

VONAGE HOLDINGS CORP
Form 8-K
April 10, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): April 9, 2008

VONAGE HOLDINGS CORP.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction

of Incorporation)

001-32887
(Commission File Number)

11-3547680
(IRS Employer

Identification No.)

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23 Main Street, Holmdel, NJ
(Address of Principal Executive Offices)

07733
(Zip Code)

Registrant's telephone number, including area code: (732) 528-2600

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On April 9, 2008, Vonage Holdings Corp. (the Company) entered into a Confidential Separation Agreement and General Release (the Separation Agreement) with Sharon A. O Leary, its former Executive Vice President, Chief Legal Officer and Secretary who stepped down from her position effective March 31, 2008.

Pursuant to the terms of the Separation Agreement, the Company agreed, in consideration for a general release and certain other obligations, to make the following payments to Ms. O Leary consistent with the terms of her employment agreement: (a) \$169,360, which constitutes Ms. O Leary s bonus for 2007 and was paid in a lump sum payment; (b) \$42,340, which constitutes Ms. O Leary s pro-rata bonus for 2008 and will be paid in a lump sum payment not later than April 30, 2008; (c) \$290,000, which represents Ms. O Leary s annual base salary upon separation and which will be paid in substantially equal regular payroll installments, over a six-month period; and (d) at Ms. O Leary s request until December 31, 2008, an amount not exceeding \$50,000 for outplacement services.

SIGNATURE

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

VONAGE HOLDINGS CORP.

Date: April 10, 2008

By: /s/ John S. Rego
John S. Rego
Executive Vice President, Chief Financial Officer and Treasurer

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"PADDING-BOTTOM: 2px"> - (17,000)

Net cash used in investing activities				- - (17,000)
Cash flows from financing activities:				
Proceeds from subscription receivable				- - 14,000
Proceeds from issuance of common stock				- 287,500 426,000
Redemption of common stock				(91,667) - (91,667)
Proceeds from note payable related party				10,000 - 10,000
Payment of short-term debt				- - (2,375)
Net cash provided by (used in) financing activities				(81,667) 287,500 355,958
Net increase (decrease) in cash				(142,244) 144,791 2,873
Cash, beginning of the period				145,117 37,003 -
Cash, end of the period				\$2,873 \$181,794 \$2,873
Non-cash investing and financing activities:				
Acquisition of certain assets and liabilities of Select Video in exchange for common stock				
Inventory				\$- \$- \$750
Intangible Asset				- - 24,357
Accounts Payable				- - (32,000)
Note Payable				

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Stock issued in lieu of cash for note payable	- - (7,084)
Stock issued in lieu of cash for prepaid services	- - 19,709
Stock subscriptions received for common stock	- 37,500 175,400
	- - 14,000

The accompanying notes are an integral part of these financial statements.

Poker Magic, Inc.
 (A Development Stage Company)
 Notes to Financial Statements
 September 30, 2009

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of operations and basis of presentation

Poker Magic, Inc. (the “Company”) is a development stage company that was incorporated in the State of Minnesota on January 10, 2006. Our business consists primarily of marketing and licensing a new form of poker-based table game to casinos and on-line gaming facilities in the United States.

Interim financial information

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial information. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to such rules and regulations. Operating results for the three and nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009 or any other period. The accompanying financial statements and related notes should be read in conjunction with the audited Financial Statements of the Company, and notes thereto, contained in this filing for the year ended December 31, 2008. The financial information furnished in this report is unaudited and reflects all adjustments which are normal recurring adjustments and, which in the opinion of management, are necessary to fairly present the results of the interim periods presented in order to make the financial statements not misleading.

Liquidity

The accompanying financial statements have been prepared assuming the Company will continue as a going concern that contemplates the realization of assets and satisfaction of liabilities in the normal course of business. For the period from January 10, 2006 (inception) to September 30, 2009, the Company incurred a net loss of \$651,412. The Company's ability to continue as a going concern is dependent on it ultimately achieving profitability, producing additional revenues and/or raising additional capital. Management intends to obtain additional debt or equity capital to meet all of its existing cash obligations and to support the revenue generating process; however, there can be no assurance that the sources will be available or available on terms favorable to the Company.

Intangible assets

On March 10, 2006, the Company purchased certain assets and assumed certain liabilities of Select Video, Inc. (Select Video). Three patents were acquired as a part of the March 10, 2006 purchase. The patents are stated at cost and are amortized on a straight-line basis over 60 months. Amortization expense was \$6,204 for both of the nine months ended September 30, 2009 and 2008 and \$28,950 for the period from January 10, 2006 (inception) to September 30, 2009. Estimated amortization expense for the next three years of patents issued as of September 30, 2009 is as follows:

Remainder of 2009	\$	2,068
2010		8,271
2011		2,068

Total

\$ 12,407

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Impairment of long-lived assets

Management reviews the Company's long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment indicators are present and the estimated future undiscounted cash flows are less than the carrying value of the assets, the asset's value will be adjusted appropriately. No impairment indicators were present as of September 30, 2009 or December 31, 2008.

