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UNITED STATES BANKRUPTCY COURT

DISTRICT OF NEVADA

In re: SECURED DIVERSIFIED INVESTMENT, LTD., Debtor.	Case No.: BK-S-08-16332-LBR Chapter 11 **FIRST AMENDED DISCLOSURE STATEMENT IN SUPPORT OF JOINT PLAN OF REORGANIZATION**

Debtor Secured Diversified Investment, Ltd. ("SDI"), jointly with petitioning creditor Cane Clark, LLP, hereby offers the following First Amended Disclosure Statement in support of the proposed Joint Plan of Reorganization. A copy of the Joint Plan of Reorganization is attached as Exhibit 1 hereto and is incorporated herein by reference.

I. DESCRIPTION OF THE DEBTOR'S BUSINESS AND REASONS FOR FINANCIAL DIFFICULTIES

The Debtor was initially formed under the laws of the State of Utah on November 22, 1978 to pursue a position in the entertainment industry focusing on transactions involving the purchase and sale of literary property rights in connection with all types of theatrical pictures, plays, television films, music publications and other forms of entertainment. Ultimately, its efforts in the entertainment industry were unsuccessful, causing it to search out other business opportunities. In 2002, the company changed the direction of its business and began pursue ownership interests in a portfolio of real properties. To further its new objective, the Debtor moved its domicile to Nevada and changed its name from "Book Corporation of America" to "Secured Diversified Investment Ltd." SDI's real estate business model consisted of investing in properties located in Arizona, Nevada and Utah that it believed would provide immediate value appreciation while requiring little debt service. SDI was generally unsuccessful, however, in generating positive overall revenues from its portfolio of investment properties. Several of SDI's acquired properties underperformed and were incapable of generating sufficient revenues to cover their ongoing costs. A major contributing factor to the lack revenues from some of these properties was high-cost ground lease obligations. SDI's real estate assets that were cash-producing eventually had to be sold to continue the company's operations.

On June 26, 2008, SDI was served with an involuntary petition for relief under Chapter 11 of the United States Bankruptcy Code. The bankruptcy court's Order for Relief was entered on July 30, 2008. At the time of the petition was filed, SDI's only remaining real estate asset was a 25% tenant -in-common interest in three buildings located at 5203 - 5205 East Lincoln Drive in Paradise Valley, Maricopa County, Arizona. Currently, the property is subject to a first trust deed held by Marshall & Ilsey Bank with a principal balance of approximately $852,146 bearing an annual interest rate of 6.5% per annum. The loan matures May 1, 2010. SDI is not obligated on the Marshall & Ilsey Bank loan.

II. HISTORICAL AND CURRENT FINANCIAL INFORMATION

As a publicly-traded company, the debtor must file quarterly and annual financial reports with the Securities and Exchange Commission. The Debtor's most recent quarterly report (Form 10-Q) is attached hereto as Exhibit 2. The Debtor's most recent annual report (Form 10-KSB) is attached hereto as Exhibit 3. The Debtor is current in its reporting obligations to Securities and Exchange Commission. The Debtor's complete SEC filings are available free of charge at: http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000013156&owner=include&count=40

III. MATERIAL POST-PETITION EVENTS

June 26, 2008 – involuntary chapter 11 petition filed

July 30, 2008 – order for relief entered

September 16, 2008 – Joint Chapter 11 Plan and Disclosure Statement filed

September 18, 2008 – 341 meeting held

October 3, 2008 – First Amended Disclosure Statement filed

October 22, 2008 – hearing on disclosure statement scheduled

December 18, 2008 – currently scheduled bar date

IV. LEGAL PROCEEDINGS

The Debtor is not currently a party to any lawsuits or similar proceedings.

V. JOINT CHAPTER 11 PLAN – SHARE EXCHANGE AGREEMENT WITH GALAXY GAMING, INC.

SDI, jointly with petitioning creditor Cane Clark LLP, has proposed a Joint Plan of Reorganization (the "Plan") which centers on a share exchange between the Debtor and Galaxy Gaming, Inc., a Las Vegas-based company engaged in the business of developing and licensing proprietary casino table games and card room poker products. The proposed exchange will result in the acquisition of Galaxy by SDI, with the Debtor being the parent and sole shareholder of Galaxy. Under the terms of the proposed exchange, the current stockholders in Galaxy Gaming will exchange their shares for a total of 25,000,000 shares of new common stock to be issued by the reorganized debtor. Following consummation of the Plan and the exchange, the former owners of Galaxy Gaming will be the majority owners of the reorganized company.

Under the Plan, all existing equity interests in the Debtor will be extinguished. The holders of general unsecured claims against the Debtor will receive, in satisfaction of their claims, a pro-rata distribution of 4,000,000 new shares to be issued in the reorganized company. Upon completion of the Plan and the exchange, the Reorganized Debtor will focus on continuing and expanding the pre-exchange business of Galaxy Gaming.

