FULL HOUSE RESORTS INC
Form 10KSB
March 30, 2004

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

ý **Annual Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended: December 31, 2003

o **Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file number 0-20630

FULL HOUSE RESORTS, INC.

(Name of Small Business Issuer in Its Charter)

Delaware	**13-3391527**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

4670 S. Fort Apache Rd., Suite 190, Las Vegas, Nevada 89147
(Address and zip code of principal executive offices)

(702) 221-7800
(Issuer s Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

None	**None**
(Title of Each Class)	(Name of Each Exchange on Which Registered)

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, $.0001 per Share
(Title of class)

Check whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 ý No o

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. ý

State issuer s revenues for its most recent fiscal year: $3,338,851.

The aggregate market value of registrant s voting $.0001 par value common stock held by non-affiliates of the registrant, as of March 19, 2004 was: $3,564,791.

The number of shares outstanding of registrant s $.0001 par value common stock, as of March 19 2004, was 10,340,380 shares.

Documents Incorporated By Reference

None

PART I

1. Description of Business.

BACKGROUND

Full House Resorts, Inc. develops and operates destination resorts and entertainment and gaming centers. We operate Midway Slots and Simulcast at the Delaware State Fairgrounds in Harrington, Delaware. Midway Slots and Simulcast has a total of approximately 1,400 gaming devices, a 450-seat buffet, a 50-seat diner and an entertainment lounge area. We operated, until August 2002, the Mill Casino, which is located on Tribal Trust Lands of the Coquille Indian Tribe in North Bend, Oregon. We are also involved in the development of a Tribal project in Battle Creek, Michigan.

Our involvement with Indian Tribes began in May 1994 when Lee Iacocca, currently one of our directors, brought to us opportunities to become involved in the development of gaming projects in the Detroit, Michigan metropolitan area together with certain Indian tribes that we refer to as the Organized Tribes, a second project in Michigan with the Nottawaseppi Huron Band of Potawatomi, a project in southern California with the Torres Martinez Desert Cahuilla Indians and the Harrington, Delaware project.

We were incorporated in Delaware on January 5, 1987. Our executive offices are located at 4670 S. Fort Apache Rd., Suite 190, Las Vegas, Nevada 89147, telephone (702) 221-7800.

GTECH JOINT VENTURES

In April 1995, we entered into a series of agreements with GTECH Corporation, a wholly-owned subsidiary of GTECH Holdings Corporation, a leading supplier of computerized on-line lottery systems and services for government-authorized lotteries, to jointly pursue gaming opportunities. Pursuant to the agreements, joint venture companies equally owned by Dreamport, Inc., the gaming and entertainment subsidiary of GTECH, and Full House were formed. We contributed our gaming rights to the North Bend, Oregon facility and our gaming rights to develop the Torres Martinez, Nottawaseppi Huron Band of Potawatomi and Delaware State Fair projects to the joint venture companies.

In payment for our interest in the joint venture companies, we contributed cash and other intangible assets to the companies and committed to loan the joint venture companies up to $16.4 million to complete the North Bend, Oregon and Delaware facilities. We agreed to guarantee one-half of the obligations of the joint venture companies to GTECH under these loans. The Delaware and Oregon loans have been repaid in full. GTECH also agreed to make loans to us for our portion of the financing of projects if we were unable to otherwise obtain financing. GTECH provided project management, technology and other expertise to analyze, develop and manage the implementation of opportunities developed by the joint venture companies. GTECH also loaned us $3.0 million, with interest payable monthly at prime, and the principal balance originally due in January 2001. This note was paid in February 2002.

Acquisition of GTECH s Interest

On March 30, 2001, we bought GTECH s 50% interest in three joint venture projects that had been equally owned by GTECH and us:

Gaming Entertainment, LLC, owner of an agreement that continued through August 2002 with the Coquille Indian Tribe, which conducted gaming at The Mill Casino in North Bend, Oregon;

Gaming Entertainment (Michigan), LLC, owner of a management agreement with the Nottawaseppi Huron Band of Potawatomi 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 manage a gaming facility near Palm Springs, California.

The purchase price was $1.8 million, and was funded through our existing credit facility. As part of this transaction, GTECH extended the due date of our $3.0 million promissory note until January 25, 2002. This note was repaid in full in February 2002. Also, as part of this transaction, GTECH was no longer required to provide the necessary financing for the development projects in Michigan and California.

This transaction did not include our other joint venture with GTECH, Gaming Entertainment (Delaware), LLC, owner of an agreement, continuing through 2011, to manage Midway Slots & Simulcast in Harrington, Delaware. We continue to own this joint venture with GTECH.

Below is a short description of our remaining joint venture with GTECH and the gaming projects and opportunities that we now own.

Project Currently Operating

Midway Slots and Simulcast Harrington, Delaware

We opened Midway Slots and Simulcast, owned by Harrington Raceway, Inc. on August 20, 1996. The original 35,000 square foot facility located near Dover, Delaware, was developed, financed and is managed by a Full House-Dreamport joint venture company. The joint venture provided over $11 million in financing, developed the project and acts as manager of the gaming facility under a 15-year contract. The facility opened with 500 gaming devices, a simulcast parlor and a small buffet. Following expansions in 1998 and 2000, the facility now includes a 450-seat buffet, a 50-seat diner, and an entertainment lounge area and accommodates 1,430 gaming devices.

Midway Slots and Simulcast is located in Harrington, Delaware on Route 13, approximately 20 miles south of Dover, Delaware between Philadelphia and Baltimore/Washington, D.C. Midway Slots and Simulcast is one of three facilities operating in Delaware. The closest competing casino is in Dover and operates 2,000 devices, the maximum number allowed in Delaware. The other facility is approximately 60 miles north of Harrington.

Under the 15 year management agreement, the venture receives a percentage of gross revenues and operating profits. The joint venture company changed its management fee structure for revenues and operating profits in excess of defined amounts, in recognition of the owner providing complete financing for the May 2000 expansion.

In November 2002, both Maryland and Pennsylvania elected governors supporting some type of gaming legalization. Our facility draws a significant number of customers from Maryland and we believe that competitive gaming in Maryland would have an impact on our facility. The magnitude would depend on both the form of gaming that is authorized, and the locations of competing facilities. Maryland legislators and the governor continue to debate gaming legalization with no clear consensus yet formed.

The state of Delaware enacted indoor clean air legislation that became effective in late November of 2002. This legislation bans smoking in indoor public access facilities, including casinos. Total Delaware gaming revenue declined by approximately 11.3% during 2003 compared to 2002, and we believe the smoking legislation was the principal cause of this market decline.

Project Operating During Part of 2002

The Mill Casino North Bend, Oregon

The Mill Casino opened on May 19, 1995 with 250 video lottery terminals, nine blackjack tables, three poker tables, a restaurant and buffet, a saloon, a bingo hall, a gift shop and a snack bar on Tribal Trust Lands of the Coquille Indian Tribe in North Bend, Oregon. We originally received 13% of gaming revenue, but that decreased to

10% under the terms of the agreement. Also, if gross gaming revenue for any twelve-month period exceeded $20,000,000, then only 10% of amounts in excess of such threshold would be paid. No Fees were to be paid after August 19, 2002, the termination date of our agreement with the Tribe. The contract expired according to its terms in August 2002.

Projects in Development

Nottawaseppi Huron Band of Potawatomi Battle Creek, Michigan

We entered into a series of agreements in January 1995 with the Nottawaseppi Huron Band of Potawatomi, a Michigan Indian Tribe, to develop and manage gaming and non-gaming commercial opportunities for the Tribe. The Tribe s state reservation lands are in south central Michigan. If developed, the facility will target the Battle Creek, Kalamazoo, and Lansing, Michigan metropolitan areas, as well as Ft. Wayne, Indiana.

The Tribe achieved final federal recognition as a tribe in April 1996. The Tribe 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 1998, along with compacts for three other tribes. A lawsuit was filed in 1999 by Taxpayers of Michigan Against Casinos in Ingham County Circuit Court. The lawsuit challenged the constitutionality of the approval process of these gaming compacts. On January 18, 2000, Judge Peter D. Houk ruled 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. We joined in the appeal filing as an intervening defendant. On November 12, 2002, the Michigan Court of Appeals unanimously overturned the lower court decision; ruling that the compacts were valid. The plaintiff filed an appeal with the Michigan Supreme Court on December 3, 2002. The parties have filed their briefs and oral argument was held on March 11, 2004.

In December 1999, the management agreements, along with the required licensing applications were submitted to the National Indian Gaming Commission, which we refer to as the NIGC. We met with the NIGC several times to review suggested revisions to the management agreements and, working with the Tribe, have incorporated all the appropriate changes.

In December 1999, the Tribe applied to have its existing reservation lands, as well as additional land in its ancestral territory, taken into trust by the Bureau of Indian Affairs. The parties selected a parcel of land for the gaming enterprise, which was purchased in September 2003, and completed a Fee-to-Trust application that was submitted to the Bureau of Indian Affairs in Washington, D.C. in February 2002. On August 9, 2002, the United States Department of Interior issued its notice to take the land into trust for the benefit of the Tribe. On August 30, 2002 Citizens Exposing Truth About Casinos filed a complaint in Federal District Court for the District of Columbia, seeking to prevent this land from being taken into trust. The parties filed their initial briefs and oral argument was held August 28, 2003. We are now awaiting the court s ruling.

A Full House-GTECH joint venture company had the exclusive right to provide financing and casino management expertise to the Tribe in exchange for 26% of net profits and certain other considerations from any future gaming or related activities of the Tribe. If the project is developed, a third party will be paid a royalty fee in lieu of its original 15% ownership interest in earlier contracts with the Tribe.

We acquired GTECH s interest in this project in March 2001. On February 15, 2002, we entered into an agreement with RAM Entertainment, LLC, a privately held investment company, whereby RAM will acquire a 50% interest in the California and Michigan projects and provide the necessary funding for their development. RAM loaned us $2,381,260, which we used to retire our outstanding loan from GTECH. The loan is to be converted to a 50% equity position in these projects once our management contracts receive regulatory approval, and the gaming site is taken into trust for the Tribe. Originally, had these approvals not been received by February 15, 2003, then the loan was to be repaid and RAM would forfeit any interest in these ventures. However, we entered into an agreement to extend the date for receipt, or waiver, of the approvals to February 15, 2004. On February 12, 2004, we received notice from RAM that they desired to extend the maturity date of the loan to November 15, 2004 unless they were required to convert the loan into a 50% equity ownership position in the project. We continue to discuss these options with RAM.

In 1996, Michigan voters approved licenses for three gaming facilities within the City of Detroit, approximately 100 miles from the Battle Creek area. We do not believe that these gaming facilities in Detroit will have a material adverse impact on the proposed Huron Potawatomi casino.

Torres Martinez Band of Desert Cahuilla Indians Thermal, California

In April 1995, we entered into a Gaming and Development Agreement and a Gaming Management Agreement with the Torres Martinez Desert Cahuilla Indians. The agreements give us certain rights to develop, manage, and operate gaming activities for the Tribe and the right to receive a defined percentage of the net revenues from gaming activities. Our right to receive a percentage of the revenues is subject to our obligation to arrange or provide financing for the development. The rights to these agreements were assigned to a Full House-GTECH joint venture company. In 1997, a new Gaming Management Agreement was signed, further defining the rights and obligations of the Tribe and Full House. In March 2001, we acquired GTECH s interest in this project.

During 1996, the Tribe reached a settlement in its litigation with the Department of Justice and two water districts, under which the Tribe will be paid $14.0 million in compensation. Additionally, the Tribe will have the right to select up to 11,200 acres of new reservation land to be taken into trust in replacement for the same quantity of land, which was flooded by the rising level of the Salton Sea. That settlement, which required legislative enactment, was approved by the U. S. House of Representatives and the Senate in December 2000. The settlement allows the Tribe to acquire land in a specifically defined area (generally in the Palm Springs, California area) for purposes of conducting a gaming enterprise.

In August 2001, we received a notice from the Tribe purporting to sever our relationship. Our balance sheet includes as a receivable, a $25,000 advance due from the Tribe. In addition, Gaming and Contract Rights includes approximately $120,000 attributable to this contract. We have incurred an aggregate of approximately $1 million in costs, including interest, on the Tribe s behalf. In June 2002, the Tribe requested additional documentation concerning these costs, which we have provided. We are discussing an appropriate resolution of this matter including reimbursement for costs that we incurred. While there can be no assurance, we believe that we can recover the amounts carried on our balance sheet based upon the Tribe s expressed intentions as well as our contractual rights.

