIFORNIA AND MICHIGAN JOINT VENTURES. The Company's share of the loss from the California and Michigan joint ventures decreased by \$7,059 for the three months ended June 30, 1998 and increased by \$281 for the six months ended June 30, 1998 as compared to the comparable periods in 1997. These joint venture companies are still in the development stage and do not have operating revenues.

GENERAL AND ADMINISTRATIVE EXPENSES. Expenses increased \$63,232, or 14.8%, and \$103,968, or 12.7%, for the three and six month periods ended June 30, 1998, respectively, as compared to the comparable periods in 1997. This increase is primarily due to the grant, on January 6, 1998 of a vested stock option to Gregg Giuffria, who later became president and chief operating officer of the Company, to purchase 70,001 common shares at \$2.03. The value of \$240,964 for the options was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: expected volatility of 95 percent, risk-free interest rate of 5.4 percent, and expected life of 2.0 years. As the options were granted to a then nonemployee in return for services, consulting expense was recognized in the first quarter of 1998 in the amount of \$74,554, and the remaining \$166,320 is being amortized over a 36 month period beginning April 1998. In addition, in 1998, the Company continued to incur costs related to the investigation, due diligence and pre-development of various ongoing opportunities for expansion of its business and the increase in the Company's corporate structure necessary to administer the Company's expansion.

INTEREST EXPENSE AND DEBT ISSUE COSTS. For the three and six month periods ended June 30, 1998, interest expense and debt issue costs increased by \$37,837 and \$76,098, respectively, as compared to 1997 due to a \$2 million bank loan used to acquire property in Mississippi.

INTEREST AND OTHER INCOME. Interest and other income increased by \$68,803 and \$58,272 for the three and six month periods ended June 30, 1998, respectively. These increases are due to a one time reimbursement of \$85,532 from the former Chairman of the Board for costs associated with the gaming opportunities presented to the Company by him, partially offset by a reduction in interest income due to the prepayment of the Delaware LLC note receivable.

INCOME TAX EXPENSE. State income tax expense was \$73,175 and \$137,700 for the three months and six months ended June 30, 1998, respectively. At June 30, 1998, the Company had net operating loss carryforwards for federal income tax purposes of approximately \$2,180,000, which may be carried forward to offset future taxable income.

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The loss carryforwards expire in 2007 through 2014. The availability of the loss carryforwards may be limited in the event of a significant change in ownership of the Company or its subsidiaries.

#### DISCONTINUED OPERATIONS - DEADWOOD GULCH RESORT

INCOME (LOSS) FROM OPERATIONS. Loss from the operation of Deadwood Gulch Resort of \$176,677 and \$357,043 represent increased losses of \$214,594 and \$193,605 for the three and six month periods ended June 30, 1998, respectively, as compared to the comparable periods in 1997. The increases are primarily due to closing the sale of the Resort on May 12, 1998 prior to the beginning of the peak season.

IMPAIRMENT OF LONG-LIVED ASSETS. In January 1996, the Company announced its intent to dispose of DGR. The Company adopted the provisions of SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS TO BE DISPOSED OF, during the fourth quarter of the year ended December 31, 1995. Under SFAS No. 121, the Company reviews the carrying values of its long-lived and identifiable intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Since the adoption of SFAS No. 121, the Company has written off \$4,154,290 related to DGR.

GAIN ON SALE OF ASSETS HELD FOR SALE. The Company recognized a gain on the sale of DGR of \$385,225 after considering the impairment of long-lived assets discussed above. DGR was sold on May 12, 1998. See also "Liquidity and Capital Resources".

#### LIQUIDITY AND CAPITAL RESOURCES

The Company held cash and cash equivalents of \$1,766,224 as of June 30, 1998. Net cash provided by operating activities during the six months ended June 30, 1998 was \$788,295. Net cash provided by investing activities of \$2,461,027 and net cash used in financing activities of \$3,905,982 for the six month period ended June 30, 1998, were the result of two significant transactions described below.

On May 12, 1998, the Company completed the sale of DGR for \$6 million cash and the proration of certain related items. The Company received net proceeds of \$5,941,765 from the sale of DGR, which includes the \$6 million cash portion of the sales price in addition to \$11,439 received from the buyer for the proration of inventory, receivables and prepaid assets, offset by advance deposits,

progressive jackpot liabilities and closing costs of \$69,674. On May 31, 1995, DGR had borrowed \$5 million, secured by its real property. The Company repaid the remaining \$3,165,861 due under this note from the proceeds from the sale. The Company also used approximately \$200,000 of the sale proceeds to payoff the remaining current liabilities of DGR.

On February 23, 1998, the Company completed the purchase of a portion of a proposed gaming site in Biloxi, Mississippi. The Company acquired the site for \$4,155,000 and the payment of certain related costs. The Company utilized cash on hand of \$2,155,000 and obtained a \$2 million bank loan in connection with the purchase. The bank loan was repaid on June 3, 1998 using proceeds from the sale of DGR. Negotiations to develop a theme hotel/casino at the site, with investment partners, remain underway. The completion of the proposed transaction is subject to the approval of all required Mississippi gaming authorities as well as completion of due diligence, approval by the Company's Board of Directors, execution of definitive agreements with respect to acquisition and development of the site, and receipt of financing for the project.

