POKER MAGIC INC
Form N-8A
December 13, 2012

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-8A**

**NOTIFICATION OF REGISTRATION FILED PURSUANT TO SECTION 8(a) OF THE INVESTMENT COMPANY ACT OF 1940**

The undersigned investment company hereby notifies the Securities and Exchange Commission that it registers under and pursuant to the provisions of Section 8(a) of the Investment Company Act of 1940 and in connection with such notification of registration submits the following information:

| | |
|---|---|
| Name: | MILL CITY VENTURES III, LTD.<br>(f/k/a Poker Magic, Inc.) |
| Address of Principal Business Office:<br>(No. & Street, City, State, Zip Code) | 130 West Lake Street<br>Suite 300<br>Wayzata, Minnesota 55391 |
| Telephone Number (including area code): | (952) 473-3442 |
| Name and address of agent for service of process: | Douglas Polinsky, *Chief Executive Officer*<br>Mill City Ventures III, Ltd.<br>130 West Lake Street<br>Suite 300<br>Wayzata, Minnesota 55391 |
| With copies of notices and communications to: | Paul D. Chestovich, Esq.<br>Maslon Edelman Borman & Brand, LLP<br>3300 Wells Fargo Center |

90 South Seventh Street
Minneapolis, Minnesota 55402

Check Appropriate Box:

Registrant is filing a Registration Statement pursuant to Section 8(b) of the Investment Company Act of 1940 concurrently with the filing of Form N-8A: Yes ¨ No x

**Item 1. Exact name of registrant.**

Mill City Ventures III, Ltd. (f/k/a Poker Magic, Inc.)

**Item 2. Name of state under the laws of which registrant was organized or created and the date of such organization or creation.**

Registrant was organized under the laws of the State of Minnesota on January 10, 2006.

**Item 3. Form of organization of registrant.**

Registrant is a corporation.

**Item 4. Classification of registrant.**

Registrant is a management company.

**Item 5. If registrant is a management company:**

**(a) State whether registrant is a "closed-end" company or an "open-end" company;**

Registrant is a "closed-end" company.

**(b) State whether registrant is registering as a "diversified" company or a "non-diversified" company.**

Registrant is registering as a “non-diversified” company.

**Item 6. Name and address of each investment adviser of registrant.**

Not applicable.

**Item 7. If registrant is an investment company having a board of directors, state the name and address of each officer and director of registrant.**

| Name and Principal Business Address | Position and Offices with Company |
|---|---|
| Douglas M. Polinsky<br>130 West Lake Street<br>Suite 300<br>Wayzata, Minnesota 55391 | Chairman and Chief Executive Officer |
| Joseph A. Geraci, II<br>900 IDS Center<br>80 South 8th Street<br>Minneapolis, Minnesota 55402 | Director and Chief Financial Officer |

**Item 8. If registrant is an unincorporated investment company not having a board of directors:**

**(a) State the name and address of each sponsor of registrant;**

Not applicable.

**(b) State the name and address of each officer and director of each sponsor of registrant;**

Not applicable.

**(c) State the name and address of each trustee and each custodian of registrant.**

Not applicable.

**Item 9. (a) State whether registrant is currently issuing and offering its securities directly to the public.**

No.

**(b) If the registrant is currently issuing and offering its securities to the public through an underwriter, state the name and address of such underwriter.**

Not applicable.

**(c) If the answer to Item 9(a) is "no" and the answer to Item 9(b) is "not applicable," state whether registrant presently proposes to make a public offering of its securities.**

Yes.

**(d) State whether registrant has any securities currently issued and outstanding.**

Yes.

**(e) If the answer to 9(d) is "yes," state as of a date not to exceed ten days prior to the filing of this notification of registration the number of beneficial owners of registrant's outstanding securities (other than short term**

**paper) and the name of any company owning 10% or more of registrant's outstanding voting securities.**

As of December 12, 2012, the registrant had approximately 278 beneficial owners and no company owned more than 10% of the registrant's outstanding voting securities.