THEME HOTEL/CASINO BILOXI, MISSISSIPPI

We bought a one-acre parcel of land on the gulf coast in Biloxi, Mississippi in February 1998, for $4,621,670 with the intent of developing a themed casino resort. The land is near the interchange of Beach Blvd. and Interstate 110, and next to the Beau Rivage Resort developed by Mirage Resorts, Inc. We later negotiated to buy and/or lease approximately six additional acres, which, together with the parcel already acquired, would constitute the project site.

In November 1998, we executed a series of agreements with Hard Rock Cafe International to develop the project in Biloxi, Mississippi. The agreements give us the right to develop and operate a Hard Rock Casino in Biloxi. We paid a territory fee of $2,000,000. Hard Rock was to be a partner with us in a Management and Development Agreement for an ongoing management fee. In February 1999, we entered into various option agreements with several owners of the adjacent properties needed for our project. We also started discussions with investment bankers concerning the financing for the project, and started preparing our offering materials. During those discussions, it became clear that the expected capital market requirements for the project financing were not acceptable to either Hard Rock or us.

By mutual agreement we ended the Management and Development Agreement which relieved Hard Rock of its obligation to co-manage the facility. We are still allowed to seek an equity partner to fill Hard Rock s role. Additionally, the parties amended certain portions of the Licensing Agreement. While negotiating to amend the agreements, we entered into discussions with potential equity partners and then potential partners for the development of the Hard Rock. Because of the timing requirements in our agreements with Hard Rock, and the conditions in the tourism industry, we decided not to develop this project as planned.

In November 2002, we entered into a termination agreement with Hard Rock with respect to the Licensing Rights, which were due to expire by contract on November 20, 2003. We received $100,000 in exchange for relinquishing any right we had to prevent Hard Rock from entering into any other licensing agreements in Mississippi prior to the original contract termination date. Additionally, if Hard Rock executed a new licensing agreement for Biloxi within one year of the termination agreement, we agreed to provide consulting services to Hard Rock for a two year period for annual fees of $100,000 or 10% of the licensing fees, whichever is greater. During 2003 and within the one year period, Hard Rock executed a new licensing agreement. Our consulting fees become payable upon opening of the facility which is expected to occur in 2005.

In May 2003 we sold the Biloxi land parcel for $2,500,000 and recognized a gain of $27,793.

GOVERNMENT REGULATION

The ownership, management, and operation of gaming facilities are subject to many federal, state, provincial, tribal and/or local laws, regulations and ordinances, which are administered by the relevant regulatory agency or agencies in each jurisdiction. These laws, regulations and ordinances are different in each jurisdiction, but mostly deal with the responsibility, financial stability and character of the owners and managers of gaming operations as well as persons financially interested or involved in gaming operations.

Neither Full House nor any subsidiary may own, manage or operate a gaming facility unless they obtain proper licenses, permits and approvals. Applications for a license, permit or approval may be denied for reasonable cause. Most regulatory authorities license, investigate, and determine the suitability of any person who has a material relationship with us. Persons having material relationships include officers, directors, employees, and security holders.

Once obtained, licenses, permits, and approvals must be renewed from time to time and generally are not transferable. Regulatory authorities may at any time revoke, suspend, condition, limit, or restrict a license for reasonable cause. License holders may be fined and in some jurisdictions and under certain circumstances gaming operation revenues can be forfeited. We cannot guarantee that we will obtain any licenses, permits, or approvals, or if obtained, will be renewed or not revoked in the future. In addition, a rejection or termination of a license, permit, or approval in one jurisdiction may have a negative effect in other jurisdictions. Some jurisdictions require gaming operators licensed in that state to receive their permission before conducting gaming in other jurisdictions.

The political and regulatory environment for gaming is dynamic and rapidly changing. The laws, regulations, and procedures dealing with gaming are subject to the interpretation of the regulatory authorities and may be amended. Any changes in such laws, regulations, or their interpretations could have a negative effect on Full House.

Certain specific provisions applicable to us are described below.

Indian Gaming. Gaming on Indian Lands (lands over which Indian tribes have jurisdiction and which meet the definition of Indian Lands under the Indian Gaming Regulatory Act of 1988, which we refer to as the Regulatory Act), is regulated by federal, state and tribal governments. The regulatory environment regarding Indian gaming is always

changing. Changes in federal, state or tribal law or regulations may limit or otherwise affect Indian gaming or may be applied retroactively and could then have a negative effect on Full House or its operations.

The terms and conditions of management contracts or other agreements, and the operation of casinos on Indian Land, are subject to the Regulatory Act, which is implemented by the NIGC. The contracts also are subject to the provisions of statutes relating to contracts with Indian tribes, which are supervised by the Secretary of the U.S. Department of the Interior. The Regulatory Act is interpreted by the Secretary of the Interior and the NIGC and may be clarified or amended by the judiciary or legislature. Under the Regulatory Act, the NIGC has the power to:

inspect and examine certain Indian gaming facilities;

do background checks on persons associated with Indian gaming;

inspect, copy and audit all records of Indian gaming facilities;

hold hearings, issue subpoenas, take depositions, and adopt regulations; and

penalize violators of the Regulatory Act.

Penalties for Regulatory Act violators include fines, and possible temporary or permanent closing of gaming facilities. The Department of Justice may also impose federal criminal sanctions for illegal gaming on Indian Lands and for theft from Indian gaming facilities.

The Regulatory Act also requires that the NIGC review tribal gaming ordinances. Such ordinances are approved only if they meet certain requirements relating to:

ownership;

security;

personnel background;

record keeping and auditing of the tribe s gaming enterprises;

use of the revenues from gaming; and

protection of the environment and the public health and safety.

The Regulatory Act also regulates Indian gaming and management contracts. The NIGC must approve management contracts and collateral agreements, including agreements like promissory notes, loan agreements and security agreements. A management contract can be approved only after determining that the contract provides for:

adequate accounting procedures and verifiable financial reports, copies of which must be furnished to the tribe;

tribal access to the daily operations of the gaming enterprise, including the right to verify daily gross revenues and income;

minimum guaranteed payments to the tribe, which must have priority over the retirement of development and construction costs;

a ceiling on the repayment of such development and construction costs; and

a contract term not exceeding five years and a management fee not exceeding 30% of profits if the Chairman of the NIGC determines that the fee is reasonable considering the circumstances; provided that the NIGC may approve up to a seven year term and a management fee not to exceed 40% of net revenues if the NIGC is satisfied that the capital investment required or the income projections for the particular gaming activity justify the larger profit allocation and longer term.

Under the Regulatory Act, we must provide the NIGC with background information, including financial statements and gaming experience, on:

each person with management responsibility for a management contract;

each of our directors; and

the ten persons who have the greatest direct or indirect financial interest in a management contract to which we are a party.

The NIGC will not approve a management company and may void an existing management contract if a director, key employee or an interested person of the management company:

is an elected member of the Indian tribal government that owns the facility being managed;

has been or is convicted of a felony or misdemeanor gaming offense;

has knowingly and willfully provided materially false information to the NIGC or a tribe;

has refused to respond to questions from the NIGC;

is a person whose prior history, reputation and associations pose a threat to the public interest or to effective gaming regulation and control, or create or enhance the chance of unsuitable, unfair or illegal activities in gaming or the business and financial arrangements incidental thereto; or

has tried to influence any decision or process of tribal government relating to gaming.

Contracts may also be voided if:

the management company has materially breached the terms of the management contract, or the tribe s gaming ordinance; or

a trustee, exercising the skill and diligence to which a trustee is commonly held, would not approve such management contract.

The Regulatory Act divides games that may be played on Indian Land into three categories. Class I Gaming includes traditional Indian games and private social games and is not regulated under the Regulatory Act. Class II Gaming includes bingo, pull tabs, lotto, punch boards, tip jars, instant bingo, and other games similar to bingo, if those games are played at a location where bingo is played. Class III Gaming includes all other commercial forms of gaming, such as video casino games (e.g., video slots, video blackjack); so-called table games (e.g., blackjack, craps, roulette); and other commercial gaming (e.g., sports betting and pari-mutuel wagering).

Class II Gaming is allowed on Indian Land if performed according to a tribal ordinance which has been approved by the NIGC and if the state in which the Indian Land is located allows such gaming for any purpose. Class II Gaming also must comply with several other requirements, including a requirement that key management officials and employees be licensed by the tribe.

Class III Gaming is permitted on Indian Land if the same conditions that apply to Class II Gaming are met and if the gaming is performed according to the terms of a written agreement between the tribe and the host state. The Regulatory Act requires states to negotiate in good faith with Indian tribes that seek to enter into tribal-state compacts, and gives Indian tribes the right to get a federal court order to force negotiations.

The negotiation and adoption of tribal-state compacts is vulnerable to legal and political changes that may affect our future revenues and securities prices. Full House cannot predict:

which additional states, if any, will approve casino gaming on Indian Land;

the timing of any such approval;

the types of gaming permitted by each tribal-state compact;

any limits on the number of gaming machines allowed per facility; or

whether states will attempt to renegotiate or take other steps that may affect existing compacts.

Under the Regulatory Act, Indian tribal governments have primary regulatory authority over gaming on Indian Land within the tribe s jurisdiction unless a tribal-state compact has delegated this authority. Therefore, persons engaged in gaming activities, including Full House, are subject to the provisions of tribal ordinances and regulations on gaming.

Tribal-State Compacts have been litigated in several states, including California and Michigan. In addition, many bills have been introduced in Congress that would amend the Regulatory Act. If the Regulatory Act were amended, the governmental structure and requirements by which Indian tribes may perform gaming could be significantly changed.

COMPETITION

The gaming industry is highly competitive. Gaming activities include traditional land-based casinos; river boat and dockside gaming; casino gaming on Indian Land; state-sponsored lotteries and video poker in restaurants, bars and hotels; pari-mutuel betting on horse racing, dog racing and jai alai; sports bookmaking; and card rooms. The Indian-owned casinos that we are developing and plan to operate compete with all these forms of gaming, and will compete with any new forms of gaming that may be legalized in additional jurisdictions, as well as with other types of entertainment.

Midway Slots and Simulcast is one of three facilities currently operating in Delaware. In addition, in November 2002, both Maryland and Pennsylvania elected governors supporting some type of gaming legalization. Neither jurisdiction has yet passed gaming legislation but several proposals are being considered. Our facility draws a significant number of customers from Maryland and we believe that competitive gaming in Maryland would have an impact on our facility. The magnitude would depend on both the form of gaming that is authorized, and the locations of competing facilities.

The State of Michigan, a potential development site for Full House, currently has three gaming facilities operating in Detroit and numerous Indian casinos.

Additionally, we are in constant competition with other companies in the industry to acquire other legal gaming sites and for opportunities to manage casinos on Indian land. Many of our competitors are larger in terms of potential resources and personnel. Such competition in the gaming industry could adversely affect our ability to attract customers and thus, adversely affect operating results. In addition, further expansion of gaming into new jurisdictions could also adversely affect our business by diverting customers from its managed casinos to competitors in such jurisdictions.

FACTORS THAT MAY AFFECT OUR FUTURE PERFORMANCE

In addition to factors discussed elsewhere in this Form 10-KSB, the following are important factors that could cause actual results or events to differ materially from those contained in any forward-looking statement made by or on behalf of Full House.

The gaming industry is highly regulated. Gaming facility ownership, management and operation is subject to many federal, state, provincial, tribal and/or local laws, regulations, and ordinances which are administered by particular regulatory agency or agencies in each jurisdiction. These laws, regulations and ordinances are different in each jurisdiction but generally deal with the responsibility, financial stability and character of the owners and managers of gaming operations and persons financially interested or involved in gaming operations. The change of these laws, regulations or ordinances could affect our performance.

We are currently a defendant in litigation which could result in an obligation to pay substantial amounts. Full House and some of our current and former directors and officers are defendants in a lawsuit with Lone Star Casino regarding the potential acquisition of a riverboat casino on the Mississippi Gulf Coast. A verdict against us could require payments of amounts in excess of our financial resources.

We will need additional capital to pursue gaming opportunities. We believe we have enough revenue to finance present operations. We will, however, need substantial additional funding to pursue gaming opportunities in Michigan and elsewhere. We may not be able to get such financing. If we get such financing, you should know that any additional equity financings may be dilutive to shareholders, and any debt financing may involve additional restrictions. An inability to raise such funds when needed might require us to delay, scale back or eliminate some of our expansion and development goals, and might require us to cease operations entirely.

We have numerous competitors. The gaming industry is highly competitive. Gaming activities include traditional land-based casinos; river boat and dockside gaming; casino gaming on Indian land; state-sponsored lotteries and video poker in restaurants, bars and hotels; pari-mutuel betting on horse racing, dog racing and jai alai; sports bookmaking; and card rooms. The Indian-owned casinos that we are trying to develop and operate compete with all these forms of gaming, and any new forms of gaming that may be legalized in additional jurisdictions, as well as with other types of entertainment.