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A. <u>Galaxy Gaming, Inc. Description of Business and Plan of Operations</u>

Galaxy Gaming, Inc. ("Galaxy") is engaged in the business of developing proprietary table games, creating live card room poker products, and licensing those games and products to casinos in the United States and internationally. Galaxy's plan is to grow by developing new game content, enhancing its product portfolio with electronics, expanding its global distribution network, and increasing the performance of its sales force. Robert Saucier is the President, Chief Executive Officer, and sole director of Galaxy.

Industry Analysis – Proprietary Table Games

Up until approximately twenty years ago, casino operated table games consisted mainly of public domain games such as Blackjack, Craps, and Roulette. That began to change, however, in 1988 when a game called Caribbean Stud was invented by two poker players and first played in an Aruban casino. The game, a variation of stud poker, was designed to be house-banked in a casino and played directly against a dealer, rather than the player vs. player style of traditional poker games. Caribbean Stud features an optional side wager whereby, for one dollar, players have the chance to win a progressive jackpot, which can reach as high as several hundred thousand dollars. The inventors applied for and obtained various US and international patents. They then leased their game and its associated intellectual property to other casinos. The game quickly proved its popularity in U.S. and foreign markets with over 1,000 Caribbean Stud tables being installed in over 300 casinos and earning over one million dollars per month by 1998. The popularity and financial success of Caribbean Stud led to the birth of the proprietary table game industry.

The next significant event in the proprietary table game market was the introduction of another casino poker game called "Let it Ride" in 1993. This game was invented by the founder of Shuffle Master Gaming, which was formed for the purpose of providing casinos with automatic shufflers in lieu of casino dealers shuffling cards by hand. At the time, Shuffle Master's sole product was a single deck automatic card shuffler and they were struggling to convince casinos (who were using multiple decks of cards to play blackjack) of necessity of their product. The single deck game of Let it Ride was invented, which in turn created the demand for an automatic card shuffler. Not only did the game create a market for their shufflers, but due to its high margins and low maintenance, it was far more profitable for them than their shuffler products. Let it Ride had an installed base of approximately 700 tables in 2001, generating approximately $12,000,000 in annual revenues for Shuffle Master.

The third significant event in proprietary game history was the invention of "Three Card Poker" by a British poker player. First placed into a casino in 1994, the inventor had some success in the placement of his game into US casinos over the next several years, but was hampered by intellectual property litigation. Shuffle Master purchased the domestic and international rights to the game, save for the United Kingdom, in 1999. At the time, there were 153 Three Card Poker placements. Shuffle Master, with their seasoned distribution system, increased the game placements to over 1,500 tables. The average royalties grew from approximately $500 per placement to over $1,500 per placement. Consequently, revenues grew from approximately $750,000 per year to over $20,000,000 per year. In addition, in the U.K. there are approximately 150 tables of Three Card Poker still held by the game's inventor.

Numerous other proprietary table games have been invented by other individuals during the last twenty years as the industry has grown. The low overhead costs and steady revenue stream associated with maintaining successful proprietary table games have spurred the industry. Along with proprietary games, proprietary side bets have been developed to enhance public domain games, specifically blackjack. The most common blackjack side bet is the "insurance" feature, found on virtually every blackjack game today. Its exact origin is unknown, so insurance is in the public domain, and no one receives royalties on its use. However, the decision to include this side bet is easy for casinos. The house advantage of the insurance is approximately 6% as compared to only 1% on the primary wager, thereby adding to blackjack's profitability. Also, many players enjoy the option, and it does not diminish the experience for the players who do not. Other popular blackjack side bets, which are proprietary and do generate royalty revenues, include Royal Match, which is available on approximately 700 tables, and Galaxy's own Lucky Ladies side bet, which is now featured on over 1,400 tables.

Galaxy believes that the significant growth of proprietary games and side bets during the last two decades is a result of two primary factors. First, casino gaming has expanded steadily across the globe as gaming has become a more acceptable form of entertainment and as governments seek to maximize tax revenues from gaming. Whereas only twenty years ago, casino gaming in the U.S. was limited to Nevada and New Jersey, commercial and tribal casinos are prevalent throughout the country today. Only two states, Utah and Hawaii, do not allow gaming in any form. Internationally, casinos are also springing up at a record pace. Second, after decades of decline there has been a resurgence of players' interest in live table games. This reversal began approximately ten years ago as a younger generation of players who enjoyed the live action and human interaction associated with table games came of age. The table game movement was further boosted by the popularity of live poker about five years ago. Although live poker is a separate segment of gaming and will be discussed separately herein, its contribution to the renewed interest in table games is noteworthy.