Recent accounting pronouncement

On September 15, 2009, we adopted new accounting guidance on codification referencing that encourages the use of plain English to describe broad accounting topic areas in an attempt to make financial statements more useful to users and more clearly explain accounting concepts.

No other new accounting pronouncement issued or effective during the fiscal year has had or is expected to have a material impact on the Consolidated Financial Statements.

NOTE 2—NET LOSS PER COMMON SHARE

Basic net loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of vested common shares outstanding during the period. A reconciliation of the numerator and denominator used in the calculation of basic and diluted net loss per common share follows:

	Three months ended	
	September 30, 2009	September 30, 2008
Numerator:		
Net loss attributable to common stockholders	\$ (29,002)	\$ (94,990)
Denominator:		
Weighted-average number of common shares outstanding	9,565,398	8,963,687
Basic and diluted net loss per common share	\$ (0.00)	\$ (0.01)

	Nine months ended		Period from
	September 30, 2009	September 30, 2008	January 10, 2006 (inception) to September 30, 2009
Numerator:			
Net loss attributable to common stockholders	\$ (125,992)	\$ (214,542)	\$ (651,412)
Denominator:			
Weighted-average number of common shares outstanding	9,201,014	8,295,940	7,773,135
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.03)	\$ (0.08)

The 1,000,000 outstanding warrants during the three and nine months ended September 30, 2009 and the period from January 10, 2006 (inception) to September 30, 2009 were excluded from the calculation of diluted loss per share as their effects were anti-dilutive due to the Company's net losses for the periods.

NOTE 3—COMMITMENTS AND CONTINGENCIES

The asset purchase agreement with Select Video dated March 10, 2006, provides that when the Company receives any revenue generated by Winner's Pot Poker and other similar games, Select Video will be entitled to receive an amount equal to five percent (5%) of all gross proceeds generated by these games.

As of September 30, 2009 and December 31, 2008, \$101 and \$166 were owed to Select Video under this agreement.

NOTE 4—SHAREHOLDERS' EQUITY

Common stock

On January 10, 2006, the founders of the Company purchased 2,500,000 shares of common stock for \$2,500.

On March 10, 2006, the Company purchased certain assets and assumed certain liabilities of Select Video in exchange for 3,022,991 shares of common stock issued at the deemed fair market value of \$.001 per share or \$3,023.

On May 23, 2006, the Company issued 60,000 shares of common stock at \$0.25 per share in lieu of cash for liabilities assumed.

During 2006, the Company raised additional cash of \$87,500 at \$0.25 per share through the issuance of 350,000 shares of common stock.

During 2006, the Company issued 22,000 shares to various consultants at \$0.25 per share for services rendered.

During 2006, the Company issued 100,000 shares valued at \$4,000 (value of the services to be provided) for services rendered and to be rendered.

On January 15, 2007, the Company issued 600,000 shares of common stock to two consultants for services to be provided over a 12 month period commencing on January 15, 2007. These services were valued at \$50,000.

On January 15, 2007, the Company issued 500,000 shares of common stock to the two founders for their services to be provided over a 12 month period commencing January 15, 2007. These services were valued at \$48,000.

On July 26, 2007, the Company settled the note payable of \$7,084 for a cash payment of \$2,375 and the issuance of 20,000 shares of common stock valued at \$4,709 for payment in full on the note.

In July 2007, the Company raised cash of \$20,000 at \$0.25 per share through the issuance of 80,000 shares of common stock.

On August 1, 2007, the Company issued 65,000 shares of common stock for services to be provided over a 12 month period commencing retroactively on June 1, 2007. These services were valued at \$5,000.

On August 1, 2007, the Company issued 100,000 shares of common stock to a consultant for services to be provided over a 12 month period commencing on August 1, 2007. These services were valued at \$8,300.

On August 1, 2007, the Company issued 25,000 shares of common stock for services. These services were valued at \$1,000.

On November 26, 2007, the Company issued 50,000 shares of common stock to a consultant for services to be provided over a 12 month period commencing on November 26, 2007. These services were valued at \$12,500.

In December 2007, the Company raised cash of \$30,000 at \$0.25 per share through the issuance of 120,000 shares of common stock.

In January 2008, the Company raised cash of \$25,000 at \$0.25 per share through the issuance of 100,000 shares of common stock.

On May 28, 2008, the Company raised cash of \$250,000 at \$0.25 per share through the issuance of 1,000,000 shares of common stock together with a warrant, classified as permanent equity, to purchase up to 1,000,000 shares of common stock, which was immediately exercisable. The warrants do not possess any embedded derivative features. The exercise price was \$0.25 per share if purchased within six months of issuance. The exercise price increased to \$0.425 for months seven through twelve (after the date of issuance) and to \$0.50 after twelve months. The warrant expires on May 27, 2010.

In May 2008, the Company raised cash of \$12,500 at \$0.25 per share through the issuance of 50,000 shares of common stock.

On August 26, 2008, the Company issued 200,000 shares of common stock to a consultant for services to be provided over a five month period commencing on August 1, 2008. These services were valued at \$20,000.