Our management contracts are of limited duration. We are prohibited by law from having an ownership interest in any casino we manage for Indian tribes. The management contract for the Coquille Indian Tribe, which conducts the gaming at The Mill Casino, ended in August 2002. Our management contract for Midway Slots and Simulcast ends in August 2011. If a management contract is not renewed we will lose the revenues from such contract which would have a negative effect on our results of operations.

Our management contracts are subject to governmental or regulatory modification. The NIGC has the power to require modifications to Indian management contracts under some circumstances or to void such contracts or secondary agreements including loan agreements if we fail to obtain the required approvals or to comply with the necessary laws and regulations. While we believe that our management contracts meet the applicable requirements, NIGC has the right to review each contract and has the authority to reduce the term of a management contract or the management fee or otherwise require modification of the contract. Such changes would have a negative effect on our profitability.

We have limited recourses against tribal assets. Development of our gaming opportunities will require us to make substantial loans to tribes for the construction, development, equipment and operations. Our only recourse for collection of indebtedness from a tribe or money damages for breach or wrongful termination of a management contract is from revenues, if any, from casino operations.

We have a limited base of operations. Our principal operations currently consist of the management of one facility, Midway Slots and Simulcast. This, combined with the potentially significant investment associated with any new managed facilities may cause our operating results to fluctuate significantly. Additionally, delays in the opening or non-opening of any future casinos could also significantly affect our profitability. Future growth in revenues and profits will depend on our ability to increase the number of our managed casinos and facilities or develop new business opportunities. We may be unable to successfully develop or manage any additional casinos or facilities.

Development of new casinos is subject to many risks, some of which we may not be able to control. The opening of our proposed facilities will depend on, among other things, the completion of construction, hiring and training of sufficient personnel and obtaining all regulatory licenses, permits, allocations and authorizations. The number of the approvals needed to construct and open new facilities is extensive, and the failure to obtain such approvals could prevent or delay the completion of construction or opening of all or part of such facilities or otherwise affect the design and features of the proposed casinos.

Even if approvals and financing are obtained, major construction projects entail significant risks, including a shortages of materials or skilled labor, unforeseen engineering, environmental and/or geological problems, work stoppages, weather interference, unanticipated cost increases and non-availability of construction equipment. Construction, equipment or stalling problems or difficulties in obtaining any of the requisite licenses, permits, allocations and authorizations from regulatory authorities could increase the total cost, delay or prevent the construction or opening of any of these planned casino developments or otherwise affect their design. In addition, once developed, we may not be able to manage these casinos on a profitable basis or to attract a sufficient number of guests, gaming customers and other visitors to make the various operations profitable independently.

EMPLOYEES

As of March 19, 2004, we had four full time employees, two of whom are our executive officers. Our joint venture operations have approximately 380 full time employees, and management believes that its relationship with its employees is good. None of our employees are currently represented by a labor union, although such representation could occur in the future.

2. Description of Property.

A Full House-GTECH joint venture company has a fifteen-year lease and leaseback agreement with Harrington Raceway, Inc. The lease encumbers the revenues of the gaming facility. The lease is treated as a capital lease and payments began on August 20, 1996.

Full House, together with RAM Entertainment, LLC, owns an eighty-acre parcel of land outside Battle Creek, Michigan which is intended to be a future gaming development site.

3. Legal Proceedings.

In October 1994, we filed an action for declaratory relief in Mississippi, seeking a determination by the court that no relationship exists between us and Lone Star Casino Corporation regarding the potential acquisition of a riverboat casino on the Mississippi gulf coast (Full House Resorts, Inc. v. Lone Star Casino Corporation v. Allen E. Paulson, Second Judicial District of the Chancery Court of Harrison County, Mississippi). Lone Star filed a counterclaim alleging breaches of fiduciary duty, breach of contract, conspiracy to breach contract and to breach fiduciary duty and common law fraud. The trial court granted summary judgment in favor of all defendants on that counterclaim, and Lone Star appealed that judgment to the Mississippi appellate court. In April 1998, the Appeals Court affirmed the dismissal of all counts against all parties, excepting Lone Star s claim against us for breach of contract, which it remanded to the trial court for additional hearing. In January 2000, LS Capital, successor entity to Lone Star Casino Corporation, announced that it had retained counsel to pursue the two remaining claims it had alleged against us which were not already dismissed by the Mississippi appellate courts. In April 2000, the trial judge dismissed both counts for Lone Star s failure to prosecute its claims for nearly twenty months after their remand from the Court of Appeals. Lone Star appealed that ruling and the Mississippi State Court of Appeals reversed the dismissal, and in late 2001 again remanded the claims against the Company for breach of contract, back to the trial court for further proceedings.

Lone Star has not taken any further action, and in February 2004, following an additional twenty eight months of inactivity, we prepared another motion to dismiss this action which was filed with the court on March 19, 2004.

4. Submission of Matters to a Vote of Security Holders.

None.

PART II

5. Market Price of and Dividends on the Registrant s Common Equity and Related Stockholder Matters.

(a) Market Information

Our common stock was listed by The Nasdaq SmallCap Market under the symbol FHRI until April 17, 2001. Thereafter, the stock began trading on the OTC Bulletin Board. Set forth below are the high and low sales prices of the common stock as reported on the OTC Bulletin Board for the periods indicated.

	High	Low
Year Ended December 31, 2003		
First Quarter	$ 0.51	$ 0.33
Second Quarter	1.30	0.45
Third Quarter	1.30	0.63
Fourth Quarter	1.30	0.47
Year Ended December 31, 2002		
First Quarter	$ 0.64	$ 0.25
Second Quarter	0.70	0.33
Third Quarter	0.60	0.28
Fourth Quarter	0.70	0.42

The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions. On March 19, 2004, the last sale price of the Common Stock as reported by the OTC Bulletin Board was $0.85.

(b) Holders

As of March 19, 2004, we had approximately 129 holders of record of our common stock. We believe that there are over 800 beneficial owners.

(c) Dividends

We have never paid dividends on our common stock or preferred stock. Holders of common stock are entitled to receive such dividends as may be declared by the board of directors out of funds legally available therefor.

Holders of our Series 1992-1 Preferred Stock are entitled to receive dividends, when, as and if declared by the board of directors out of funds legally available therefor, in the annual amount of $.30 per share, payable in arrears semi-annually on the 15th day of December and June, in each year. Dividends on the Series 1992-1 Preferred Stock commenced accruing on July 1, 1992 and are cumulative. We have not declared or paid the accrued dividends on our preferred stock which were payable since issuance, totaling $2,415,000 and, accordingly, are in default in regard thereto.

Since we are in default in declaring, setting apart for payment and paying dividends on the preferred stock, we are restricted from paying any dividend or making any other distribution or redeeming any stock ranking junior to the preferred stock.

We intend to retain future earnings, if any, to provide funds for the operation of our business, retirement of our debt and payment of preferred stock dividends and, accordingly, do not anticipate paying any cash dividends on our common stock in the near future.

(d) **Securities authorized for issuance under equity compensation plans**

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2003 with respect to compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance.

	Equity Compensation Plan Information		
Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (in thousands)**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (in thousands)**
	(a)	**(b)**	**(c)**
Equity compensation plans approved by security holders	575,000	$ 2.88	None
Equity compensation plans not approved by security holders(1)	150,000	2.25	None
Total	725,000	$ 2.75	None

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(1) Options to purchase 150,000 shares of our common stock were issued in 1994 to a consultant. These options are exercisable at $2.25 per share and expire June 1, 2004.

6. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Forward Looking Statements

This Annual Report on Form 10-KSB contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, relating to our financial condition, profitability, liquidity, resources, business outlook, proposed acquisitions, market forces, corporate strategies, consumer preferences, contractual commitments, legal matters, capital requirements and other matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. We note that many factors could cause our actual results and experience to change significantly from the anticipated results or expectations expressed in our forward-looking statements. When words and expressions such as: believes, expects, anticipates, estimates, plans, intends, objectives, goals, aims, projects, possible, seeks, may, could, should, might, likely, enable, or similar words or expressions are used in this Form 10-KSB, as well as containing phrases such as in our view, there can be no assurance, although no assurance can be given, or there is no way to anticipate with

certainty, forward-looking statements are being made.

Various risks and uncertainties may affect the operation, performance, development and results of our business and could cause future outcomes to change significantly from those set forth in our forward-looking statements, including the following factors:

- our growth strategies;
- our development and potential acquisition of new facilities;
- risks related to development and construction activities;

anticipated trends in the gaming industries;

patron demographics;

access to capital;

general market and economic conditions;

our ability to finance future business requirements;

the availability of adequate levels of insurance;

the ability to successfully integrate acquired companies and businesses;

changes in Federal, state, and local laws and regulations, including environmental and gaming license legislation and regulations;

regulatory approvals;

competitive environment;

risks, uncertainties and other factors described from time to time in this and our other SEC filings and reports.

We undertake no obligation to publicly update or revise any forward-looking statements as a result of future developments, events or conditions. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ significantly from those forecast in any forward-looking statements.

Overview

During 2002 and 2003, we had focused on selling our company. We signed a merger agreement with the Morongo Band of Mission Indians in July 2003, but the agreement was terminated in October 2003 based on the failure of their membership to approve the merger. Our revenues during 2003 were derived solely from our Delaware operations. We have been unable to proceed with development of our Michigan project until two court cases in Michigan are resolved. We are still awaiting a ruling in both cases.

We are now refocusing our efforts to seek out additional development and management opportunities in line with our philosophy of providing fair value to our partners and enhancing shareholder value. We have strengthened our management team to allow us to successfully pursue this strategy.

Accounting Policies

Our accounting policies are more fully described in Note 2 of the Notes to Consolidated Financial Statements. As disclosed therein, the preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates and such differences may be material to the financial statements.

The most significant accounting estimates inherent in the preparation of our financial statements include estimates associated with management s evaluation of the recoverability of intangibles. Various assumptions and other factors underlie the determination of these significant estimates. The process of determining significant

estimates is fact specific and takes into account factors such as historical experience, current and expected economic conditions. We constantly re-evaluate these significant factors and make adjustments where facts and circumstances dictate. Historically, actual results have not significantly deviated from those determined using the estimates described above.

Results of Operations

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Revenues. Total operating revenues decreased $1,478,830 from the prior year period. This decrease is due to the termination, in August 2002, of the Oregon management agreement. With the expiration of the Oregon contract, our Delaware joint venture is now our sole source of revenue. This revenue stream is being used to fund our ongoing operations and the pursuit of our development project in Michigan.

Delaware Joint Venture. Our share of income from the Delaware joint venture was $3,338,851, an increase of $50,729 compared to $3,288,122 in 2002. In late November 2002, a non-smoking law became effective in Delaware. This law, which prohibits smoking in enclosed public facilities, applies to our facility. Midway experienced a decline in revenue of approximately 9% during 2003 compared to 2002. A reduction in expenses at the joint venture level offset the decline in management fees received. The Delaware market gaming revenues declined by 11.3% in 2003, and we believe the smoking restrictions are the principal reason for this decline.

Oregon. The total fees attributable to the Oregon contract were $1,529,559 in 2002. This contract expired in August 2002 in accordance with its terms, and the reduction in fees is due to the contract termination.

Development Costs. Development related costs for the California and Michigan projects were $692,399 in 2003, compared to $954,063 for the prior year. The majority of these costs were due to activities related to the Michigan venture with the Huron Potawatomi Tribe in Battle Creek. These costs were primarily for legal and consulting fees to assist the Tribe in obtaining suitable land and complying with the requirements of the Indian Gaming Regulatory Act. The decrease is primarily due to the purchase of land that was previously optioned for $216,000 per year.

General and Administrative Expenses. General and administrative expenses of $1,857,655 for 2003 includes approximately $300,000 in expenses related to a failed merger agreement. For the prior year, the $1,776,059 in expense included a litigation settlement of $125,000. The remaining $93,404 difference between periods primarily resulted from reduced property taxes, rental expense and legal fees

Depreciation and Amortization. Depreciation expense decreased from $16,258 to $11,002. Amortization of the acquired contract rights was $165,557 compared to $200,292 in the prior period. The decrease is due to the expiration of the Oregon contract.

Interest Expense. Interest expense was $99,173 in 2003 compared to $146,067 in 2002. This decrease is due to slight reduction in the average debt outstanding, coupled with a reduction in our effective borrowing rate from 5.15% to 4.16%.