Gaming in general continues to expand both domestically and internationally. In certain jurisdictions (most notably Asia), the table game segment continues to increase in proportion to other forms of gaming. In other markets, such as North America, the ratio between table games and other segments of gaming appears to have stabilized. However, universally the ratio between proprietary table games and those table games found in the public domain has been steadily increasing in favor of proprietary games. Current estimates of the international live table game market are depicted in the following table:

Live Table Games	The Americas	Europe & Africa	Asia Pacific	Total
Public Domain Games	16,335	6,235	8,895	31,465
Proprietary Card Games	7,690	530	450	8,670
Dice Games	1,100	75	330	1,505
Roulette Games	2,470	5,380	900	8,750
Total Table Games	**27,595**	**12,220**	**10,575**	**50,390**

Growth in the gaming sector is forecasted to continue for at least the next several decades. Recently, more and more jurisdictions both domestically and internationally have reported that they intend to allow gaming or expanded forms of gaming. Most visibly, numerous casino mega-resort projects have been announced or are under construction along the Las Vegas Strip, the Cotai

Strip (Macau), the Ho Tram Strip (Vietnam), and in Singapore. In addition to these multi-billion dollar projects, it is estimated that at least one hundred additional casinos will be built in the next five years. With this anticipated growth, Galaxy expects the number of table games in five years to be as follows:

Live Table Games	The Americas	Europe & Africa	Asia Pacific	Total
Public Domain Games	19,365	6,770	16,975	43,110
Proprietary Card Games	10,430	730	1,650	12,810
Dice Games	1,150	95	390	1,635
Roulette Games	3,255	5,965	2,300	11,520
Total Table Games	**34,200**	**13,560**	**21,315**	**69,075**

Industry Analysis – Live Cardroom Poker

Poker is a popular type of card game in which players bet on the value of the card combination in their possession, by placing a bet into a central pot. The winner is the one who holds the hand with the highest value according to an established hand rankings hierarchy, or otherwise the player who remains in the hand after all others have folded. Although there are differences of opinion on the origin of poker, one of the earliest written references to poker was by Jonathan H. Green in 1834. Following its humble beginning, the popularity of live poker grew slowly during the 20th century. Most casinos did not offer live poker, however, because it was less profitable than other forms of gaming.

Live poker was not limited to casinos, however, as several jurisdictions (e.g. California, Montana, and Washington) permitted live poker even though they prohibited house-banked table games. Later, when Indian tribes entered the gaming business, their forms of gaming were classified by the Indian Gaming Regulatory Act as Class 1, Class 2 or Class 3 type gaming. Live poker is considered Class 2 and house-banked table games are considered Class 3. The significance of this distinction is that any tribe authorized to offer Class 3 games may automatically also offer Class 2 games. The reverse is not true however and as a result, there are numerous tribes that only offer Class 2 games. Accordingly, live poker is found in many tribal casino operations that do not offer casino table games.

Beginning about 2002, the popularity of live poker surged significantly with the advent of television broadcasts of poker tournaments. Viewers were suddenly able to learn strategy by being able to see tournament players' hole cards. The American Gaming Association reports that based on a 2005 poll, the number of American adults who have played poker in the past 12 months has increased by more than 50% compared to the same poll taken in 2004. It is now estimated that there are 60 – 80 million regular poker player in the US and an additional 80 – 100 million players worldwide. Although this growth trend appears to be decelerating both domestically and internationally, the overall poker market continues to steadily increase.

The following chart depicts current estimates of the numbers of poker tables in play. A poker table usually accommodates seven to ten players each.

Live Table Games	**The Americas**	**Europe & Africa**	**Asia Pacific**	**Total**
Current Estimate	7,205	2,020	250	9,475

Growth in this gaming sector is forecasted to continue for several decades. Recently, numerous jurisdictions have reported that they now intend to allow gaming and others have announced significant growth plans, including Macau, Singapore, Vietnam, U.K., Philippines, and the United States. The following table depicts a five year forecast of the numbers of poker tables in play:

Live Table Games	**The Americas**	**Europe & Africa**	**Asia Pacific**	**Total**
Five Year Forecast	8,305	2,725	575	11,605

Galaxy's History and Development

In 1997, Galaxy's founder and president, Robert Saucier, was an investor in a small casino in Washington State. The casino had ten table games, primarily blackjack. During his tenure there, Mr. Saucier invented a side bet for blackjack known as "Horseshoe Blackjack." The side bet became very popular and the casino's win from the games increased significantly. Other Washington casinos recognized the popularity and profitability of this side bet and requested licenses to play Horseshoe Blackjack side bets at their casinos. The side bet was modified and its name was later changed to "Lucky Ladies." Placements of the side bet into other Washington casinos was stalled and limited to only one other casino whilst the Washington State Gambling Commission established their policies on how to regulate this type of gaming product. Then beginning in late 1999, other casinos in Washington were approved to offer the side bet and Galaxy's revenues began to rise in 2000. Also in 2000, Lucky Ladies first appeared in Nevada casinos.