Upon the payoff of the bank loan discussed above, the Company negotiated a \$2 million line of credit with the same bank. The line bears interest adjustable daily at one percent above prime, requires interest payments monthly on the outstanding balance, and all principal and accrued interest is due at maturity on February 25, 1999. No amounts have been drawn on the line to date.

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On November 20, 1995, Full House merged a wholly-owned subsidiary into Omega Properties Inc. (30% owned by William P. McComas, a director/stockholder of the Company). In exchange, the shareholders of Omega received an aggregate of 500,000 shares of Full House Common Stock and a promissory note of Full House in the principal amount of \$375,000. William P. McComas received the note and Mr. Fugazy, the other stockholder of Omega, received the shares in exchange for their interests as shareholders of Omega. On May 11, 1998, Full House received a request for repayment of the \$375,000 note and repaid the same, plus all accrued interest on May 14, 1998 from the DGR sale proceeds.

Full House is a party to a series of agreements with GTECH Corporation, a leading supplier of computerized systems and services for government-authorized lotteries, to jointly pursue certain gaming opportunities. Pursuant to the agreements, joint venture companies equally owned by GTECH and Full House have been formed. Full House has contributed its rights to the North Bend, Oregon facility and the rights to develop the Torres-Martinez, Nottawaseppi Huron Band of Potawatomi and Delaware State Fair projects to the joint venture companies. GTECH has contributed cash and other intangible assets and has agreed to loan the joint venture entities up to \$16.4 million to complete the North Bend, Oregon and Delaware facilities. Full House has agreed to guarantee one-half of the obligations of the joint venture companies to GTECH under these loans and has guaranteed to GTECH one-half of a \$2.0 million loan to the North end, Oregon Indian Tribe. GTECH also provides project management, technology and other expertise to analyze and develop/manage the implementation of opportunities developed by the joint venture entities. GTECH has also loaned Full House \$3 million, which loan was convertible, until January 1998 into 600,000 shares of Full House Common Stock. The loan conversion clause expired without exercise. The note bears interest at prime. Interest is paid monthly and the unpaid principal and interest are due on January 25, 2001. In addition, Full House has been reimbursed by one of the joint venture companies for certain advances and expenditures made by Full House relating to the gaming development agreements. As part of this transaction, Allen E. Paulson, William P. McComas and Lee Iacocca have granted to GTECH an option to purchase their shares should they propose to transfer the same. The parties are no longer required to present gaming opportunities to the other for joint development.

The Company advanced funds to the Delaware joint venture company totaling \$1,886,498, of which \$544,911 was outstanding as of December 31, 1997. The note was paid in full as of February 1998.

As a result of its agreements with GTECH, receipt by Full House of revenues from the operations of projects (other than the Deadwood Gulch Resort) is governed by the terms of the joint venture agreements applicable to such projects. These contracts provide that net cash flow (after certain deductions) is to be distributed monthly to Full House and GTECH. While Full House does not believe that this arrangement will adversely impact its liquidity, with the sale of DGR, the Company's continuing cash flow is dependent on the operating performance of its joint ventures, and the ability to receive monthly distributions.

As of June 30, 1998, Full House had cumulative undeclared and unpaid dividends in the amount of \$1,260,000 on the 700,000 outstanding shares of its 1992-1 Preferred Stock. Such dividends are cumulative whether or not declared, and are currently in arrears.

Additional financing will be required for the Company to effect its

business strategy and no assurance can be given that such financing will be available upon commercially reasonable terms.

YEAR 2000 ISSUES

The Company has implemented a Year 2000 program to ensure that its computer systems and applications will function properly beyond 1999. The Company believes that it has allocated adequate resources for this purpose and expects its Year 2000 date conversion program to be completed successfully on a timely basis. Although the ability of third parties with whom the Company transacts business to address their Year 2000 issues is outside the Company's control, the Company is discussing with its joint venture partners, significant vendors and customers the possibility of any interface difficulties which may affect the Company. The Company currently does not expect the costs necessary to address this matter to be material to its financial condition or results of operations.

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PART II - OTHER INFORMATION

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

As of June 30, 1998, cumulative dividends with respect to the Company's Series 1992-1 Preferred Stock were \$1,260,000, which were undeclared, unpaid and were in arrears, which class ranks prior to the Company's Common Stock with regard to dividend and liquidation rights.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

27.1 Financial Data Schedule

(b) Reports on Form 8-K;

On May 26, 1998, the Company filed a Current Report Form 8-K with the Commission, reporting under Item 2. Disposition of Assets, that the sale of the Deadwood Gulch Resort had been completed. On July 23, 1998 the Company filed an amendment to its Current Report on Form 8-K/A with the Commission including Financial Information with respect to the sale of the Resort.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FULL HOUSE RESORTS, INC.

Date: August 14, 1998

By /s/ GREGG R. GIUFFRIA

-----  
Gregg R. Giuffria, President and Chief  
Operating Officer

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EXHIBIT INDEX

EXHIBIT	DESCRIPTION
- - - - -	- - - - -
27.1	Financial Data Schedule



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