**Item 10. State the current value of registrant's total assets.**

As of September 30, 2012, the value of registrant's total assets is $88.

**Item 11. State whether registrant has applied or intends to apply for a license to operate as a small business investment company under the Small Business Investment Act of 1958.**

No.

**Item 12. Attach as an exhibit a copy of the registrant's last regular periodic report to its securityholders, if any.**

Attached as Exhibit 1 is the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012.

**SIGNATURE**

Pursuant to the requirements of the Investment Company Act of 1940, the registrant has caused this notification of registration to be duly signed on its behalf in the city of Minneapolis and state of Minnesota on the 13th day of December 2012.

Mill City Ventures III, Ltd.

/s/ Douglas Polinsky

Douglas Polinsky

*Chief Executive Officer*

Attest: /s/ Joseph A. Geraci, II

Joseph A. Geraci, II

*Chief Financial Officer*

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 10-Q**

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012

OR

¨ TRANSITION REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-16686

**POKER MAGIC, INC.**

(Exact name of registrant as specified in its charter)

| Minnesota | 20-4709758 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

130 West Lake Street, Suite 300, Wayzata, MN

(Address of Principal Executive Offices)

(952) 473-3442

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed from last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of November 14, 2012 there were 1,090,930 shares of the issuer's common stock, $0.001 par value, outstanding.

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**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

Poker Magic, Inc.

(A Development Stage Company)
Balance Sheets

| | September 30, 2012 (unaudited) | December 31, 2011 (audited) |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash | $ 88 | $ 22,817 |
| Total Current Assets | | 22,817 |
| Total Assets | $ 88 | $ 22,817 |
| Liabilities and Shareholders' Deficit | | |
| Current Liabilities | | |
| Accounts Payable | $ 36,261 | $ 3,075 |
| Accrued Royalty | 619 | 619 |
| Note Payable Related Party – short-term | - | 213,675 |
| Interest Payable | 8,149 | 334 |
| Total Current Liabilities | 45,029 | 217,703 |
| Long-Term Liabilities | | |
| Note Payable Related Party – long-term | 251,495 | - |
| Total Long-Term Liabilities | 251,495 | - |
| Total Liabilities | 296,524 | 217,703 |
| Commitments and contingencies | | |
| Shareholders' Deficit | | |
| Common Stock, $.001 par value: Authorized 250,000,000 shares: Issued and outstanding 1,090,930 and 1,043,657 shares on September 30, 2012 and December 31, 2011, respectively. | 1,091 | 1,044 |
| Additional paid-in capital | 808,249 | 772,296 |

| | | |
|---|---|---|
| Deficit accumulated during the development stage | (1,105,776) | (968,226) |
| Total Shareholders' Deficit | (296,436) | (194,886) |
| Total Liabilities and Shareholders' Deficit | $ 88 | $ 22,817 |

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

1

Poker Magic, Inc.

(A Development Stage Company)

Statements of Operations

(unaudited)

| | Three months ended September 30, 2012 | Three months ended September 30, 2011 | Nine months ended September 30, 2012 | Nine months ended September 30, 2011 | Period from January 10, 2006 (inception) through September 30, 2012 |
|---|---|---|---|---|---|
| Revenues | $ - | $ - | $ - | $ - | $ 12,375 |
| Cost of Revenues | - | - | - | - | 61,800 |
| Gross Loss | - | - | - | - | (49,425) |
| Operating Expenses: | | | | | |
| Selling, General and Administrative | 53,288 | 23,952 | 116,915 | 88,131 | 1,008,910 |
| Operating Loss | (53,288) | (23,952) | (116,915) | (88,131) | (1,058,335) |
| Other Income (Expense) | | | | | |
| Interest income | - | - | - | - | 2,203 |
| Interest expense | (7,545) | (5,190) | (20,635) | (13,476) | (49,644) |
| Total Other Income (Expense) | (7,545) | (5,190) | (20,635) | (13,476) | (47,441) |
| Net Loss | $ (60,833) | (29,142) | (137,550) | (101,607) | $ (1,105,776) |
| Basic and diluted net loss per common share | $ (0.06) | (0.03) | (0.13) | (0.10) | $ (1.36) |
| Weighted-average number of common shares outstanding | 1,072,748 | 1,012,020 | 1,057,048 | 1,005,274 | 815,607 |

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

2

Poker Magic, Inc.