Lucky Ladies remained Galaxy's only product until late 2002 when Galaxy debuted a new casino poker game called "Texas Shootout". This game quickly became popular with casinos and their customers. At this time, Galaxy also increased its sales force and expanded its distribution into new jurisdictions. Since then, Galaxy has grown methodically and intentionally by reinvesting its retained earnings and introducing new products at a regular pace.

Galaxy has grown to become the second largest provider of casino table games (1,500+ tables) in the world behind industry giant Shuffle Master Gaming (4,000± tables). A significant portion of Shuffle Master's growth has been through acquisitions of competitive companies and products. Most of Galaxy's growth, by contrast, has been through direct sales leading to placements of its installed base of games. In early 2008, Galaxy released two new games – Emperor's Challenge® and Three Card Split™ – both of which are now generating revenues. Galaxy has also scheduled the roll out of two new casino table games, Three Card Double Play ™ and Lucky 8 Baccarat, for the third quarter of 2008. This year, Galaxy also expects to release a new product for casino table games and live poker, called MegaShare™. MegaShare is a concept that may be implemented in most forms of gaming. Galaxy hopes that MegaShare will have a significant impact on the gaming industry and become the most successful product in its portfolio.

Galaxy's Products

Currently, Galaxy has an installed base of products on over 1,500 gaming tables. Its games are briefly described below. Additional information regarding its games may be found on Galaxy's web site at www.galaxygaming.com.

Lucky Ladies is an optional bonus side bet for blackjack that considers the first two cards the player receives. If the cards are equal to a point value of twenty, the player wins. The amount the player wins varies upon the construction of the hands (e.g. both cards of same suit, two Queen of Hearts, etc.) and ranges from 4 to 1 of their wager up to 1,000 to 1. Lucky Ladies was Galaxy's first product and has grown to become the number one side bet in the world in terms of the number of tables in play.

Bonus Blackjack is an optional bonus side bet for blackjack that considers the first two cards the player receives and/or the first two cards the dealer receives. If the cards in either the player's hand or the dealer's hand are equal to a point value of twenty-one (aka "Blackjack"), the player wins, provided that they placed a wager on the corresponding triggering event. The game also has a progressive jackpot. If a player places a wager on both the dealer and player indicia and they receive an Ace and Jack of Spades, the player wins the progressive jackpot.

Suited Royals is an optional bonus side bet for blackjack that considers the first two cards the player receives. If the cards are of the same suit, the player wins and is paid odds according to a posted pay schedule. Higher odds are paid if the cards contain certain combinations such as two suited face cards, a King and Queen in suit, or a King and Queen of Diamonds – the highest triggering event, which results in the player being awarded odds of 100 to 1 of their wager. Suited Royals was designed to compete head-to-head with a competitive game known as Royal Match. Galaxy believes certain unique features of Suited Royals are more attractive to players and more profitable to casinos than Royal Match.

Super Pairs is an optional bonus side bet for blackjack that considers the first two cards the player receives. If the first two cards are a pair, the player wins and is paid odds. Higher odds (up to 50 to 1) are paid if the cards are of a certain suit such as diamonds. Super Pairs was designed to compete head-to-head with a competitive game know as Bet-the-Set. Galaxy believes certain unique features of Super Pairs are more attractive to players and more profitable to casinos than Bet-the-Set.

Lucky 8 Baccarat is an optional bonus side bet for the game of baccarat that considers the point total of either the player's hand, the banker's hand, or both. Players are afforded the opportunity to wager on whether or not the selected hand contains the point value of eight. Typically, players may win either odds from three to one up to 1,000 to one, or a progressive jackpot, depending upon the nature of the configuration of the corresponding hand and, at times, the opposing hand.

Premium Games

Galaxy also offers several stand-alone proprietary games. Typically these games generate more revenue per unit than the side bet games listed above. These games include:

Texas Shootout is a unique version of the popular game of Texas Hold'em. Whereas traditional poker is played against other players, in Texas Shootout each player competes against the casino dealer. The game is played with six decks of cards and the players receive four cards each. Players then select which two cards to play and discard the remaining two. Alternatively, players may split their four cards into two – two card hands and increase their wager. The dealer selects two of his four cards, then deals five community cards face-up on the table. The players and dealer each combine their two cards with the five community cards to form the best five card poker hand possible. The player wins if his hand has a greater value than the dealer's hand. There is also a popular bonus side bet that pays each player at odds in the event their hand matches one of the qualifying events listed on the posted pay schedule. Players may be awarded up to 5,000 to 1 on this bonus side bet.