On August 26, 2008, the Company issued 60,000 shares of common stock for services to be provided over a five month period commencing retroactively on August 1, 2008. These services were valued at \$5,000.

On August 26, 2008, the Company issued 60,000 shares of common stock for services to be provided over a twelve month period commencing retroactively on August 1, 2008. These services were valued at \$5,000.

On August 26, 2008, the Company issued 10,000 shares of common stock for services. These services were valued at \$2,500.

On August 26, 2008, the Company issued 50,000 shares of common stock for services. These services were valued at \$5,000.

On December 16, 2008, the Company issued 40,400 shares of common stock for services. These services were valued at \$10,100.

On December 31, 2008, the Company issued 32,000 shares of common stock for officer compensation. These services were valued at \$8,000.

On February 25, 2009, the Company redeemed, at the request of a non-affiliate shareholder, 366,667 shares of common stock held by a single shareholder at a price of \$.25 per share, for a total amount of \$91,667, which was the price originally paid for the redeemed shares.

On June 30, 2009, the Company issued 400,000 shares of common stock for officer compensation with a fair value of \$12,000.

On June 30, 2009, the Company issued 200,000 shares of common stock for officer bonus compensation with a fair value of \$6,000.

On June 30, 2009, the Company issued 50,000 shares of common stock for consultant service bonus with a fair value of \$1,500.

On June 30, 2009, the Company issued 5,000 shares of common stock for services with a fair value of \$150.

On June 30, 2009, the Company issued 7,500 shares of common stock for services with a fair value of \$225.

On September 30, 2009, the Company issued 200,000 shares of common stock for officer compensation with a fair value of \$12,000.

At September 30, 2009, a total of 9,763,224 shares of common stock were issued and outstanding. 1,000,000 warrants to purchase additional common stock at \$0.50 per share are also outstanding as of September 30, 2009.

NOTE 5—INCOME TAXES

The Company applies the guidance for accounting for uncertainty in income tax provisions. As such, the Company is required to recognize in the financial statements only those tax positions determined to be more likely than not of being sustained upon examination, based on the technical merits of the positions. Interest and penalties are expensed as incurred as operating expenses.

At September 30, 2009, the Company had federal and state net operating loss carryforward of approximately \$631,000 available to offset future taxable income. The Company's federal and state net operating loss carryforwards will begin to expire in 2026 if not used before such time to offset future taxable income or tax liabilities. Current and future changes in the stock ownership of the Company may place limitations on the use of these net operating loss carryforwards.

NOTE 6—NOTE PAYABLE

On July 30, 2009, Lantern Advisers, LLC, a Minnesota limited liability company owned equally by Douglas Polinsky and Joseph A. Geraci, II (each of whom is an officer and director of the Company), loaned the Company \$10,000 under terms and conditions set forth in a related unsecured term promissory note. The promissory note provides for simple interest to accrue on the unpaid principal balance of the promissory note at the rate of twelve percent (12.0%) per annum, and requires that accrued interest be paid on a monthly basis until July 29, 2010, at which time the entire unpaid principal balance of the promissory note will become due. The loan was made to provide working capital to the Company.

NOTE 7—SUBSEQUENT EVENT

On October 13, 2009, Lantern Advisers, LLC, a Minnesota limited liability company owned equally by Douglas Polinsky and Joseph A. Geraci, II (each of whom is an officer and director of the Company), loaned the Company \$10,000 under terms and conditions set forth in a related unsecured term promissory note. The promissory note provides for simple interest to accrue on the unpaid principal balance of the promissory note at the rate of 12% per annum, and requires that accrued interest be paid on a monthly basis until October 12, 2010, at which time the entire unpaid principal balance of the promissory note will become due. The loan was made to provide working capital to the Company.

The Company did not have any other subsequent events through November 13, 2009, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the three and nine months ended September 30, 2009.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations set forth below should be read in conjunction with our audited financial statements, and notes thereto, contained in our Form 10-K and Form 10-K/A filed with the SEC on March 27, 2009 and October 30, 2009, respectively, and related to our year ended December 31, 2008, and the period from January 10, 2006 (inception) to December 31, 2008.

Forward-Looking Statements

Some of the statements made in this section of our report are forward-looking statements. These forward-looking statements generally relate to and are based upon our current plans, expectations, assumptions and projections about future events. Our management currently believes that the various plans, expectations, and assumptions reflected in or suggested by these forward-looking statements are reasonable. Nevertheless, all forward-looking statements involve risks and uncertainties and our actual actions or future results may be materially different from the plans, objectives or expectations, or our assumptions and projections underlying our present plans, objectives and expectations, which are expressed in this report. Examples of specific factors that might cause our actual results to differ from our current expectations include but are not limited to:

- Our lack of a significant prior operating history to provide our management with a basis to better evaluate certain likelihoods
 - Our need for additional financing
- The significant risk that our game may not be accepted by casinos or gaming establishments or, ultimately, by gaming consumers and enthusiasts
- Our inability to obtain required registrations, licenses and approvals with or from appropriate state gaming authorities
 - Changes in legal and regulatory regimes applicable to our business or our games
 - Our inability to effectively protect our intellectual property, or
 - Our inability, for any reason, to retain our executive management personnel.