(A Development Stage Company)

Statements of Cash Flows

(unaudited)

| | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 | Period from January 10, 2006 (inception) to September 30, 2012 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net loss | $ (137,550) | $ (101,607) | $ (1,105,776) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Amortization of intangible asset | - | - | 38,599 |
| Impairment of inventory and intangible assets | - | - | 4,379 |
| Common stock issued for services | - | - | 6,500 |
| Consulting service expense paid in stock | - | - | 134,341 |
| Officers compensation expense paid in stock | 36,000 | 36,000 | 242,000 |
| Officers compensation expense as contributed capital | | - | 50,000 |
| Changes in operating assets and liabilities: | | | |
| Inventory | - | - | (871) |
| Prepaid expense | - | - | 5,434 |
| Accounts payable | 33,186 | (913) | 36,261 |
| Accrued royalty | - | - | 619 |
| Interest payable | 20,635 | 13,475 | 49,644 |
| Net cash used in operating activities | (47,729) | (53,045) | (538,870) |
| Cash flows from investing activities: | | | |
| Acquisition of Select Video assets | - | - | (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 | - | - | 426,000 |
| Redemption of common stock | - | - | (91,667) |
| Proceeds from note payable related party | 25,000 | 60,000 | 210,000 |
| Payment of short-term debt | - | - | (2,375) |
| Net cash provided by financing activities | 25,000 | 60,000 | 555,958 |

| | | | |
|---|---|---|---|
| Net increase (decrease) in cash | (22,729) | 6,955 | 88 |
| Cash, beginning of the period | 22,817 | 3,081 | - |
| Cash, end of the period | $ 88 | $ 10,036 | $ 88 |
| 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 | - | - | (7,084) |
| Accrued interest converted into note payable | 12,820 | 17,502 | 41,495 |
| Stock issued in lieu of cash for note payable | - | - | 19,709 |
| Stock issued in lieu of cash for prepaid services | - | - | 175,400 |
| Stock subscriptions received for common stock | - | - | 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, 2012

**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 following condensed balance sheet as of December 31, 2011, which has been derived from audited financial statements, and the unaudited interim condensed 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, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012 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, 2011. 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, 2012, the Company incurred a net loss of $1,105,776. 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, if at all.

***Combination (Reverse Split) of Common Stock***

On July 18, 2012, the Company’s Board of Directors approved a 1-to-11 reverse stock split subject to approval by the Company’s stockholders. The reverse stock split, approved by the Company’s stockholders on September 7, 2012, became effective on September 10, 2012. The reverse stock split did not result in a reduction in the number of authorized shares of common stock. The accompanying financial statements and footnotes have been adjusted retroactively to reflect the reverse stock split.

***Fair value of financial instruments***

The carrying amounts of certain of the Company’s financial instruments, including cash, accounts payable, and notes payable approximate fair value due to their relatively short maturities.

**NOTE 2—NET LOSS PER COMMON SHARE**

Basic net loss per common share is computed by dividing net loss 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, 2012 | Three Months Ended September 30, 2011 |
|---|---|---|
| Numerator: Net Loss | $ (60,833) | $ (29,142) |
| Denominator: Weighted-average number of common shares outstanding | 1,072,748 | 1,012,020 |
| Basic and diluted net loss per common share | $ (0.06) | $ (0.03) |

| | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 | Period from January 10, 2006 (inception) to September 30, 2012 |
|---|---|---|---|
| Numerator: Net Loss | $ (137,550) | $ (101,607) | $ (1,105,776) |
| Denominator: Weighted-average number of common shares outstanding | 1,057,048 | 1,005,274 | 815,607 |
| Basic and diluted net loss per common share | $ (0.13) | $ (0.10) | $ (1.36) |

**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 both September 30, 2012 and December 31, 2011, $619 was owed to Select Video under this agreement.