Emperor's Challenge is a variation of the game Pai Gow Poker. Although Pai Gow Poker is an extremely popular casino game among players, casinos earn less money with the game because approximately 42% of all hands result in a push or tie. Emperor's Challenge Pai Gow Poker offers two side bets and an opportunity for the player to engage in a tie-breaking system which increases the casino's potential earnings. Players may be awarded up to 8,000 to 1 on one of the bonus side bets known as the "Emperor's Treasure" bet. The other side bet is known as "Pai Gow Insurance" and provides the player an opportunity to protect against the outcome when receiving a poor hand.

Three Card Split Players place up to four wagers and receive three cards each. Players then "split" their three card hand into a one card sub-hand and a two card sub-hand. The dealer also receives three cards and likewise, splits his hand into two sub-hands. As a result, the dealer and the players each have three sub-hands consisting of one, two and three cards each. If any of the players' sub-hands are greater than the dealer's, the player wins that corresponding wager. In addition, the game contains an optional bonus side bet whereby the player's three cards are combined with a single community card to form a four card hand. The player's four card hand is compared to a posted pay schedule and the player is paid at odds in the event he has a qualifying hand.

Three Card Double Play is Galaxy's newest table game. Players place two identical wagers and receive six cards total. Next, the players divide their six cards into two three card hands of their choosing. Each three card hand corresponds to each of their two wagers. The dealer receives five cards which he uses to make the best three card hand possible. The dealer's hand is compared separately to each of the player's hands to determine each winning or losing hand. If the player wins both hands, they win double. An additional side bet is included whereby the player can win up to 1,000 to 1 or a progressive jackpot.

MegaShare is a unique progressive jackpot system that Galaxy intends to use to enhance live table games and poker. Regular progressive jackpot systems reward a player in the event an appropriate triggering event occurs (e.g. Royal Flush). With MegaShare, all players who placed the appropriate wager will win a portion of the progressive jackpot when any player obtains the triggering event.

Competition

Galaxy faces significant competition in the table game industry. Gaming is a dynamic, high-growth market. Galaxy's competition for casino placement and players comes from a variety of sources, including companies that design and market traditional table games, proprietary table games, proprietary side bets, slot machines, and other gaming products. Galaxy believes that the principal competitive factors in its market include products that appeal to casinos and players, and a well-developed sales and distribution network. Although Galaxy plans to compete effectively in this market, Galaxy recognizes that this market is relatively new and is evolving rapidly.

As is common with most new industries as they mature, there has been significant consolidation of competitors in the proprietary table game industry. During the past decade Galaxy's leading competitor, Shuffle Master Gaming, has actively pursued and consummated the acquisition of smaller companies. As a result, the number of significant competitors has dwindled, and in the process, Shuffle Master has become the dominant company.

Company	Tables	Proprietary Games	Side Bets
Shuffle Master Gaming	4,006	3 Card Poker; 4 Card Poker; Play Four Poker; Caribbean Stud; Let-it-Ride; Ultimate Texas Hold 'em; Texas Hold 'em Bonus; Casino War	Bet-the-Set; Fortune Pai Gow Poker; Royal Match; Dragon Bonus
Galaxy Gaming	1,511	Texas Shootout; Three Card Split; Emperor's Challenge	Lucky Ladies; Bonus Blackjack; Super Pairs; Suited Royals
TCS / John Huxley[3]	1,035	Casino Hold 'em	Perfect Pairs
Masque Publishing	475	Spanish 21	Match the Dealer
Prime Table Games	459	3 Card Poker; Two Way Hold 'em[4]	21+3
Hop Bet	232		Fire Bet (Craps)
Gaming Entertainment	150	Pai Gow Plus; 3-5-7; Mini Pai Gow Poker	
Canadian 21 Stook	130		Lucky Lucky[5]
Paltronics / AC Coin	120		Wheel of Madness; 21 Madness

Recently, new competition in the traditional table game space has been introduced by electronic table game providers. Although not yet a significant factor in directly competitive markets, their popularity is growing and it is anticipated that these new fully automated and hybrid electronic table games will increasingly become a competitive factor. Companies now competing for this market include Shuffle Master, DigiDeal, Poker Tek and Table Max. In May of 2008, Galaxy entered into a letter of intent with Table Max to license its game content under a royalty agreement.

While Galaxy does not currently have any products relevant to live card room poker, Galaxy intends to compete in this segment in the near future. Unlike the casino table game segment, there has not been proprietary game development in the live poker segment, with one exception. A small company introduced a proprietary side bet to Texas Hold 'em in 2006. This game, known as "Flop-a-Lock", was previously seen in three locations in Las Vegas, but has since vanished. Galaxy is unaware of any other companies offering similar games. Another area of live poker that Galaxy does not compete in currently, but intends to in the near future is poker room management systems. Galaxy is aware a few companies, most notably Genesis Gaming Systems and Ameranth Wireless, that have introduced such systems. Galaxy expects to enter this segment in conjunction with roll-out of its Live Poker MegaShare™ product.