The foregoing list is not exhaustive. In light of the foregoing, prospective investors are cautioned that the forward-looking statements included in this filing may ultimately prove to be inaccurate—even materially inaccurate. Because of the significant uncertainties inherent in such forward-looking statements, the inclusion of such information should not be regarded as a representation or warranty by Poker Magic, Inc. or any other person that our objectives, plans, expectations or projections that are contained in this filing will be achieved in any specified time frame, if ever.

General Overview

Poker Magic Inc. is a Minnesota corporation formed in January 2006. In this report, we refer to Poker Magic, Inc. as "we," "us," "Poker Magic" or the "Company." We are a development-stage company focused on promoting and placing our Winner's Pot Poker game into casinos and entertainment facilities country-wide, including those located in Native American tribal lands. We believe that the long-term success of our operations will be determined by our ability to bring new and innovative products, game play and services to the market.

Our current gaming product is “Winner’s Pot Poker,” which is a table game form of five-card stud poker. In the Winner’s Pot Poker game, the dealer deals each player, and the dealer himself, two cards face down and three cards face up. Each player “antes” before the deal to be eligible to receive cards in the game. After each player has received his or her first three cards from the dealer, each player may either fold or place a first bet equal to the ante. The first bet may not be any more or less than the ante. After the next card is dealt, each of the remaining players has a choice between folding or placing a second bet that must be equal to twice the ante. The dealer may not fold. After the last card is dealt, the hands are compared and the winning hand (determined by using standard poker rankings) takes a predetermined percentage of the total bets and antes made in the course of the game. In addition, players are entitled to make certain optional “bonus bets.”

We had no revenues from January 10, 2006 (inception) through December 31, 2007, or from January 1, 2008 through August 27, 2008. We began generating revenues August 28, 2008 under the license agreement with Bally's Park Place, Inc.

For the three and nine months ended September 30, 2009 we generated \$2,025 and \$5,675 in revenues. For the three and nine months ended September 30, 2009, we incurred \$2,587 and \$10,829, respectively, in revenue-related costs and \$28,240 and \$120,830, respectively, in operating expenses. Our expenses related primarily to our efforts to market our Winner's Pot Poker game to casinos and gaming establishments, generate revenues and expand our revenue base, as well as other selling, general and administrative expenses. The most significant components of these other selling, general and administrative expenses were (i) compensation expense attributable to share issuances to third-party consultants and executive management for services rendered, and (ii) expenses for professional services such as legal and accounting services.

As of September 30, 2009, we had \$2,873 in cash on hand and current liabilities of \$25,473. As of the date of this filing, we had approximately \$3,850 in cash on hand, and our management presently believes this cash will be sufficient to continue operations through December 2009 due to additional capital raised through execution of short-term notes. Thereafter, we expect we will require additional capital. If our present expectations relating to our expenses prove inaccurate and we incur more expenses than anticipated, we will be required to seek additional financing prior to the end of December 2009.

Management believes that the most significant uncertainties facing the Company relate to our ability to increase our revenues, the accuracy of our expense forecast, our ability to acquire necessary licenses, registrations and approvals, and our ability to obtain financing when and as needed and on terms acceptable to us. These uncertainties are discussed in greater detail under the caption "Trends and Uncertainties."

Results of Operations for the Three Months Ended September 30, 2009 Compared to the Three Months Ended September 30, 2008

Item	Three Months Ended		% Change (Year Over Year)	% of 2009 Net Loss	% of 2008 Net Loss
	9/30/09	9/30/08			
Revenues	\$ 2,025	\$ 1,900	6.6%	(7.0)%	(2.0)%
Cost of Revenues	2,587	21,572	(88.0)%	8.9%	22.7%
Operating Expenses:					
General Operating Expenses	2,667	6,183	(56.9)%	9.2%	6.5%
Legal and Accounting Expenses	13,573	58,204	(76.7)%	46.8%	61.3%
Executive Management Compensation in Stock	12,000	12,000	-	41.4%	12.6%
Other Income (Expense)	(200)	1,069	(118.7)%	0.7%	(1.1)%
Net Loss	\$ 29,002	\$ 94,990	(69.5)%	N/A	N/A

As the table above demonstrates, during the three months ended September 30, 2009 and 2008, we had revenues of \$2,025 and \$1,900 respectively, and incurred \$2,587 and \$21,572, respectively, in revenue-related costs. During both periods, we were focused primarily on efforts to (i) ensure temporary regulatory approval and compliance of the Winner's Pot Poker game, and (ii) obtain the agreement of casinos and gaming establishments to provide gaming table space to the Winner's Pot Poker game. During 2008, we were also focused on completing the process of filing and amending our Registration Statement on Form 10 (originally filed with the SEC on January 29, 2008) in response to comments received from the SEC. Amendments to our Registration Statement were completed and filed with the SEC on March 11 and August 6, 2008. We currently have one contract with one client and have had that contract with that

one client since August 2008.