Interest and Other Income. In May 2003 we sold our one-acre parcel of land in Mississippi for $2,500,000 and recognized a gain of $27,793. In November 2002 we entered into a termination agreement with Hard Rock concerning our Biloxi, Mississippi licensing rights in exchange for a termination fee of $100,000. Interest income is primarily due to earnings on invested cash balances and was slightly less than the prior year due to declining interest rates.

Income Tax Benefit (Provision). The income tax provision is a combination of separate state taxes on joint venture earnings combined with the effect of a federal consolidated return. At December 31, 2003, we had net operating loss carryforwards for federal income tax purposes of approximately $1,702,000, which may be carried forward to offset future taxable income. The loss carryforwards will begin to expire in 2018. The availability of the

loss carryforwards may be limited in the event of a significant change in ownership of Full House or our subsidiaries.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Revenues. As a result of the acquisition of GTECH s interest in three joint venture projects (Oregon, Michigan and California), our classification of revenues is not directly comparable to prior periods. The revenues related to our Delaware contract continue to be reported as joint venture revenue, but as of March 31, 2001, the revenue related to the Oregon contract is reported as management fees.

Total operating revenues decreased $178,145 from the prior year period. This decrease is due to the termination, in August 2002, of the Oregon management agreement, partially offset by improved performance in Delaware. With the expiration of the Oregon contract, our Delaware joint venture is now our sole source of revenue. This revenue stream is being used to fund our ongoing operations and the pursuit of a successful development project in Michigan.

Delaware Joint Venture. Our share of income from the Delaware joint venture was $3,288,122, an increase of $313,448, or 10%, compared to $2,974,674 in 2001. During 2002 we were able to increase the gaming capacity by approximately 150 machines bringing the total to 1,430 as of December 31, 2002. This increased capacity, coupled with continuing growth in the market, helped to drive a 16% increase in gaming win. In late November 2002, a non-smoking law became effective in Delaware. This law, which prohibits smoking in enclosed public facilities, applies to our facility. We experienced a decline in revenue of approximately 14% during December, which was also negatively impacted by severe winter weather. However, we believe the smoking restrictions are having a significant impact on our revenues, and also at the competing facilities in Delaware.

Oregon. The total fees attributable to the Oregon contract were $1,529,559 in 2002, compared to $2,303,519 in 2001. This contract expired in August 2002 in accordance with its terms, and the reduction in fees is due to the contract termination.

Cost and Expenses. As a result of our acquisition of GTECH s interest in three joint venture projects, our classification of expenses is not directly comparable to prior periods. The expenses related to our California and Michigan projects, which had been reported as joint venture pre-opening costs, as of March 31, 2001, are reported as development costs.

Pre-opening and Development. Total development related costs (joint venture pre-opening costs and development costs) for the California and Michigan projects were $954,063 in 2002, compared to $955,441 for the prior year. The majority of these costs were due to increased activities related to the Michigan venture with the Huron Potawatomi Tribe in Battle Creek. These costs were primarily for legal and consulting fees to assist the Tribe in obtaining suitable

land and complying with the requirements of the Indian Gaming Regulatory Act, as well as land option payments. We also increased our ownership in these projects to 100% in March 2001.

Pre-opening and development expenses in 2001 included $250,000 related to the expiration of a land purchase option in Biloxi, Mississippi that we chose not to exercise or renew. No similar expense was incurred in 2002.

General and Administrative Expenses. General and administrative expenses increased by $132,863 to $1,776,059 in 2002 compared to $1,643,196 in the prior year. This increase is primarily due to a litigation settlement of $125,000 related to our intended Hard Rock Biloxi development.

Impairment. The Impairment provision of $4,593,800, recorded in the third quarter of 2001, resulted from an assessment of the carrying values of our Mississippi assets as a result of the unsuccessful conclusion of discussions with potential partners. These assets totaled $7,065,800, for land, licenses and permits. The reduction of the carrying value to $2,472,000 represents the estimated fair value of the land parcel.

Depreciation and Amortization. Depreciation expense decreased from $23,828 to $16,258. Amortization of the acquired contract rights was $200,292 compared to $168,828 in the prior period. The increase is due to 12 months of amortization in 2002, compared to only nine months in the prior year. Our goodwill had been fully amortized as of September 30, 2001.

Interest Expense. Interest expense was $146,067 in 2002 compared to $286,745 in 2001. This decrease is due to a 30% reduction in the average debt outstanding, coupled with a reduction in our effective borrowing rate from 7% to 5.15%.

Interest and Other Income. In November 2002 we entered into a termination agreement with Hard Rock concerning our Biloxi, Mississippi licensing rights in exchange for a termination fee of $100,000. Interest income is primarily due to earnings on invested cash balances and was slightly less than the prior year due to declining interest rates.

Income Tax Benefit (Provision). The income tax provision for the current year reflects an effective tax rate of 47.8%, which is a combination of state taxes on joint venture earnings combined with the tax effect of non-deductible amortization expenses. The income tax benefit recorded for 2001 is primarily a result of the expected tax benefit from the realization of the impairment provision recorded in the third quarter of 2001. At December 31, 2002, we had net operating loss carryforwards for federal income tax purposes of approximately $464,000, which may be carried forward to offset future taxable income. The loss carryforwards expire in 2019. The availability of the loss carryforwards may be limited in the event of a significant change in ownership of Full House or our subsidiaries.

LIQUIDITY AND CAPITAL RESOURCES

We held cash and cash equivalents of $1,942,430 as of December 31, 2003. Net cash provided by operating activities was $447,999 as compared to $1,771,870 in the prior year. The decrease is primarily due to the decreased cash flow from Oregon as a result of the expiration of the contract. Investing activities provided cash of $330,378 resulting from the sale of our Mississippi land parcel for $2,500,000, coupled with the land acquisition in Michigan of $1,929,415 and $240,000 in advances to the Michigan Tribe. In 2002, investing activities used $256,496, primarily to fund $240,000 in advances to the Michigan Tribe pursuant to our agreements with them. There were no financing activities in 2003. Financing activities used $1,218,740 in cash in 2002 as we repaid the balance of the $3,000,000 GTECH note and $600,000 outstanding on our bank line with the $2,381,260 proceeds from the RAM note and cash provided by operations. As a result of these activities our cash and cash equivalents increased by $778,377 and $296,634 during 2003 and 2002, respectively.

In 1998, we obtained a $2,000,000 line of credit with Coast Community Bank of Mississippi with an initial maturity date of February 25, 1999. We had renewed this line on an annual basis. In February 2002, the renewal reduced the availability to $1,000,000 and extended the maturity date to May 12, 2003. The sale of our property in Mississippi has provided adequate liquidity, and also ended our active involvement in that market; accordingly, the line was not renewed at maturity.

On February 15, 2002, we entered into an agreement with RAM Entertainment, LLC, a privately held investment company, whereby RAM may acquire a 50% interest in the California and Michigan projects and provide the necessary funding for their development. RAM advanced $2,381,260 to us in the form of a loan, to be converted into equity upon receipt by the Huron Potawatomi Tribe of federal approvals for its proposed casino near Battle Creek, Michigan. The loan bears interest adjustable daily at prime and requires interest payments monthly. The original February 15, 2003 maturity date has been extended to February 15, 2004 and extended again at the option of RAM until November 15, 2004 unless it is required to convert the loan into equity. The legal challenge preventing the land from being taken into trust is pending in Federal District Court.

On September 9, 2003 we, together with RAM Entertainment, LLC, our joint venture partner, purchased approximately 80 acres of land located at the intersection of I-94 and 11 Mile Road in Emmett Township, just outside Battle Creek, Michigan. The purchase price of $3,858,830 was funded equally by the two parties. The land is intended to be used as the site for a casino project for the Nottawaseppi Band of Huron Potawatomi Indians

As a result of our agreement with RAM, development funding cash needs for the Michigan project may be substantially provided by RAM. Our future cash requirements will primarily be to fund the balance of development expense and general and administrative expenses. Our Oregon contract expired in August 2002, leaving the Delaware joint venture as our sole source of operating cash flow. We believe that adequate financial resources will be available to execute our current business plan, which is to concentrate on the Michigan project and select development and management opportunities.

On April 15, 2002 we announced the intent to hire an investment advisor to assist in enhancing shareholder value through the exploration of strategic alternatives. On July 29, 2003 we signed a definitive merger agreement with the Morongo Band of Mission Indians, a federally recognized California Indian tribe, pursuant to which a subsidiary of the Morongo tribe was to acquire Full House Resorts. In the merger, each Full House Resorts common shareholder was to receive $1.30 for each share of Full House Resorts common stock and each holder of its Series 1992-1 Preferred Stock was to receive $6.15 per share of preferred stock. The Tribe placed the question of approval on a ballot conducted among all voting members of the Morongo Band, in accordance with its custom and tradition of governance. On October 14, 2003 we were notified by the Morongo Band of Mission Indians, that the general membership had failed to approve the proposed merger between Full House Resorts and a subsidiary of the Morongo Band and therefore the proposed merger would not occur.

As a result of our agreement with GTECH, receipt by Full House of revenues from the Delaware venture is governed by the terms of the joint venture agreement. The contract provides 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, our continuing cash flow is dependent on the operating performance of this joint venture, and the ability to receive monthly distributions.

As part of the Michigan and California management agreements with the tribes, we have advanced funds for tribal operations and the construction of a tribal community center. The receivable on our balance sheet is attributable to this funding, and the repayment obligation is dependent on the future profitable operation of the tribes gaming enterprises. Additional advanced costs, which we have expensed as period development costs may also be recovered if we successfully develop and operate a gaming enterprise for the tribe.

In August 2001, we received a notice from the Torres-Martinez Tribe in California purporting to sever our relationship. Our balance sheet includes as a receivable a $25,000 advance due from Torres-Martinez Tribe, and included in Gaming and Contract Rights is approximately $120,000 attributable to this contact. We have incurred aggregate expenses of approximately $1 million, including interest, on behalf of Torres-Martinez Tribe. In June 2002, the Tribe requested additional documentation concerning these costs, which we have provided. We are discussing an appropriate resolution of this matter including reimbursement for costs that we incurred. We believe that these amounts are recoverable based upon the expressed intentions of Torres-Martinez Tribe, as well as our contractual rights.

In November 2002, we executed a termination agreement with respect to our Hard Rock licensing rights in Biloxi, Mississippi in exchange for a $100,000 termination fee. Additionally, if Hard Rock executed a new licensing agreement for Biloxi within one year of the termination agreement, we agreed to provide consulting services to Hard Rock for a two-year period beginning with the opening of a Biloxi facility, entitling us to receive annually, for the two year consulting period, $100,000, or 10% of licensing fees, as defined, whichever is greater. During 2003, Hard Rock executed a new licensing agreement for Biloxi.

Contractual Obligations. The following table summarizes our contractual obligations as of December 31, 2003:

		Payments Due by Period			
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter
Long term debt	$ 2,381,260	$ 2,381,260	$	$	$
Operating leases	126,993	37,320	89,673		
Total	$ 2,508,253	$ 2,418,580	$ 89,673	$	$

As of December 31, 2003, we had cumulative undeclared and unpaid dividends in the amount of $2,415,000 on the 700,000 outstanding shares of our 1992-1 Preferred Stock. Such dividends are cumulative whether or not declared, and are currently in arrears.

Quantitative and Qualitative Disclosures about Market Risk. Market risk is the risk of loss from changes in market rates or prices, such as interest rates and commodity prices. We are exposed to market risk in the form of changes in interest rates and the potential impact such changes may have on our variable rate debt. We have not invested in derivative based financial instruments.

Our total outstanding short-term debt of $2.4 million at December 31, 2003 is subject to variable interest rates, which averaged 4.16% during the current year. Our variable rate debt is based on the Prime lending rate and therefore, our interest rates on this variable rate debt will change as the Prime rate changes. Based on our $2.4 million of outstanding variable rate debt at December 31, 2003, a hypothetical 100 basis point (1%) change in rates would result in an annual interest expense change of approximately $24,000.

Recent Accounting Pronouncements. In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS 141 prohibits the pooling of interests method of accounting for business combinations initiated after June 30, 2001. SFAS 142, which was effective for Full House in January 2002, requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions for the reclassification of certain existing intangibles as goodwill, reassessment of the useful lives of existing intangibles, and ongoing assessments of potential impairment of existing goodwill.

Our goodwill, net of accumulated amortization, has been reduced to zero. Other existing intangibles consist of net Gaming and Contract Rights of $5,024,389.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The adoption of SFAS No. 146 did not have a material effect on our financial statements.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123. This Statement amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in these consolidated financial statements. The adoption of SFAS No. 148 did not have a material effect on our financial statements.