Strategy

Galaxy's long-term business strategy is designed to capitalize on the current opportunity it perceives within the gaming industry. Galaxy's goal is to grow the company by expanding the products its offers and by increasing its sales and distribution network.

Intellectual Property

Galaxy invents and fully develops proprietary casino table games. These game concepts and the intellectual property associated with them are typically protected by domestic and international patents, trademarks and copyrights. There can be no assurance that the steps Galaxy has taken to protect its intellectual property will be sufficient. In addition, the laws of some foreign countries do not protect intellectual property to the same extent as the laws of the United States, which could increase the likelihood of misappropriation.

Government Regulation

Galaxy is subject to a wide range of complex gaming laws and regulations in over 200 jurisdictions, both foreign and domestic, in which Galaxy may be licensed or have applications pending. Jurisdictions may require Galaxy to be licensed, its key personnel to be found suitable, qualified or licensed, and its products to be reviewed and approved before placement. Additionally, gaming laws and regulations of most jurisdictions provide that beneficial owners of

5% or more of Galaxy's common stock are subject to reporting procedures and may be subject to licensure that includes suitability investigations and submission of personal and financial information as required. Furthermore, most jurisdictions have ongoing reporting requirements for certain transactions and are concerned with Galaxy's accounting practices, internal controls, business relationships, and the fair operation of its products. Gaming regulatory requirements vary from jurisdiction to jurisdiction and licensing, approval, and processes related to findings of suitability, qualifications or licensure of the Company, its products, key personnel, and certain shareholders can be lengthy and expensive.

General Regulatory Licensing and Approvals. Galaxy intends to maintain its existing licenses and to seek the necessary licenses, approvals, qualifications and findings of suitability for the company, its products and its management personnel in new jurisdictions where Galaxy anticipates sales opportunities.

Native American Gaming Regulation. Gaming on Native American lands is governed by the Federal Indian Gaming Regulatory Act of 1988 ("IGRA") and specific tribal ordinances and regulations. Class III gaming, as defined under IGRA, also requires a Tribal-State Compact, which is a written agreement between a specific tribe and the respective state. This compact authorizes the type of Class III gaming activity and the standards, procedures and controls under which the Class III gaming activity must be conducted. The National Indian Gaming Commission ("NIGC") has oversight authority over gaming on Native American lands and generally monitors tribal gaming including the establishment and enforcement of required minimum internal control standards. Each Tribe is sovereign and must have a tribal gaming commission or office established to regulate tribal gaming activity to ensure compliance with IGRA, NIGC, and its Tribal-State Compact. Galaxy has complied with each of the numerous vendors licensing and specific product approval and shipping notification requirements imposed by Tribal-State Compacts and enforced by tribal and/or state gaming agencies under IGRA in the Native American lands in which Galaxy does business.

Other Jurisdictions. Galaxy has obtained or expects to obtain all licenses/registrations required by jurisdictions having legalized gaming. In general, such requirements vary from jurisdiction to jurisdiction and company approvals as well as individual and/or product approvals may be required.

Employees

Galaxy has nine employees, including executive officers, management personnel, accounting personnel, office staff, and sales staff. Galaxy's employees are co-employed by Advantstaff, Inc., a professional employer organization used by us to provide payroll and HR services. As needed from time to time, Galaxy also pays for the services of independent contractors.

Research and Development Expenditures

Galaxy has incurred approximately $80,000 in research and development expenditures in year ended December 31, 2007. These costs were incurred primarily in the development of new proprietary table games and side bets.