Our operating expenses decreased 63% in the three months ended September 30, 2009 compared to the three months ended September 30, 2008 primarily due to realized efficiency savings in our ongoing operations which has helped to reduce our legal, accounting and consulting expenses. We expect these expenses will remain stable throughout the remainder of 2009.

Our legal and accounting expenses decreased 76.7% for the three months ended September 30, 2009 compared to the three months ended September 30, 2008. This significant decrease was mainly due to one-time expenses related to amending our Registration Statement on Form 10 filed with the SEC. As we continue to seek gaming regulatory compliance and licenses, prepare and file periodic reports with the SEC under the Securities and Exchange Act of 1934, and generally seek to comply with the various legal, accounting and governance rules and regulations applicable to public reporting companies, we anticipate our professional fees expenses will remain high but less than the amounts reached during fiscal 2008.

Results of Operations for the Nine Months Ended September 30, 2009 Compared to the Nine Months Ended September 30, 2008

Item	Nine Months Ended		% Change (Year Over Year)	% of 2009 Net Loss	% of 2008 Net Loss
	9/30/09	9/30/08			
Revenues	\$ 5,675	\$ 1,900	199.0%	(4.5)%	(0.9)%
Cost of Revenues	10,829	21,572	(49.8)%	8.6%	10.1%
Operating Expenses:					
General Operating Expenses	9,395	50,014	(81.2)%	7.5%	23.3%
Legal and Accounting Expenses	69,435	102,318	(32.1)%	55.1%	47.7%
Executive Management Compensation	42,000	44,000	(4.5)%	33.3%	20.5%
Other Income (Expense)	(8)	1,462	(100.5)%	(0.0)%	(0.7)%
Net Loss	\$ 125,992	\$ 214,542	(41.3)%	N/A	N/A

As the table above demonstrates, during the nine months ended September 30, 2009 and 2008, we had revenues of \$5,675 and \$1,900 respectively, and incurred \$10,829 and \$21,572, respectively, in revenue-related costs. During both periods, we were focused primarily on efforts to (i) ensure temporary regulatory approval and compliance of the Winner's Pot Poker game, and (ii) obtain the agreement of casinos and gaming establishments to provide gaming table space to the Winner's Pot Poker game. During 2008, we were also focused on completing the process of filing and amending our Registration Statement on Form 10 (originally filed with the SEC on January 29, 2008) in response to comments received from the SEC. Amendments to our Registration Statement were completed and filed with the SEC on March 11 and August 6, 2008. We currently have one contract with one client.

Our operating expenses decreased 38.5% in the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008 because we realized efficiency savings in our ongoing operations and reduced our consulting expense significantly. We expect these expenses will remain stable throughout the remainder of 2009.

Our legal and accounting expenses decreased 32.1% for the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008. This significant decrease was due to one-time expenses related to working with broker-dealers to complete an application with FINRA and obtain our trading symbol, and our initial Sarbanes-Oxley compliance efforts. As we continue to seek gaming regulatory compliance and licenses, prepare and file periodic reports with the SEC under the Securities and Exchange Act of 1934, and generally seek to comply with the various legal, accounting and governance rules and regulations applicable to public reporting companies, we anticipate our professional fees expenses will remain high but less than the amounts reached during fiscal 2008.

We presently expect that compensation expense arising from share issuances to our executive management will remain consistent with our fiscal 2008. We issued shares to executive management for services rendered in lieu of cash payment. We expect that we will continue to issue shares to executive management and consultants to compensate them for services rendered, primarily as a means to conserve our cash resources. In this regard, we do not

anticipate hiring employees in the near future and expect instead, where necessary or appropriate, to rely on services provided by consultants through at least fiscal 2009.

Finally, we anticipate that the portion of our selling, general and administrative expenses relating to the general operations and the marketing of our Winner's Pot Poker game to casinos and gaming establishments will increase during fiscal 2009.

Liquidity and Capital Resources

Summary cash flow data is as follows:

	Nine Months Ended September 30,	
	2009	2008
Cash flows provided (used) by :		
Operating activities	\$ (60,577)	\$ (142,709)
Investing activities	-	-
Financing activities	(81,667)	287,500
Net increase (decrease) in cash	(142,244)	144,791
Cash, beginning of period	145,117	37,003
Cash, end of period	\$ 2,873	\$ 181,794

The decrease in cash used in operating activities was primarily the result of a reduction in consulting service expense paid in stock. As of September 30, 2009, we had \$2,873 cash on hand and current liabilities of \$25,473. As of the date of this filing, our management believes we have sufficient capital to continue operations through December 2009 due to additional capital raised through execution of short-term notes. Thereafter, we expect we will require additional capital. If we are unable to obtain additional financing when needed, we may be required to abandon our business or our status as a public reporting company.

Presently, we anticipate that additional financing could be sought from a number of sources, including but not limited to additional sales of equity or debt securities, or loans from banks, other financial institutions or affiliates of the Company. We cannot, however, be certain that any such financing will be available on terms favorable to us if at all. If additional funds are raised by the issuance of our equity securities, such as through the issuance of stock, convertible securities, or the issuance and exercise of warrants, then the ownership interest of our existing shareholders will be diluted. If additional funds are raised by the issuance of debt or other equity instruments, we may become subject to certain operational limitations, and such securities may have rights senior to the rights of our common shareholders. If we are unable to obtain additional financing when needed, we may be required to abandon our business or our status as a public reporting company.