**NOTE 4—SHAREHOLDERS' DEFICIT**

***Common stock***

On January 10, 2006, the founders of the Company purchased 227,273 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 274,817 shares of common stock issued at the deemed fair market value of $.011 per share or $3,023.

On May 23, 2006, the Company issued 5,455 shares of common stock at $2.75 per share in lieu of cash for liabilities assumed.

During 2006, the Company raised additional cash of $87,500 at $2.75 per share through the issuance of 31,818 shares of common stock.

During 2006, the Company issued 2,000 shares to various consultants at $2.75 per share for services rendered.

During 2006, the Company issued 9,091 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 54,545 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 45,455 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 1,818 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 $2.75 per share through the issuance of 7,273 shares of common stock.

On August 1, 2007, the Company issued 5,909 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 9,091 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 2,273 shares of common stock for services. These services were valued at $1,000.

On November 26, 2007, the Company issued 4,545 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 $2.75 per share through the issuance of 10,909 shares of common stock.

In January 2008, the Company raised cash of $25,000 at $2.75 per share through the issuance of 9,091 shares of common stock.

On May 28, 2008, the Company raised cash of $250,000 at $2.75 per share through the issuance of 90,909 shares of common stock together with a warrant, classified as permanent equity, to purchase up to 90,909 shares of common stock, which was immediately exercisable. The warrants do not possess any embedded derivative features. The exercise price was $2.75 per share if purchased within six months of issuance. The exercise price increased to $4.675 for months seven through twelve (after the date of issuance) and to $5.50 after twelve months. The warrant expired on May 27, 2010.

In May 2008, the Company raised cash of $12,500 at $2.75 per share through the issuance of 4,545 shares of common stock.

On August 26, 2008, the Company issued 18,182 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 5,455 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 5,455 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 909 shares of common stock for services. These services were valued at $2,500.

On August 26, 2008, the Company issued 4,545 shares of common stock for services. These services were valued at $5,000.

On December 16, 2008, the Company issued 3,673 shares of common stock for services. These services were valued at $10,100.

On December 31, 2008, the Company issued 2,909 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, 33,333 shares of common stock held by a single shareholder at a price of $2.75 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 36,367 shares of common stock for officer compensation with a fair value of $12,000.

On June 30, 2009, the Company issued 18,182 shares of common stock for officer bonus compensation with a fair value of $6,000.

On June 30, 2009, the Company issued 4,545 shares of common stock for consultant service bonus with a fair value of $1,500.

On June 30, 2009, the Company issued 455 shares of common stock for services with a fair value of $150.

On June 30, 2009, the Company issued 682 shares of common stock for services with a fair value of $225.

On September 30, 2009, the Company issued 18,182 shares of common stock for officer compensation with a fair value of $12,000.

On December 31, 2009, the Company issued 18,182 shares of common stock for officer compensation with a fair value of $12,000.

On March 31, 2010, the Company issued 10,909 shares of common stock for officer compensation with a fair value of $12,000.

On June 30, 2010, the Company issued 13,636 shares of common stock for officer compensation with a fair value of $12,000.

On September 30, 2010, the Company issued 18,182 shares of common stock for officer compensation with a fair value of $12,000.

On December 31, 2010, the Company issued 18,182 shares of common stock for officer compensation with a fair value of $12,000.

On December 31, 2010, the Company issued 18,182 shares of common stock for officer bonus compensation with a fair value of $12,000.