7. Financial Statements.

The following financial statements are filed as part of this Report:

Independent Auditors Report;

Consolidated Balance Sheets as of December 31, 2003 and 2002;

Consolidated Statements of Operations for the years ended December 31, 2003 and 2002;

Consolidated Statements of Stockholders Equity for the years ended December 31, 2003 and 2002;

Consolidated Statements of Cash Flows for the years ended December 31, 2003 and 2002;

Notes to Consolidated Financial Statements.

8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

8A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures. Full House s chief executive and financial officers, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Sections 13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934) as of December 31, 2003, and concluded that as of December 31, 2003, our disclosure controls and procedures were effective and designed to ensure that material information relating to us would be made known to them to allow timely decisions regarding disclosures.

Changes in Internal Controls. No significant changes in our internal controls or in other factors that could significantly affect those controls occurred during the fourth quarter of 2003.

PART III

9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

Our directors and executive officers and their ages as of March 26, 2004 are as follows:

Name	**Age**	**Positions**
J. Michael Paulson	48	Chairman
William P. McComas	77	Director

Lee A. Iacocca	79	Director
Andre M. Hilliou	56	President and Chief Executive Officer
Greg Violette	53	Chief Financial Officer
Barth F. Aaron	55	Secretary

J. Michael Paulson was elected to our board on February 13, 2004 and was appointed Chairman on March 1, 2004. Mr. Paulson has been involved in the real estate development and investment business since 1986 as the Founder, Owner and President of Nevastar Investments Corp. and Construction Specialist of Nevada, Inc. Mr. Paulson has been a director, president and general manager of Gold River Resort and Casino, Inc. and Gold River Operating Corporation since 2000. Mr. Paulson also serves as a director or officer of various businesses involving thoroughbred racing and breeding operations, oil exploration and real estate, gaming and equity investments. Mr. Paulson worked in the aerospace industry for 17 years, including 11 years with Gulfstream Aerospace Corporation.

William P. McComas was Chairman of the Board and Chief Executive Officer from March 5, 1998 until March 1, 2004. Mr. McComas has been a Director of Full House since November 1992. Mr. McComas has been President of McComas Properties, Inc., a California real estate development company since January 1984. Mr. McComas and companies controlled by him have developed several hotels and resorts, including Marina Bay Resort, Fort Lauderdale, Florida; Ocean Colony Hotel and Resort, Half Moon Bay, California; Residence Inn by Marriott, Somers Point, New Jersey; and five Holiday Inns located in Des Moines, Iowa; San Angelo, Texas; Suffern, New York; Niagara Falls, New York; and Fort Myers, Florida.

Lee A. Iacocca has been one of our directors since April 1998. In 1997, he founded EV Global Motors, to design, market and distribute the next generation of electric vehicles. Mr. Iacocca is former Chief Executive Officer and Chairman of the Board of Directors of Chrysler Corporation, retiring from those positions in 1992. He retired as a Chrysler Director in September 1993 and continued to serve as a consultant to Chrysler until 1994. He is Chairman of the Iacocca Foundation, a philanthropic organization dedicated to educational projects and the advancement of diabetes

research, and is Chairman of the Committee for Corporate Support of Joslin Diabetes Foundation. Mr. Iacocca is also Chairman Emeritus of the Statue of Liberty - Ellis Island Foundation and serves on the Advisory Board of Reading Is Fundamental, the nation s largest reading motivation program.

Andre M. Hilliou became President and Chief Executive Officer on March 1, 2004. Mr. Hilliou has over 25 years experience in the gaming industry. From September 2001 until joining the Full House, Mr. Hilliou served as Chairman and Chief Executive Officer of Vision Gaming and Technology, Inc., formerly known as Leisure Time Technology, Inc. where he brought the company out of bankruptcy. Prior to that he served as a consultant to the gaming industry. From 1998 to 1999, Mr. Hilliou was Chief Executive Officer of American Bingo and Gaming, Inc., a manager of bingo operations in the Southeast. Prior to that he served as Chief Executive Officer of Aristocrat, Inc., the U.S. subsidiary of Australia s largest slot machine manufacturer. He spent 16 years with the Showboat Corporation, reaching the level of Vice President of Operations for its Atlantic City, New Jersey property, and Chief Executive Officer of Showboat s Sydney Harbour Casino, a $1 billion development project.

Greg Violette became Chief Financial Officer on March 1, 2004. Mr. Violette has 11years of gaming experience. From Audust 2001 until joining Full House he has been a financial and operational consultant to the gaming industry. From August 1997 until August 2001 he served as Chief Financial Officer of Pacific Coast Gaming and Michels Development Company (under common ownership) in the business of developing and managing casinos. Prior to that Mr. Violette served as the Chief Financial Officer for casinos in the Midwest. He has been involved in developing and managing several casinos for tribes in the Midwest and Southwest. Prior to his gaming experience, Mr. Violette worked in the travel industry for 10 years, holding middle and senior management positions with Hertz Rent a Car and Northwest Airlines.

Barth F. Aaron was appointed Secretary on March 26, 2004. He was hired as General Counsel for the Company on March 2, 2004. From April 2002, Mr. Aaron was General Counsel of Vision Gaming and Technology, Inc., for which he remains company Secretary and legal counsel. From January 2001until April 2002, Mr. Aaron served as Corporate Director of Regulatory Compliance and Risk Management for Penn National Gaming, Inc. From August 1996 until May 2000, Mr. Aaron was Corporate General Counsel for Aristocrat, Inc., the U.S. subsidiary of Australia s largest slot machine manufacturer, where he was a legal consultant from May 2000 until January 2001. Mr. Aaron has been a Deputy Attorney General with the New Jersey Division of Gaming Enforcement and is admitted to practice law in the states of Nevada, New Jersey and New York.

Meetings and Committees of the Board of Directors

During fiscal year 2003, the board of directors held five meetings of the board of directors and four meetings of the board of directors acting as the audit committee. Each director attended at least 75% of the board of directors meetings and committee meetings for which their attendance was required.

Our board of directors does not currently have a standing audit, nominating or compensation committee or any committees performing similar functions. The full board of directors performs these functions. Two of the current members of our board of directors are independent as defined in the listing standards established by the NASD. Our board of directors has determined that the board does not have an audit committee financial expert, as defined by SEC regulations.

Our board has determined that all of the members of the board, which performs the functions of the audit committee, have owned and/or managed sizable businesses. The board believes that the members have sufficient knowledge and experience necessary to fulfill the duties and obligations of an audit committee.

Compensation Committee Interlocks and Insider Participation

We do not have a compensation committee of our board of directors. No executive officer of Full House serves as a member of the compensation committee of the board of directors of any entity, one or more of whose executive officers serves as a member of our board of directors.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers and persons who own more than ten percent of our outstanding common stock, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of common stock. These persons are required by SEC regulation to furnish us with copies of all such reports they file. To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, we believe that all Section 16(a) reports were timely filed by our officers, directors and greater than ten percent beneficial owners.

Code of Ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer and other senior financial officers. The code of ethics is filed with this report as Exhibit 14.

10. Executive Compensation.

Summary Compensation Table

The following table sets forth the annual compensation paid or accrued by us for services rendered during each year presented, for our Chief Executive Officer and Chief Financial Officer, collectively known as the Named Executive Officers, for services in all capacities to us and our subsidiaries. No other executive officer received over $100,000 in annual salary and bonus in 2003.

Summary Compensation Table

		Annual Compensation	
Name and Principal Position	**Fiscal Year**	**Salary**	**Other Annual Compensation**
William P. McComas,	2003	$ 250,000	-0-
Former Chairman and Chief Executive Officer	2002	250,000	-0-
	2001	250,000	-0-
Michael P. Shaunnessy	2003	250,000	-0-
Former Executive Vice President and Chief	2002	250,000	-0-
Financial Officer	2001	250,000	-0-

Option Grants In Last Fiscal Year

We did not grant any options to purchase common stock to the Named Executive Officers during 2003.

Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

The following table sets forth certain information concerning the fiscal year-end value of the unexercised stock options held by the Named Executive Officers. No options were exercised by such officers in 2003.

Name	Number of Securities Underlying Unexercised Options at 2003 Fiscal Year End		Value of Unexercised In the Money Options at 2003 Fiscal Year End (1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
William P. McComas	250,000	-0-	-0-	-0-
Michael P. Shaunnessy	-0-	-0-	-0-	-0-

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(2) Based upon the market value of the underlying securities at December 31, 2003 of $0.70, none of the options were in-the-money .

Employment Agreements

In January 2002, we entered into an employment agreement with Michael P. Shaunnessy, our former chief financial officer. The agreement provides that during the two-year term Mr. Shaunnessy be paid a salary of $250,000 and participate in such benefits plans and bonus plans as we provide to other executives. This agreement expired January 1, 2004 and was not renewed.

Stock Option Plans

We previously adopted our 1992 Incentive Plan, which was amended in 1999. We are no longer able to issue incentive awards under this plan.

11. Security Ownership of Certain Beneficial Owners and Management.

The following table sets forth information as of March 19, 2004 concerning the beneficial ownership of our common stock by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding common stock,
- each director,
- each of the named executive officers (as defined above), and
- all executive officers and directors as a group.

Name and Address of Beneficial Owner	Number of Shares Owned (1)	Percentage of Class Outstanding (1)
Common Stock:		
William P. McComas (2)	2,058,537(3)	19.4%

Lee A. Iacocca (2)	1,381,471(3)(4)	13.0%
LKL Family Limited Partnership 10900 Wilshire Boulevard, Suite 310 Los Angeles, California 90024	1,056,471	10.2%
J. Michael Paulson (2)	3,281,500(5)	31.7%
Allen E. Paulson Living Trust 514 Via De La Valle, Suite 210 Solana Beach, California 92075	3,181,500	30.8%
Andre M. Hilliou (2)	-0-	
Greg Violette (2)	-0-	
Barth F. Aaron (2)	-0-	
Michael P. Shaunnessy (2)	-0-	
All Officers and Directors as a Group (7 Persons)	6,721,508(6)	61.6%
Preferred Stock:		
William P. McComas (2)	350,000	50.0%
H. Joe Frazier 2420 Sea Island Drive Fort Lauderdale, Florida 33301	350,000	50.0%

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(1) Shares are considered beneficially owned, for purposes of this table only, if held by the person indicated as beneficial owner, or if such person, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, has or shares the power to vote, to direct the voting of and/or dispose of or to direct the disposition of, such security, or if the person has a right to acquire beneficial ownership within 60 days, unless otherwise indicated in these footnotes. Any securities outstanding which are subject to options or warrants exercisable within 60 days are deemed to be outstanding for the purpose of computing the percentage of outstanding securities of the class owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of the class owned by any other person.

(2) The address for Messrs. McComas, Iacocca, Paulson, Hilliou, Violette, Aaron and Shaunnessy is c/o Full House Resorts, 4670 South Fort Apache Road, Suite 190, Las Vegas, Nevada 89147.

(3) Includes options to purchase 250,000 and 325,000 shares of common stock for Messrs. McComas and Iacocca, respectively.

(4) Includes 1,056,471 shares held by the LKL Family Limited Partnership of which Lee A. Iacocca is the General Partner.

(5) Includes 3,181,500 shares held by the Allen E. Paulson Living Trust of which Mr. J. Michael Paulson is the trustee.

(6) Includes 575,000 shares of common stock which may be purchased upon exercise of currently exercisable options.

12. Certain Relationships and Related Transactions.

None.