Subsidiaries

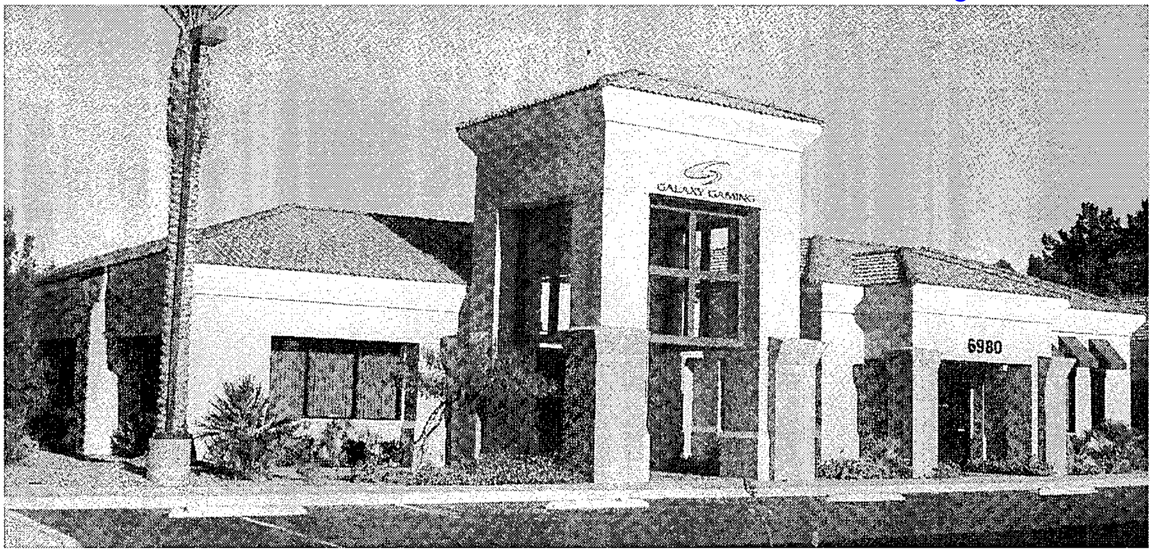
Galaxy currently holds 24 wholly-owned subsidiaries which have been utilized to divide its business operations into geographic regions. Galaxy is currently in the process of transferring all assets and operations from these subsidiaries to Galaxy Gaming, Inc. When this process is complete, the subsidiaries will be dissolved. All 24 subsidiaries are limited liability companies, and include:

- Galaxy Gaming of Arizona, LLC
- Galaxy Gaming of British Columbia, LLC
- Galaxy Gaming of California, LLC
- Galaxy Gaming of Connecticut, LLC
- Galaxy Gaming of Illinois, LLC
- Galaxy Gaming of Indiana, LLC
- Galaxy Gaming of Iowa, LLC
- Galaxy Gaming of Kansas, LLC
- Galaxy Gaming of Manitoba, LLC
- Galaxy Gaming of Michigan, LLC

- Galaxy Gaming of Mississippi, LLC
- Galaxy Gaming of Missouri, LLC
- Galaxy Gaming of Nevada, LLC
- Galaxy Gaming of New Jersey, LLC
- Galaxy Gaming of New Mexico, LLC
- Galaxy Gaming of New York, LLC
- Galaxy Gaming of North Dakota, LLC
- Galaxy Gaming of Nova Scotia, LLC
- Galaxy Gaming of Oklahoma, LLC
- Galaxy Gaming of Ontario, LLC
- Galaxy Gaming of Oregon, LLC
- Galaxy Gaming of South Dakota, LLC
- Galaxy Gaming of Washington, LLC
- Galaxy Gaming of Wisconsin, LLC

Description of Property

Galaxy does not own any real property. Galaxy maintains its corporate office at 6980 O'Bannon Drive in Las Vegas, Nevada. Galaxy pays $17,500 per month to Galaxy Gaming, LLC, which is held half by Galaxy's President, Robert Saucier, and half by Jeffrey Whitehead, Esquire as Trustee of the Alix Saucier Regulatory Trust. All of the membership units with voting rights are held by the President, Robert Saucier. Galaxy Gaming, LLC leases the property from Abyss Group, LLC, and then subleases the property to the company. The lease is set to expire in August of 2010. Galaxy believes that its present corporate office provides facilities suited to its current operations.



Galaxy Gaming Plan of Operation for the Next Twelve Months

Galaxy is currently seeking to expand its business. As noted previously, it is currently the second largest company in the proprietary table games industry. Galaxy intends to expand its installed base of table games, which will increase recurring revenues, by employing the following strategies:

- Develop new game content.
- Enhance product portfolio with electronics.
- Expand distribution network.
- Increase performance of the sales force.
- Acquire available competitors.

Develop New Game Content

During the first and second quarters of 2008, Galaxy introduced two new table game products, Emperor's Challenge and Three Card Split, which are contributing to its current growth trend. Galaxy hopes that two other soon-to-be-released products, Three Card Double Play and Lucky 8 Baccarat, will positively impact its revenues beginning in the third quarter of 2008. Galaxy is currently at a disadvantage to its leading competitor, Shuffle Master, in terms of the number and variety of products offered. Due to the numerous game titles in Shuffle Master's possession, it has the ability to control 100% of the proprietary table mix in many casinos. The solution for Galaxy is to quickly increase the number of table games in its portfolio. Galaxy has numerous new games in various stages of development which, when fully released, its believes will overcome this disadvantage.

Currently, the majority of Galaxy's product development is performed by its founder and CEO, Mr. Saucier. Galaxy's future growth plans include the creation of a research and development team to lessen its dependency on the CEO for this important element.