Our primary non-cash asset at September 30, 2009 was intellectual property rights and trademarks, which are the foundation for our product offerings. We currently own the rights to United States Patent Number 5,839,732, issued on November 24, 1998, that relates to our current Winner's Pot Poker table game. This patent was acquired from Select Video, Inc., a Delaware corporation, pursuant to an Asset Purchase Agreement dated March 10, 2006. In addition, we own a federally registered trademark for "WINNER'S POT POKER," Registration Number 2,172,043, issued on July 7, 1998, which was acquired pursuant to that same agreement. Finally, we also own registered trademarks for "POKER MAGIC" and to "AC (ATLANTIC CITY) STUD POKER," which we similarly acquired pursuant to the Asset Purchase Agreement with Select Video. Other than the trademark "Poker Magic" which we have adopted as our corporate name, we do not have any current plans for the sale or license of such other trademarks. We do not have any currently pending applications for un-issued patents, trademarks or copyrights. The expiration dates of our patent rights vary based on their filing and issuance dates. We intend to continue to actively file for patent protection, where reasonable, within the United States. We expect also to seek protection for our future products by filing for copyrights and trademarks in the United States.

Currently, we do not have any employees. Mr. Douglas M. Polinsky, the Chief Executive Officer and Chairman of our Board of Directors, and Joseph A. Geraci, II, our Chief Financial Officer and a director of the Company, both serve as consultants to the Company in their officer capacities. We rely on sales and marketing agents and outside professional

services on an as-needed basis. We believe that using consultants to perform necessary operational functions is currently more cost effective than hiring full-time employees, and such practice affords us flexibility in directing our resources during our development stage. We plan to develop new gaming products primarily by utilizing the services of outside developers, sales agents and regulatory and compliance service providers in an effort to minimize capital expenditures and corporate expenses. We presently do not expect to incur any material capital expenditures in the near future or during the next 12 months. At this time, we do not anticipate purchasing or selling any significant equipment or other assets in the near term.

Trends and Uncertainties

As a development-stage company involved in the gaming business, we believe we can identify certain broad trends in our revenues and expenses, and components thereof. We also believe that the most significant risks and uncertainties surrounding our business relate to revenues and expenses, and regulatory and financing matters. These trends and uncertainties are discussed below.

Revenues

From inception through September 30, 2009 (and presently), the Company has been primarily focused sequentially on the acquisition of the intellectual property forming the basis for its Winner's Pot Poker table game and, thereafter, efforts to ensure at least temporary regulatory compliance of the game and obtain the agreement of casinos and gaming establishments to provide gaming table space to the Winner's Pot Poker game.

These efforts culminated in our license agreement with Bally's Park Place, Inc. d/b/a/ Bally's Atlantic City, permitting Bally's, on a non-exclusive basis, to use one unit of the Winner's Pot Poker game on a trial basis at no charge until such time that the New Jersey Casino Control Commission ended the test period for the game. We entered into that license agreement on December 26, 2007. We had earlier (on August 22, 2007) secured the issuance of temporary rules and amendments governing the implementation of Winner's Pot Poker in Atlantic City casinos. The amendments and rules added Winner's Pot Poker to the list of authorized table games in New Jersey, governed the physical characteristics of the Winner's Pot Poker game layout, defined the card deck for use with the Winner's Pot Poker game, specified the terms of the use of the cards during Winner's Pot Poker game play, and contained technical proposals governing the operation of Winner's Pot Poker. We had also earlier obtained a transactional waiver from the New Jersey Casino Control Commission for the licensure requirement applicable to casino service industry (CSI), which waiver permitted us to legally license to Bally's Park Place, Inc. the play of our Winner's Pot Poker game in Bally's Atlantic City casinos.

After a successful trial period, we amended our license agreement with Bally's Park Place, Inc. on June 26, 2008. Under the amended license agreement, Bally's Park Place, Inc. pays the Company a license fee in the amount of (i) \$475 per month for the right to use our Winner's Pot Poker game in the Atlantic City casinos for up to seven days per week, and (ii) \$200 per month for the right to use of our Winner's Pot Poker game in the Atlantic City casinos on weekends only during that month. The amendment currently contemplates the licensure of only two Winner's Pot Poker game units—one for the seven days per week use and the other for the weekend-only use. This amendment was entered into after the adoption by the New Jersey Casino Control Commission of temporary regulations governing the rules of the Winner's Pot Poker game. The amended license agreement is a month-to-month agreement that may be cancelled by either party at any time. The month-to-month character of this licensing arrangement, which is currently our only revenue-generating license, presents a material uncertainty in our ability to accurately forecast revenues for 2009.

Since approximately May 2006, we have also been focused on securing Winner's Pot Poker licensing arrangements with various other casinos and gaming establishments. In particular, our management has met with the management or representatives of over ten different casinos or gaming establishments during the past year in an effort to secure additional licensing arrangements. To date, our licensing efforts have been focused on entering into such agreements with casinos and gaming establishments in Minnesota, New Jersey and Nevada.