13. Exhibits and Reports on Form 8-K.

(a) 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 Subsidiary, Inc. (Incorporated by reference to Full House s Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 12, 2001)

10.38 Gaming Management Agreement between Full House and the Torres Martinez Desert Cahuilla Indians dated April 23, 1993 (incorporated by reference to Full House s Quarterly Report on Form 10-QSB for the quarter ended March 31, 1995)

10.50 Agreement dated as of November 18, 1996 by and among Green Acres Casino Management Company, GTECH Corporation, Gaming Entertainment (Michigan) LLC and Full House (Incorporated by reference to Full House s Annual Report on Form 10-KSB for the fiscal year ended December 31, 1996)

10.51 Amended and Restated Class III Management Agreement dated November 18, 1996 between Nottawaseppi Huron Band of Potawatomi and Gaming Entertainment (Michigan) LLC (Incorporated by reference to Full House s Annual Report on Form 10-KSB for the fiscal year ended December 31, 1996)

10.56 Investor Agreement by and between Full House Resorts, Inc. and RAM Entertainment, LLC, dated February 15, 2002 (Incorporated by reference to Full House s Quarterly Report on Form 10-QSB for the quarter ended March 31, 2002)

10.57 Management Agreement by and between Gaming Entertainment (Delaware), LLC and Harrington Raceway, Inc. dated January 31,1996 (Incorporated by reference to Full House s Quarterly Report on Form 10-QSB for the quarter ended September 30, 2002)

10.58 Amendment to Management Agreement by and between Gaming Entertainment (Delaware), LLC and Harrington Raceway, Inc. dated March 18, 1998 (Incorporated by reference to Full House s Quarterly Report on Form 10-QSB for the quarter ended September 30, 2002)

10.59 Amendment to Management Agreement by and between Gaming Entertainment (Delaware), LLC and Harrington Raceway, Inc. dated July 1, 1999 (Incorporated by reference to Full House s Quarterly Report on Form 10-QSB for the quarter ended September 30, 2002)

10.60 Amendment to Management Agreement by and between Gaming Entertainment (Delaware), LLC and Harrington Raceway, Inc. dated February 4, 2002 (Incorporated by reference to Full House s Quarterly Report on Form 10-QSB for the quarter ended September 30, 2002)

10.61	Employment Agreement by and between Full House Resorts, Inc. and Michael P. Shaunnessy dated January 1, 2002 (Incorporated by reference to Full House s Quarterly Report on Form 10-QSB for the quarter ended September 30, 2002)+
14	Code of Ethics for CEO and Senior Financial Officers*
21	List of Subsidiaries of Full House Resorts, Inc.*
23.1	Consent of Deloitte & Touche LLP *
31.1	Certification of principal executive officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
31.2	Certification of principal financial officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
32.1	Certification of principal executive and financial officers pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *

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* Filed herewith.

+ Executive compensation plan or arrangement

(b) Reports on Form 8-K

None

14. Principal Accounting Fees and Services.

Deloitte & Touche, LLP, audited Full House s annual consolidated financial statements for the year ending December 31, 2003. We have not yet retained an audit firm for the year ended December 31, 2004.

During fiscal years 2003 and 2002, Full House retained Deloitte & Touche, LLP to provide services in the following categories and amounts:

Audit Fees

We paid or accrued an aggregate of $82,500 in 2003 and $83,600 in 2002 in fees for professional services rendered by Deloitte & Touche, LLP in connection with the audit of our financial statements for the most recent fiscal years and the reviews of the financial statements included in each of our Quarterly Reports on Form 10-QSB during those fiscal years.

Audit Related Fees

We did not engage Deloitte & Touche, LLP for any audit related professional services for the fiscal year ended December 31, 2003 or the fiscal year ended December 31, 2002.

Tax Fees

We did not engage Deloitte & Touche, LLP for any tax related professional services for the fiscal year ended December 31, 2003 or the fiscal year ended December 31, 2002.

All Other Fees

We did not engage Deloitte & Touche, LLP for any other services for the fiscal year ended December 31, 2003 or the fiscal year ended December 31, 2002.

Because we do no have an audit committee, we do not have audit committee pre-approval policies and procedures. All of the services provided by our independent auditors were approved by our board of directors and the board of directors believes that the provision of these services is consistent with maintaining the accountants independence.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

	FULL HOUSE RESORTS, INC.	
Date: March 26, 2004	By:	/s/ ANDRE M. HILLIOU Andre M. Hilliou, Chief Executive Officer

In accordance with the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name and Capacity	Date
/s/ J. MICHAEL PAULSON J. Michael Paulson, Chairman of the Board	March 26, 2004
/s/ LEE A. IACOCCA Lee A. Iacocca, Director	March 26, 2004
/s/ WILLIAM P. MCCOMAS William P. McComas, Director	March 26, 2004
/s/ GREG VIOLETTE Greg Violette, Chief Financial Officer (Principal Financial and Accounting Officer)	March 26, 2004

INDEPENDENT AUDITORS REPORT

To the Board of Directors and Stockholders of Full House Resorts, Inc.:

We have audited the accompanying consolidated balance sheets of Full House Resorts, Inc. and Subsidiaries (the Company) as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders equity, 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2003 and 2002, 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.

DELOITTE & TOUCHE LLP

Las Vegas, Nevada

March 26, 2004

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2003 AND 2002

	2003		2002	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	1,942,430	$	1,164,053
Receivables		125,000		186,969
Prepaid expenses		110,932		106,656
Total current assets		2,178,362		1,457,678
FIXTURES AND EQUIPMENT, net		12,610		23,612
NON-OPERATING LAND				2,472,000
JOINT VENTURE INVESTMENT IN LAND HELD FOR DEVELOPMENT		1,929,415		
INVESTMENT IN JOINT VENTURE		171,403		27,876
RECEIVABLES		1,497,291		1,257,291
GAMING AND CONTRACT RIGHTS, net		5,024,389		5,189,947
DEFERRED TAX ASSET		626,270		712,418
DEPOSITS AND OTHER ASSETS		6,382		6,382
TOTAL	$	11,446,122	$	11,147,204
LIABILITIES AND STOCKHOLDERS EQUITY				
CURRENT LIABILITIES:				
Accounts payable	$	33,465	$	13,426
Payable to joint ventures		54,328		
Current portion of long-term debt		2,381,260		2,381,260
Accrued expenses		204,008		172,654
Total current liabilities		2,673,061		2,567,340
LONG-TERM DEBT, net of current portion				
COMMITMENTS AND CONTINGENCIES (Note 14)				
STOCKHOLDERS EQUITY:				
Cumulative preferred stock, par value $.0001, 5,000,000 shares authorized; 700,000 shares issued and outstanding; aggregate liquidation preference of $4,515,000 and $4,305,000, respectively		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		17,429,889		17,429,889
Accumulated deficit		(8,657,932)		(8,851,129)
Total stockholders equity		8,773,061		8,579,864
TOTAL	$	11,446,122	$	11,147,204

See notes to consolidated financial statements.

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
OPERATING REVENUES		
Joint venture earnings	$ 3,338,851	$ 3,288,122
Management fees		1,529,559
Total operating revenues	3,338,851	4,817,681
OPERATING COSTS AND EXPENSES		
Development costs	692,399	954,063
General and administrative	1,857,655	1,776,059
Depreciation and amortization	176,559	216,550
Total operating costs and expenses	2,726,613	2,946,672
INCOME FROM OPERATIONS	612,238	1,871,009
Interest expense	(99,173)	(146,067)
Interest and other income	30,280	104,346
INCOME BEFORE INCOME TAXES	543,345	1,829,288
INCOME TAX PROVISION	(350,148)	(873,531)
NET INCOME	193,197	955,757
Less, undeclared dividends on cumulative preferred stock	(210,000)	(210,000)
NET (LOSS) INCOME APPLICABLE TO COMMON SHARES	$ (16,803)	$ 745,757
NET INCOME PER COMMON SHARE, basic and diluted	$ 0.00	$ 0.07
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, basic and diluted	10,340,380	10,340,380

See notes to consolidated financial statements.

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
BALANCE JANUARY 1, 2002	700,000	$ 70	10,340,380	$ 1,034	$ 17,429,889	$ (9,806,886)	$ 7,624,107
Net income						955,757	955,757
BALANCE DECEMBER 31, 2002	700,000	70	10,340,380	1,034	17,429,889	(8,851,129)	8,579,864
Net income						193,197	193,197
BALANCE DECEMBER 31, 2003	700,000	$ 70	10,340,380	$ 1,034	$ 17,429,889	$ (8,657,932)	$ 8,773,061

See notes to consolidated financial statements.

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 193,197	$ 955,757
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	176,559	216,550
Gain on sale of non-operating land	(27,793)	
Equity in earnings of joint ventures	(3,338,851)	(3,288,122)
Distributions from joint ventures	3,195,324	3,212,213
Changes in operating assets and liabilities:		
Receivables	61,970	23,023
Prepaid expenses	(4,276)	(12,778)
Deposits and other assets		8,400
Deferred income taxes	86,148	663,531
Accounts payable and accrued expenses	105,721	(6,704)
Net cash provided by operating activities	447,999	1,771,870
CASH FLOWS FROM INVESTING ACTIVITIES:		
Joint venture investment in land held for development	(1,929,415)	
Proceeds from sale of non-operation land	2,499,793	
Purchases of fixtures and equipment		(16,496)
Advances on receivable	(240,000)	(240,000)
Net cash provided by (used in) investing activities	330,378	(256,496)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of GTECH note		(3,000,000)
Proceeds from RAM note		2,381,260
Repayment of line of credit		(600,000)
Net cash used in financing activities		(1,218,740)
NET INCREASE IN CASH AND CASH EQUIVALENTS	778,377	296,634
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,164,053	867,419
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,942,430	$ 1,164,053

See notes to consolidated financial statements.

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

1. ORGANIZATION AND NATURE OF OPERATIONS

Full House Resorts, Inc. (Full House or the Company) was incorporated in the State of Delaware on January 5, 1987. We are currently pursuing various gaming opportunities throughout North America.

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

Effective December 29, 1995, we entered into a series of agreements with GTECH Corporation (GTECH) to jointly pursue gaming opportunities. Pursuant to the agreements, four limited liability companies (Joint Ventures) were formed. We had a 50% interest in each joint venture, which was accounted for using the equity method. On March 30, 2001 we acquired the GTECH ownership in three of these joint ventures, Oregon, Michigan and California, which are now wholly-owned and consolidated. The Delaware venture was not included in this transaction and continues to be accounted for using the equity method.

Full House and its principal stockholder entered into an agreement to jointly pursue development of a themed casino resort in Biloxi, Mississippi and formed a limited liability company for such purpose, which was 50% owned by each member. In June 2001, this arrangement was terminated by mutual agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS - Cash in excess of daily requirements is invested in highly liquid short-term investments with maturities of three months or less when purchased. Such investments are stated at cost, which approximates market, and are deemed to be cash equivalents for purposes of the consolidated statements of cash flows.

CONCENTRATIONS OF CREDIT RISK - Full House s financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents and long-term receivables. A portion of Full House s cash equivalents are in high quality securities placed with major banks and financial institutions. Management does not believe that there is significant risk of loss associated with such investments. The receivable is related to the Michigan development and represents advances made to the Tribe to fund its operations. This amount is repayable from the operations of the gaming facility and although there can be no assurance that a facility will be opened, management does not believe that there is significant risk of loss associated with such investment.

INVESTMENT IN JOINT VENTURE - Investment in joint venture is accounted for using the equity method of accounting. Under the equity method, original investments are recorded at cost and adjusted by Full House s share of earnings, losses, and distributions of the joint ventures.

FIXTURES AND EQUIPMENT - Fixtures and equipment are stated at cost and consist primarily of office furniture and fixtures and computer equipment. Depreciation is computed by the straight-line method over periods of 3 to 7 years. Accumulated depreciation was $135,477 and $124,475 at December 31, 2003 and 2002, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS - Full House reviews the carrying values of its long-lived and identifiable intangible assets for possible impairment, at least annually, or whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable.

FAIR VALUE OF FINANCIAL INSTRUMENTS - The carrying value of Full House s cash and cash equivalents, receivables and accounts payable, approximates fair value because of the short maturity of

those instruments. Full House estimates the fair value of its long-term debt based on the current rates offered to Full House for loans of the same remaining maturities. The estimated fair values of Full House s long-term debt approximate their recorded values at December 31, 2003.

INCOME TAXES - Full House accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been reflected in the financial statements or tax returns. Deferred income taxes reflect the net effect of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating loss and tax credit carryforwards.

EARNINGS PER COMMON SHARE - Basic earnings per share (EPS) is computed based upon the weighted average number of common shares outstanding during the year. Diluted EPS is computed based upon the weighted average number of common and common equivalent shares plus the weighted average number of options outstanding if their effect upon exercise would have been dilutive using the treasury stock method. All currently outstanding options have exercise prices in excess of the current market price.

AWARDS OF STOCK-BASED COMPENSATION - Full House has adopted SFAS No. 123, *Accounting for Awards of Stock-Based Compensation* which establishes financial accounting and reporting standards for stock-based employee compensation plans and for transactions where equity securities are issued for goods and services. This statement defines a fair value based method of accounting for an employee stock option or similar equity instrument and encourages all entities to adopt that method of accounting for all of their employee stock compensation plans. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by APB Opinion No. 25, *Accounting for Stock Issued to Employees.* Full House continues to apply APB Opinion No. 25 to its stock based compensation awards to employees and discloses the required pro forma effect on net income and net income per common share.

The Company has three stock-based employee compensation plans, which are more fully described in Note 13. The Company accounts for these plans under the recognition and measurement principles of APB No. 25 and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans has an exercise price equal to the market value of the underlying common stock on the date of the grant.