Enhance Product Portfolio with Electronics

The games Caribbean Stud and Let it Ride benefitted from electronic enhancements. With the exception of Bonus Blackjack, none of Galaxy's products currently utilize electronics. The impact of Galaxy's separation from electronics is mixed. Galaxy benefits in that its table games separate themselves from electronic games such as slot machines. The downside, however, is that the effectiveness of Galaxy's products, particularly side bets, is not measurable, and this results in a negotiating disadvantage when trying to place its table games and side bets in casinos. An example of this is Galaxy's blackjack side bet, Lucky Ladies. Lucky Ladies is the leading blackjack side bet in the world. However, its effectiveness in increasing the profitability of blackjack tables for casinos is still in doubt by many casino managers. Because the casino does not, and as a practical matter cannot, track the accounting for the side bet separately from the overall amount wagered on the host game of blackjack, Galaxy is unable to document increased gaming revenues resulting from Lucky Ladies and use that documentation to increase sales.

Galaxy believes that the introduction of a wager recognition and tabulation system will solve this issue of measuring the impact of its products. Although the technology it intends to employ will not reflect the exact amount of each wager, it will reflect the occurrence of a wager, thus allowing Galaxy to track the usage and effectiveness of its products.

Expand Distribution Network

Galaxy intends to increase its recurring revenues and market share not only in North America, but throughout all available international markets. Expanding the distribution network requires that Galaxy first seek and obtain registration or licensing in most additional gaming jurisdictions. In regulated gaming jurisdictions, this is not a simple task. A collaborative effort between inside legal counsel and/or compliance officer and outside specialized local gaming attorneys will be required to expand the company's reach. Galaxy does not currently have the necessary skilled specialist in house to accomplish this in an expedited manner. Recruiting such a professional will be vital to its gaming jurisdiction expansion plans.

Increase Sales Force Performance

The quality and performance of its sales team is integral to Galaxy's expansion and success. Galaxy intends to recruit, train, monitor and reward a group of highly motivated sales professionals. Galaxy believes that its sales manager, Mr. Robert Pietrosanto, is able to effectively accomplish this goal. Galaxy intends intend to add five additional sales executives in the next twelve months, effectively doubling the current sales team. The company plans on pursuing both industry-trained veterans who may currently be employed by competitors as well as energetic professionals who we will need to train in the specifics of the company's market. Galaxy also intends to implement a comprehensive sales training program for the purpose of continually increasing its sales executives' performance.

Currently, the sales team's progress is monitored and tracked by a highly sophisticated, custom sales force automation / client relationship management system. Galaxy has spent considerable capital and human resources to develop this system and believes it is a significant factor in the past and future success of its sales force. This system is under constant development and improvement.

Because of the high margin, recurring revenue nature of Galaxy's products, it believes that significant expenditures on improving its sales and client retention efforts are justified. Accordingly, Galaxy intends to provide significant incentives and rewards to its sales executives based upon their performance.

Potential Acquisitions and Related Financing

Since its inception, Galaxy has been privately held and has relied upon its internally generated positive cash flow to fund its growth to date. In addition to the organic or internal growth strategies described above, however, Galaxy has identified a number of competing companies which may be available for a potential acquisition of either the company, its operations, and/or its products. Galaxy believes that its greatest potential for growth may be through the acquisition of competing gaming companies and/or products. Galaxy believes that there are significant opportunities for consolidation and resulting synergistic economies of scale through acquisition. Many of the companies Galaxy is evaluating for potential acquisition have solid streams of mid to high margin recurring revenue, yet they operate at a loss because they are burdened by excessive overhead and inefficient cost management. This presents Galaxy with an opportunity to add these royalties to its revenues and manage these products through its existing organizational structure, thus increasing its revenue stream without adding significantly to recurring expenses.

Any type of aggressive growth through acquisitions, however, will require additional funding. The cost potential acquisitions being considered would, if they were to go forward, be funded through a round of equity financing to be offered after Galaxy's exchange with the Debtor.

Galaxy Gaming Officers, Directors, and Shareholders

Robert B. Saucier is the sole executive officer and director of Galaxy. Mr. Saucier is the founder and has served as President and CEO of the company and its accounting and operational predecessors since 1997. Mr. Saucier's primary responsibilities include product development, strategic planning, developing acquisition strategies and investor relations.

During the past thirty-two years of his career, Mr. Saucier has founded and grown five start-up companies. He was founder and CEO of the Mars Hotel Corporation, (1992 - 1998) a company that developed and managed the first non-tribal casino in Washington. Previously, Mr. Saucier founded International Pacific and served as its President and Chairman (1986 -1992). Mr. Saucier also founded and led Titan International, Inc. (1981 - 1986), a company that was engaged in electronic safety, security and surveillance systems. Throughout his career, Mr. Saucier has consulted with and invested in numerous business ventures and real estate development projects.