Based on our recent amendment of the license agreement with Bally's Park Place, Inc., we began to recognize revenue from operations during fiscal 2008. Given that the present terms of the license agreement, as amended, provide only that Bally's Park Place, Inc. will license the right to use two game units of our Winner's Pot Poker product, we do not expect that our initial revenues will be significant. Instead, we expect that we must continue to market our game to casinos and gaming establishments that present suitable opportunities for us, and that the most efficient way for us to

begin generating more significant revenues will be to consummate a definitive license agreement with Harrah's Entertainment or some other enterprise that involves a wider group of gaming-related affiliates and establishments. For example, Harrah's Entertainment, indirectly (through subsidiaries and other affiliates) operates approximately 40 casinos across the United States. It is extremely difficult to anticipate, however, how much success we will have in our efforts to license our games to establishments other than Bally's Park Place, Inc., if any at all, and thereby generate additional revenues.

Expenses

As indicated above under the caption “Results of Operations for the Three Months Ended September 30, 2009 Compared to the Three Months Ended September 30, 2008,” and “Results of Operations for the Nine Months Ended September 30, 2009 Compared to the Nine Months Ended September 30, 2008,” our selling, general and administrative expenses overall decreased in both the three and nine months ended September 30, 2009 compared to the three and nine months ended September 30, 2008 and are expected to remain stable throughout 2009. We expect to make applications and seek gaming regulatory compliance and licenses that will increase that component of our selling, general and administrative expenses for 2009. Because our business has a short operating history and our present revenues are limited, in general it is difficult to accurately forecast our expenses and impact of those expenses on our operating results.

Regulation

As part of our marketing efforts for the Winner’s Pot Poker game, our management has met with the management or representatives of over ten different casinos or gaming establishments during the past year in an effort to secure additional licensing arrangements. To date, our licensing efforts have been focused on entering into such agreements with casinos and gaming establishments in New Jersey, Nevada and Minnesota. On August 22, 2007, the New Jersey Casino Control Commission adopted temporary regulations governing the Winner’s Pot Poker game. We have yet to obtain the final casino service industry (CSI) supplier license from the New Jersey Casino Control Commission, which is more broad and flexible than the current transactional waiver which we have thus far secured. On January 23, 2009, the New Jersey Casino Control Commission approved our petition to continue conducting business with Bally’s while the issuance of the final license is underway and extended our term to expire on July 24, 2009. On July 24, 2009, the New Jersey Casino Control Commission extended our term to January 24, 2010. It is extremely difficult to anticipate, however, how much success we will have in our efforts to license our games to establishments other than Bally’s Park Place, if any at all, and thereby generate additional revenues. It is also difficult to assess how long we will be able to maintain our present arrangement with Bally’s Park Place in light of the fact that our amended license agreement has a month-to-month term.

We have yet to obtain the final licensure required in the states of Nevada and Minnesota, which jurisdictions have been the focus of our marketing efforts thus far. In particular, we expect that we will require at least the following licenses, registrations and approvals in the near future to permit us to license our gaming products to casinos and gaming establishments in the relevant jurisdictions:

- Casino service industry (CSI) supplier license issued by the New Jersey Casino Control Commission (described above)
 - Distribution licenses permitting us to distribute Winner’s Pot Poker game units (i.e., table layouts) to casinos and gaming establishments in Nevada, issued by the Nevada State Gaming Control Board
 - Registration with the Nevada Gaming Commission as a publicly traded company
- Distribution licenses permitting us to distribute Winner’s Pot Poker game units to casinos and gaming establishments in Minnesota
- Approval from the applicable Tribal Councils permitting us to distribute Winner’s Pot Poker game units to casinos and gaming establishments located in tribal lands in Minnesota.

As we seek to begin operations in other states and, where applicable, Native American tribal lands, we will be subject to additional state and Native American laws and regulations that affect both our general commercial relationships with our customers as well as the products and services provided to them. The following summarizes the material aspects of these laws and regulations.

Financing

As discussed above under the caption "Liquidity and Capital Resources," our management believes we have sufficient capital to continue operations through December 2009. Thereafter, we expect we will require additional capital. Our current forecast for financing needs is largely based on our understanding of the expenses we anticipate incurring in our efforts to comply with gaming regulatory and public reporting company disclosure requirements. In this regard, we note that our current forecasts are largely based on our past experience with other enterprises and proposed budgets proposed by our professional consultants. If our actual expenses significantly exceed our present expectations we will likely require additional financing prior to December 2009.

Once needed, we cannot be certain that any required additional financing will be available on terms favorable to us, if at all. This is especially true in light of the current poor state of the U.S. capital markets and the general economic downturn that has occurred. If, however, we are able to raise additional funds by the issuance of our equity or equity-linked securities, including through the issuance and exercise of warrants, our existing shareholders will experience dilution of their ownership interest. If additional funds are instead raised by the issuance of debt or other senior or preferred equity instruments such as preferred stock, we may be subject to certain limitations in our operations, and such securities may have rights senior to those of our holders of common stock. If adequate funds are not available on acceptable terms, we may be unable to expand, develop or enhance products or to respond to competitive pressures. If we are unable to obtain additional financing when needed, we may be required to abandon our business or our status as a public reporting company.