Since all options that are outstanding as of December 31, 2003 have vested, applying the fair value recognition provisions of SFAS No. 123 results in pro forma net income (loss) that is the same as historical net income (loss) during the years ended 2003 and 2002.

SEGMENT REPORTING - Full House has three business segments consisting of operations, development and a corporate overhead department. Full House evaluates performance primarily based upon operating income of the segment. The accounting policies of the segments are the same as those described in this summary of significant accounting policies.

RECENTLY ISSUED ACCOUNTING STANDARDS - In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS 141 prohibits the pooling of interests method of accounting for business combinations initiated after June 30, 2001. SFAS 142, which became effective for Full House in January 2002, requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions for the reclassification of certain existing intangibles as goodwill, reassessment of the useful lives of existing intangibles, and ongoing assessments of potential impairment of existing goodwill.

As of December 31, 2001, our goodwill, net of accumulated amortization, had been reduced to zero. Other existing intangibles consist of net Gaming and Contract Rights of $5,024,389.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The adoption of SFAS No. 146 did no have a material effect on the Company s financial statements.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123. This Statement amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in these consolidated financial statements. The adoption of SFAS No. 148 did not have a material effect on the Company s 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. Significant estimates used by Full House include estimated useful lives for depreciable and amortizable assets, valuation of current and long-term receivables, potential impairment of non-operating land and gaming and contract rights, and certain accrued liabilities. Actual results could differ from those estimates.

3. JOINT VENTURE INVESTMENT IN LAND HELD FOR DEVELOPMENT

On September 9, 2003 a joint venture including the Company and RAM Entertainment, LLC, our joint venture partner, purchased approximately 80 acres of land located at the intersection of I-94 and 11 Mile Road in Emmett Township, just outside Battle Creek, Michigan. The purchase price of $3,858,830 was funded equally by the two parties. The land is intended to be used as the site for a casino project for the Nottawaseppi Band of Huron Potawatomi Indians.

4. RECEIVABLES

Full House has advanced funds to the Michigan and California Tribes to fund tribal operations and for development expenses related to these projects. The repayment of these amounts is dependent upon the development of the projects, and ultimately, the successful operation of the facilities. As of December 31, 2003 the net receivable represented $1,472,291 due from the Michigan Tribe and $25,000 due from the California Tribe. While there can be no assurance, we believe that we can recover the amounts carried on our balance sheet based upon the Tribe s expressed intentions as well as our contractual rights.

The current receivables include $125,000 due from the Allen E. Paulson Living Trust which represents their 50% share of a litigation settlement in Mississippi concerning our Hard Rock development

5. INVESTMENT IN JOINT VENTURE

Full House entered into a series of agreements with GTECH in 1995 to jointly pursue gaming opportunities. Pursuant to the agreements, the following limited liability companies, each owned 50% by Dreamport, Inc. (Dreamport), a subsidiary of GTECH, and 50% by Full House were formed: Gaming Entertainment, LLC (Oregon), Gaming Entertainment (Delaware), LLC (Delaware), Gaming Entertainment (Michigan), LLC (Michigan), and Gaming Entertainment (California), LLC (California).

Full House contributed to the capital of the joint ventures its rights to agreements with the Oregon Tribe to finance and develop a gaming and entertainment facility in North Bend, Oregon and the rights to develop the California Tribe, Michigan Tribe and Delaware State Fair gaming projects. In payment for its interest in the joint ventures, GTECH contributed cash and other intangible assets and committed to loan the joint ventures up to $16.4 million to complete the North Bend, Oregon and Delaware facilities

On March 30, 2001, we acquired GTECH s 50% interest in three of these joint venture projects that had been equally owned by the two companies: Gaming Entertainment LLC, Gaming Entertainment (Michigan), LLC, and Gaming Entertainment (California), LLC. (Note 6)

This transaction did not include our other joint venture with GTECH, Gaming Entertainment (Delaware), LLC, owner of a management agreement, continuing through 2011, to manage Midway Slots & Simulcast in Harrington, Delaware. This joint venture continues to be equally owned by us and GTECH.

As a result of acquiring full ownership of three previous joint ventures, the classification of both revenue and expenses related to these projects has changed. The revenues related to the Delaware contract continue to be reported as joint venture revenue, but as of March 31, 2001, the revenues related to the Oregon contract are reported as management fees. The expenses related to the California and Michigan projects, which had been reported as joint venture pre-opening costs, are reported as development costs, as of March 31, 2001.

The Investment in Joint Venture on the balance sheet now reflects only our ownership interest in the Delaware LLC. The Delaware LLC earnings are reported on the accrual basis, while distributions are based on cash available. The following is a summary of condensed financial information for the joint venture as of December 31, 2003 and 2002 and for the years then ended:

CONDENSED BALANCE SHEET INFORMATION

		2003		**2002**
Total Assets	$	662,598	$	760,455
Total Liabilities		319,792		704,702
Members capital		342,806		55,753

CONDENSED STATEMENT OF OPERATIONS INFORMATION

		2003		**2002**
Revenues	$	19,311,001	$	19,671,970

Income from operations	6,667,702	6,576,244
Net Income	6,667,702	6,576,244
Company s equity in net income	3,338,851	3,288,122

The joint venture is treated as a partnership for tax purposes and consequently, no tax provision is recognized at the venture level.

6. JOINT VENTURE ACQUISITION

On March 30, 2001, we acquired GTECH s 50% interest in three joint venture projects that had been equally owned by the two companies: Gaming Entertainment, LLC, owner of an agreement continuing

through August 2002, with the Coquille Indian Tribe (Oregon Tribe), which conducts gaming at The Mill Casino in Oregon; Gaming Entertainment (Michigan), LLC, owner of a Management Agreement with the Nottawaseppi Huron Band of Potawatomi (Michigan Tribe) to develop and manage a gaming facility near Battle Creek; and Gaming Entertainment (California), LLC owner of a Management Agreement with the Torres-Martinez Band of Desert Cahuilla Indians (California Tribe) to develop and manage a gaming facility near Palm Springs.

The purchase price was $1,800,000, and was funded through our existing credit facility. As part of this transaction, GTECH extended the due date of our $3,000,000 promissory note from January 25, 2001 until January 25, 2002, with interest at prime. The note was paid in February 2002. Also as part of this transaction, GTECH is no longer required to provide the necessary financing for the two development projects (Michigan and California) that we acquired.

In addition to the gaming and contract rights, we acquired the other 50% interest in a note receivable from the Michigan Tribe in the amount of $396,146. The excess purchase price over the fair value of assets acquired was allocated to the gaming and contract rights acquired based on the discounted present value of expected future cash flows. The excess purchase price of $1,403,854 was allocated as follows:

		Value	Amortization Term
Michigan contract	$	1,141,682	8.0 years
California contract		182,776	8.0 years
Oregon Contract		79,396	1.4 years
	$	1,403,854	

The value of the Oregon contract was amortized over the remaining term. The Michigan and California contracts are being amortized over an eight year period which reflects a seven year contract term and an initial expectation of development being one year in the future.

GAMING ENTERTAINMENT, LLC

Oregon leased approximately 12.5 acres of tribal trust lands from an entity owned by the Oregon Tribe on which the gaming facility is located and subleased a portion of the land back to the same entity. The master lease expires in 2019 and the sublease expired in August 2002 with options to renew. The sublease was not renewed, and this served to automatically terminate the master lease.

GAMING ENTERTAINMENT (MICHIGAN), LLC

In late 1996, we renegotiated the management contract with the Michigan Tribe and with the 15% owner of the interests in the agreements. Under the new contract, the joint venture will finance, develop and manage gaming operations on reservation lands to be acquired near Battle Creek, Michigan. The 15% owner will be paid a royalty fee in lieu of its original 15% ownership in earlier contracts.

The Tribe achieved final federal recognition as a tribe in April 1996. The Tribe 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 1998, along with compacts for three other tribes. A lawsuit was filed in 1999 by Taxpayers of Michigan Against Casinos in Ingham County Circuit Court. The lawsuit challenged the constitutionality of the approval process of these gaming compacts. On January 18, 2000, Judge Peter D. Houk ruled 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. We joined in the appeal filing as an intervening defendant. On November 12, 2002, the Michigan Court of Appeals unanimously overturned the lower court decision; ruling that the compacts were valid. The

plaintiff filed an appeal with the Michigan Supreme Court on December 3, 2002. The parties filed their initial briefs and oral arguments were held on March 11, 2004.

In December 1999, the management agreements, along with the required licensing applications were submitted to the National Indian Gaming Commission, which we refer to as the NIGC. We met with the NIGC several times to review suggested revisions to the management agreements and, working with the Tribe, have incorporated all the appropriate changes.

The parties selected a parcel of land for the gaming enterprise, which is under option, and completed a Fee-to-Trust application that was submitted to the Bureau of Indian Affairs in Washington, D.C. in February 2002. On August 9, 2002, the United States Department of Interior issued its notice to take the land into trust for the benefit of the Tribe. On August 30, 2002 Citizens Exposing Truth About Casinos filed a complaint in Federal District Court for the District of Columbia, seeking to prevent this land from being taken into trust. The parties filed their initial briefs and oral arguments were held August 28, 2003. We are now awaiting the court s ruling.

GAMING ENTERTAINMENT (CALIFORNIA), LLC

Pursuant to an agreement with the California Tribe, we have certain rights to develop, manage and operate gaming activities for them.

During 1996, the Tribe reached a settlement in its litigation with the Department of Justice and two water districts, pursuant to which the Tribe will be paid $14.0 million in compensation, and will have the right to select up to 11,200 acres of new reservation land to be taken into trust in replacement for the same quantity of land which was flooded by the rising level of the Salton Sea. That settlement, which required legislative enactment, was approved by the U. S. House of Representatives and the Senate in December 2000. Under the settlement, the Tribe may acquire land in a specifically defined area (generally in the Palm Springs, California area) for purposes of conducting a gaming enterprise.

In August 2001, we received a notice from the California Tribe purporting to sever our relationship. We are in the process of discussing an appropriate resolution of this matter that includes reimbursement for costs that we incurred on their behalf. The Notes Receivable on the balance sheet includes a $25,000 advance due from the California Tribe and Gaming and Contract Rights include approximately $120,000 attributable to this contract. Additional amounts expended on the Tribe s behalf were expensed as incurred as development costs, and aggregate approximately $1 million, including interest. We believe that the balance sheet amounts are recoverable based upon the expressed intentions of the Tribe, as well as the contractual rights that we continue to hold.

7. GAMING AND CONTRACT RIGHTS

As a result of the GTECH acquisition, the three joint ventures that had previously been accounted for using the equity method are now wholly-owned consolidated entities. A substantial portion of our investment in these joint ventures was comprised of previously contributed Michigan gaming rights of $4,155,213 that we acquired in 1995 and which represent the Company s acquisition of a 50% ownership of the right to manage the planned facility through the management agreement held by the joint ventures. Amortization of the contributed Michigan gaming rights asset will commence when the associated facility is developed and becomes operational and will be on a straight-line basis over seven years, or the term of the related management contract. Now that these are wholly-owned consolidated entities, these previously contributed

rights are reflected in Gaming and Contract Rights, along with the contract rights acquired in the GTECH acquisition of $1,403,854. The contract rights acquired in the GTECH acquisition represent the Company s acquisition of 100% ownership and management s ability to control the operations of these three entities. Therefore, amortization of the acquired contract rights commenced as of April 1, 2001. Gaming and contract rights, net, as of December 31, 2003 is comprised of the following:

Contributed Michigan gaming rights	$	4,155,213
Acquired contract rights		1,403,854
Less accumulated amortization		(534,678)
Gaming and Contract Rights, net	$	5,024,389

Amortization expense related to the acquired contract rights was $165,557 and $200,292 for the 2003 and 2002, respectively. The annual amortization expense wil1 be $165,557 through 2008, with the then remaining balance of $41,391 expensed in 2009. The decrease from 2002 is attributable to the termination of the Oregon contract in August 2002 according to its terms. As of December 31, 2003, the weighted average amortization period for acquired contract rights is 5.25 years.

The Michigan and California ventures are in the development stage. Successful development and, ultimately, sustaining profitable operations is dependent on future events, including appropriate regulatory approvals and adequate market demand. These two ventures have not generated any revenues, and the costs incurred to date relate to pre-opening expenses such as payroll, legal and consulting.