Going Concern

We have incurred operating losses, accumulated deficit and negative cash flows from operations since January 10, 2006 (inception). As of September 30, 2009, we had an accumulated deficit of \$651,412. These factors, among others, raise substantial doubt about our ability to continue as a going concern. Because of these factors disclosed, among others, our independent registered public accountants have issued a going concern opinion that raises substantial doubt about our ability to continue as a going concern. Our financial statements included in this filing do not include any adjustments related to recoverability and classification of asset carrying amounts, or the amount and classification of liabilities that might result, should we be unable to continue as a going concern. Our ability to continue as a going concern ultimately depends on achieving profitability, producing revenues or raising additional capital to sustain operations. Although we intend to obtain additional financing to meet our cash needs and to support the revenue-generating process, we may be unable to secure any additional financing on terms that are favorable or acceptable to us, if at all.

Critical Accounting Policies

Our policy for the recognition of revenue is a critical accounting policy. The Company recognizes revenue from sales under a license agreement when the following four criteria are met: (1) there exists persuasive evidence of an arrangement (e.g., a fully executed license agreement); (2) delivery of the Winner's Pot Poker game, felt and instructions has been made and the licensee thereafter becomes responsible to replace such materials in the event of damage or normal wear and tear; (3) the price is fixed or determinable; and (4) the ability of the Company to collect amounts owed is reasonably assured.

Our policy regarding the determination of impairment of long-lived and intangible assets is another critical accounting policy. In this regard, our management reviews the Company's long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived or intangible asset may not be recoverable. If indications of impairment are present and the estimated future undiscounted cash flows are less than the carrying value of the asset under scrutiny, the value of that asset will be adjusted appropriately. No impairment indicators were present as of December 31, 2008 or December 31, 2007.

Further information on our critical accounting policies and estimates can be found in our financial statements and notes thereto included in this report and in our report Form 10-K filed with the SEC in March 2009. There have been no material changes to our critical accounting policies and estimates from those disclosed in our report Form 10-K.

Item 4T. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in our reports filed pursuant to the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance the objectives of the control system are met.

As of September 30, 2009, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of our disclosure controls and procedures as such term is defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer recognized the additional risks to an effective internal control environment with a limited accounting staff and the inability to fully segregate all duties within our accounting and financial functions, including the financial reporting and quarterly close process. Management has concluded that, with certain oversight controls that are in place and the duties we have been able to successfully segregate, the remaining risks associated with the lack of segregation of duties are not sufficient to justify the costs of potential benefits to be gained by adding additional employees given our development stage, the limited scope of our operations, and the number of business transactions we currently process, nor do these remaining risks rise to the level of a material weakness. Management intends to periodically reevaluate this situation and continue to assess ways in which duties can be further segregated as our business evolves. Based on these evaluations, our Chief Executive Officer and Chief Financial Officer concluded our disclosure controls and procedures are effective as of September 30, 2009.

Changes in Internal Controls

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1A. Risk Factors.

There have been no material changes to our risk factors and uncertainties during or since the period covered by this report. For a discussion of risk factors applicable to Poker Magic and its business, please refer to the “Risk Factors” section of our report Form 10-K filed with the SEC on March 27, 2009.

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

On September 30, 2009, we issued a total of 200,000 shares of common stock to our Chief Executive Officer (100,000 shares) and Chief Financial Officer (100,000) for officer compensation. The Company offered and sold the shares in reliance on the exemptions from registration set forth in Sections 4(2) or 4(6) of the Securities Act of 1933 since the recipients of the shares were “accredited investors” as defined in Rule 501 under the Securities Act. In addition, all certificates representing the shares offered and sold contained a restrictive legend indicating that such shares constituted “restricted securities” under the Securities Act of 1933.

Item 5. Other Information.

On October 13, 2009, Lantern Advisers, LLC, a Minnesota limited liability company owned equally by Douglas Polinsky and Joseph A. Geraci, II (each of whom is an officer and director of the Company), loaned the Company \$10,000 under terms and conditions set forth in a related unsecured term promissory note. The promissory note provides for simple interest to accrue on the unpaid principal balance of the promissory note at the rate of 12% per annum, and requires that accrued interest be paid on a monthly basis until October 12, 2010, at which time the entire unpaid principal balance of the promissory note will become due. The loan was made to provide working capital to the Company.

Item 6. Exhibits.

Exhibit No.	Description
31.1	Certification of Chief Executive Officer
31.2	Certification of Chief Financial Officer
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

In accordance with the requirements 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.

POKER MAGIC, INC.

/s/ Douglas Polinsky
Douglas Polinsky
Chief Executive Officer

Dated: November 13, 2009

/s/ Joseph A. Geraci, II
Joseph A. Geraci, II
Chief Financial Officer

Dated: November 13, 2009

INDEX TO EXHIBITS FILED WITH THIS REPORT

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