8. LONG-TERM DEBT

		2003		2002
Long-term debt consists of the following:				
Note payable to RAM Entertainment, LLC; interest at the prime rate (4.00% at December 31, 2003) due monthly	$	2,381,260	$	2,381,260
Total		2,381,260		2,381,260
Less current portion		2,381,260		2,381,260
Long-term portion	$		$	

The scheduled maturities of debt are as follows:

2004	$	2,381,260
2005		
Total	$	2,381,260

On February 15, 2002, we entered into an agreement with RAM Entertainment, LLC (RAM), a privately held investment company, whereby RAM will acquire a 50% interest in the California and Michigan projects and provide the necessary funding for their development. RAM advanced $2,381,260 to us in the form of a loan, to be forgiven upon receipt by the Huron Potawatomi Tribe of federal approvals for its proposed casino near Battle Creek, Michigan. The loan bears interest adjustable daily at prime and requires interest payments monthly. The principal was due at maturity on February 15, 2003 unless earlier forgiven pursuant to its terms. On February 15, 2003, we entered into an agreement with RAM Entertainment, LLC to extend the due date until February 15, 2004 for the receipt, or waiver, of regulatory approvals, or the repayment of the $2,381,260 note. The loan continues to bear interest adjustable daily at prime and requires interest payments monthly, with the principal now due at the extended maturity date of November 15, 2004 unless earlier forgiven pursuant to its terms, or extended by mutual

agreement of the parties.

9. STOCKHOLDERS EQUITY

Options to purchase 150,000 shares of common stock at $3.69 per share (market value on date of grant) were issued in 1994 to a consultant. These options were repriced in June 1998 at $2.25 per share (market value on the repricing date). The fair value of $43,410 for the options was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: expected volatility of 97 percent, risk-free interest rate of 5.0 percent, and expected life of 2.0 years. As the options were granted to

a nonemployee in return for services, consulting expense of $43,410 was recognized in 1998, along with an equivalent increase in paid in capital. All of these options were exercisable at December 31, 2003.

On December 20, 1996, a consultant, who is also a principal stockholder, was granted an option to purchase 250,000 common shares at $3.69 in return for consulting services to be provided over an approximate three-year period. The options vested immediately. The fair value of $302,826 for the options was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: expected volatility of 80 percent, risk-free interest rate of 6.0 percent, and expected life of 2.0 years. As the options were granted to a non-employee in return for services, consulting expense was recognized ratably over the three-year service period commencing in 1997.

Full House s preferred stock has a $.30 per share cumulative dividend rate, and has a liquidation preference equal to $3.00 per share plus all unpaid dividends. If Full House is in default in declaring or setting apart for payment of dividends on the preferred stock, it is restricted from paying any dividend, making any other distribution, or redeeming any stock ranking junior to the preferred stock. The stockholders right to the $.30 per share cumulative dividends on the preferred stock commenced as of June 30, 1992 and totaled $2,415,000 and $2,205,000 at December 31, 2003 and 2002, respectively. Through December 31, 2003, no dividends have been declared or paid.

10. INCOME TAX PROVISION

The income tax benefit (provision) recognized in the consolidated financial statements consists of the following:

			2003		2002
Current:	Federal	$		$	
	State		(264,000)		(210,000)
Total current			(264,000)		(210,000)
Deferred:	Federal		(80,417)		(638,964)
	State		(5,731)		(24,567)
Total deferred			(86,148)		(663,531)
Total (Provision)	Benefit	$	(350,148)	$	(873,531)

A reconciliation of the income tax provision with amounts determined by applying the statutory U.S. Federal income tax rate of 34% to consolidated income before income taxes is as follows:

		2003		2002
Tax (provision) benefit at U.S. statutory rate	$	(184,737)	$	(621,958)
State taxes		(178,022)		(153,981)
Amortization				(68,099)

Other		12,611		(29,493)
Total	$	(350,148)	$	(873,531)

Full House s deferred tax items as of December 31, are as follows:

		2003		2002
Deferred tax assets:				
Net operating loss carryforward	$	578,676	$	157,883
Tax credit carryforwards		51,706		51,706
Intangibles		1,440,312		1,038,854
Accrued expenses		6,865		10,668
Stock option plans				121,182
Asset impairment				787,385
Other		3,036		(935)
Total deferred tax assets		2,080,595		2,166,743
Deferred tax liabilities:				
Difference between book and tax basis of gaming rights		(1,454,325)		(1,454,325)
Total deferred tax liabilities		(1,454,325)		(1,454,325)
Net	$	626,270	$	712,418

At December 31, 2003, Full House had net operating loss carryforwards for federal income tax purposes of approximately $1,702,000, which may be carried forward to offset future taxable income. The loss carryforwards will begin to expire in 2018. The availability of the loss carryforwards may be limited in the event of a significant change in ownership of Full House or our subsidiaries.

11. SUPPLEMENTAL STATEMENT OF CASH FLOWS INFORMATION

Cash payments for interest for the years ended December 31, 2003 and 2002 were $98,415 and $144,973, respectively.

Income taxes paid for the years ended December 31, 2003 and 2002 were $272,639 and $173,010, respectively.

12. COMMITMENTS AND CONTINGENCIES

Full House leases office space under a noncancellable lease expiring on March 31, 2007. Future minimum lease obligations are $37,320 in 2004, and increase 4% each January 1, thereafter.

Rent expense pertaining to operating leases was $45,579 and $56,575 for the years ended December 31, 2003 and 2002, respectively.

In October 1994, we filed an action for declaratory relief in Mississippi, seeking a determination by the court that no relationship exists between us and Lone Star Casino Corporation regarding the potential acquisition of a riverboat casino on the Mississippi gulf coast (Full House Resorts, Inc. v. Lone Star Casino Corporation v. Allen E. Paulson, Second Judicial District of the Chancery Court of Harrison County, Mississippi). Lone Star filed a counterclaim alleging breaches of fiduciary duty, breach of contract, conspiracy to breach contract and to breach fiduciary duty and common law fraud. The trial court granted summary judgment in favor of all defendants on that counterclaim, and Lone Star appealed that judgment to the Mississippi appellate court. In April 1998, the Appeals Court affirmed the dismissal of all counts against all parties, excepting Lone Star s claim against us for breach of contract, which it remanded to the trial court for additional hearing. In January 2000, LS Capital, successor entity to Lone Star Casino Corporation, announced that it had retained counsel to pursue the two remaining claims it had alleged against us, which were not already dismissed by the Mississippi appellate courts. In April 2000, the trial judge dismissed both those counts for Lone Star s failure to prosecute its claims for nearly twenty months after their remand from the Court of Appeals. Lone Star appealed that ruling and the Mississippi State Court of Appeals reversed the dismissal, and in late 2001 again remanded the claims against the Company for breach of contract, back to the trial court for further proceedings.

Lone Star has not taken any further action, and in February 2004, following an additional twenty eight months of inactivity, we prepared another motion to dismiss this action which was filed with the court on March 19, 2004.

Management is unable to determine the outcome of this litigation, but does not believe the outcome will have a material adverse effect on Full House s consolidated financial condition.

13. STOCK-BASED COMPENSATION PLANS

At December 31, 2003, Full House had three stock-based compensation plans that are described below. The ability to issue option grants under these plans expired on June 30, 2002. Full House applies APB Opinion No. 25 and related interpretations in accounting for these plans. Because options have been granted with exercise prices equal to market value on the grant date, no compensation cost has been recognized for options granted under the non-employee Director Stock Plan, Incentive Stock Plan (except as disclosed below related to options granted under the Incentive Stock Plan to a consultant/principal shareholder) and an informal director stock plan. Since all options that are outstanding as of December 31, 2003 have vested, applying the fair value recognition provisions of SFAS No. 123 results in pro forma net income (loss) that is the same as historical reported net income (loss) during the years ended 2003 and 2002.

Full House had reserved 300,000 shares of its common stock for issuance under the non-employee Director Stock Plan. The ability to issue options under this Plan expired on June 30, 2002. No options were issued under this Plan in 2003 or 2002, and as of December 31, 2003, there were no outstanding options under this Plan.

Full House has reserved 3,000,000 shares of its common stock for issuance under the 1992 Incentive Plan as amended in June 1999. The ability to issue options under this Plan expired on June 30, 2002. The Plan allowed for the issuance of options and other forms of incentive awards, including qualified and non-qualified incentive stock options. Incentive stock options may be granted at prices not less than fair market value on the date of grant, while non-qualified incentive stock options may be granted at a price less than fair market value on the date of grant. The persons eligible for such plan included employees and officers of Full House (whether or not such officers are also directors of Full House) and consultants and advisors to Full House, who are largely responsible for the management, growth and protection of the business of Full House. Options issued under the Incentive Plan are generally exercisable over a term of ten years. There were no options issued under this plan during either 2003 or 2002.

On March 3, 1997 (the Grant Date), the Board of Directors approved a grant of an option (Option) to each of Full House s three directors, to purchase 250,000 shares of common stock at an exercise price per share equal to the fair market value. The Options were granted in consideration of the fact that services to Full House by such directors have exceeded and are expected to continue to exceed the duties of a typical corporate director. The Options became exercisable in 50,000 share increments commencing April 9, 1997 and on each anniversary thereafter. In addition, the Options for two of the directors provide that a 50,000 share increment became exercisable on the Grant Date. In March 1998, 250,000 of these shares were forfeited, and in 2002, another 250,000 of these options were forfeited. As of December 31, 2003, 250,000 of these options are outstanding at an exercise price of $2.25 per share.

The total options outstanding under the 1992 Incentive Plan, including the consulting options at December 31, 2003 and 2002 were 400,000 and 586,000, respectively. The total options outstanding under the Director Stock Plan at December 31, 2003 and 2002 was 325,000.

A summary of the status of Full House s stock option plans, including consultant options, as of December 31, 2003 and 2002, and changes during the years then ended is presented below:

	2003 WEIGHTED-AVERAGE EXERCISE			2002 WEIGHTED- AVERAGE EXERCISE		
	SHARES		PRICE	SHARES		PRICE
Outstanding at beginning of year	911,000	$	2.65	1,211,000	$	2.54
Granted						
Exercised						
Forfeited	186,000		2.25	300,000		2.22
Outstanding at end of year	725,000		2.75	911,000		2.65
Exercisable at year-end	725,000		2.75	911,000		2.65
Weighted-average fair value of options granted during the year		$			$	

As of December 31, 2003, the 725,000 options outstanding and exercisable have exercise prices ranging between $2.25 and $3.69, and a weighted average remaining contractual life of 2.6 years.

14. SEGMENT REPORTING

Since the GTECH acquisition transaction, we now view our business in three primary business segments. The Operations segment includes the performance of the Delaware project. The Development segment includes costs associated with our activities in Michigan, California, and Mississippi. The Corporate segment reflects the management and administrative expenses of the business.

SUMMARY INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2003

	Operations	Development	Corporate	Consolidated
Revenues	$ 3,338,851	$	$	$ 3,338,851
Development costs		692,399		692,399
Income (loss) from operations	3,338,851	(857,957)	(1,868,656)	612,238
Interest expense	(99,173)			(99,173)
Other income		27,793	2,487	30,280
Tax (provision) benefit	(1,374,363)	376,794	647,421	(350,148)
Net income (loss)	1,865,315	(453,370)	(1,218,748)	193,197
Approximate Identifiable assets	171,000	9,076,000	2,199,000	11,446,000

2002

	Operations	Development	Corporate	Consolidated
Revenues	$ 4,817,681	$	$	$ 4,817,681
Development costs		954,063		954,063
Income (loss) from operations	4,782,947	(1,244,622)	(1,667,316)	1,871,009
Interest expense	(117,068)	(28,999)		(146,067)
Other income		100,000	4,346	104,346
Tax (provision) benefit	(1,795,672)	400,881	521,260	(873,531)
Net income (loss)	2,870,207	(772,740)	(1,141,710)	955,757
Approximate Identifiable assets	40,000	9,632,000	1,475,000	11,147,000

15. SUBSEQUENT EVENT

On February 12, 2004, we received notice from RAM Entertainment, LLC that they desired to extend the maturity date of the $2,381,260 loan to November 15, 2004 unless they are required to convert the loan into

a 50% equity ownership position in Gaming Entertainment (Michigan), LLC, the subsidiary which is party to the Development and Management Agreement with the Michigan Tribe. Pursuant to the agreement with RAM, the loan is convertible into equity on the occurrence of two events, (a) federal approval of the land into trust application and (b) federal approval of the Management Agreement with the Tribe. Neither event has occurred as of December 31, 2003, but RAM may waive either or both conditions and convert the loan into equity.

EXHIBIT INDEX

EXHIBIT		DESCRIPTION
14		Code of Ethics for CEO and Senior Financial Officers
21		List of Subsidiaries of Full House Resorts, Inc.
23.1		Consent of Deloitte & Touche LLP
31.1		Certification of principal executive officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2		Certification of principal financial officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1		Certification of principal executive and financial officers pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002