On December 31, 2010, the Company issued 11,364 shares of common stock as a bonus to a consultant for services with a fair value of $7,500.

On December 31, 2010, the Company issued 4,545 shares of common stock for consultant services with a fair value of $3,000.

On March 31, 2011, the Company issued 2,182 shares of common stock for officer compensation with a fair value of $12,000.

On June 30, 2011, the Company issued 9,091 shares of common stock for officer compensation with a fair value of $12,000.

On September 30, 2011, the Company issued 4,364 shares of common stock for officer compensation with a fair value of $12,000.

On December 31, 2011, the Company issued 27,273 shares of common stock for officer compensation with a fair value of $12,000.

On March 31, 2012, the Company issued 10,909 shares of common stock for officer compensation with a fair value of $12,000.

On June 30, 2012, the Company issued 18,182 shares of common stock for officer compensation with a fair value of $12,000.

On September 7, 2012, the Company's shareholders approved a 1-for-11 combination (reverse split) of the Company's common stock without a corresponding reduction in the number of authorized shares of the Company's capital stock effective on September 10, 2012.

On September 30, 2012, the Company issued 18,182 shares of common stock for officer compensation with a fair value of $12,000.

At September 30, 2012, a total of 1,090,930 shares of common stock were issued and outstanding.

**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. There are no uncertain tax positions at September 30, 2012 and December 31, 2011.

At September 30, 2012, the Company had federal and state net operating loss carryforward of approximately $1,038,000 available to offset future taxable income. The Company's federal and state net operating loss carryforwards will begin to expire in 2027 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—NOTES PAYABLE RELATED PARTY**

On October 19, 2010, Douglas Polinsky and Joseph A. Geraci, II, both officers of the Company, each loaned the Company $5,000 under terms and conditions set forth in a related unsecured term promissory note. Each promissory note provided for simple interest to accrue on the unpaid principal balance of the promissory notes at the rate of 12% per annum, and required that accrued interest be paid on a monthly basis until October 18, 2011, at which time the entire unpaid principal balance of $5,000 together with the unpaid accrued interest of $569 (accrued at 12% per annum) became due and payable. Messrs. Polinsky and Geraci both agreed to renew the promissory notes and interest payable totaling $11,139 on September 30, 2011 for a term of six months. Subsequently, Messrs. Polinsky and Geraci both again agreed to renew the promissory notes and interest payable totaling $11,807 on March 31, 2012 for a term of three years. The promissory notes have the same terms as those contained in the original promissory notes and have a maturity date of March 31, 2015.

From July 30, 2009 to July 15, 2011, 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 a total of $150,000 under terms and conditions set forth in unsecured term promissory notes. The promissory notes provided for simple interest to accrue on the unpaid principal balance of the promissory note at the rate of 12% per annum, and required that accrued interest be paid on a monthly basis until maturity, at which time the entire unpaid principal balance of the promissory note became due. On September 30, 2011, Lantern Advisers and the Company consolidated these promissory notes and the accrued but unpaid interest into a new promissory note in the amount of $172,364. The new promissory note had the same terms as those contained in the original promissory notes and had a maturity date of March 31, 2012. On December 30, 2011, Lantern Advisers, LLC loaned the Company an additional $25,000 under terms and conditions set forth in an unsecured term promissory note. The Company consolidated this promissory note with the promissory note referenced above with a principal amount of $172,364 and unpaid interest of $5,172 for a new promissory note in the amount of $202,536. The new unsecured promissory note had the same terms as those contained in the original promissory notes and had a maturity date of June 30, 2012. Subsequently, Lantern Advisers agreed to renew the unsecured term promissory note and interest payable totaling $214,688 on June 30, 2012 for a term of three years. The promissory note has the same terms as those contained in the original promissory note and has a maturity date of June 30, 2015.

On June 1, 2012, Lantern Advisers loaned the Company $25,000 under terms and conditions set forth in an unsecured term promissory note for a term of three years. 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 maturity, at which time the entire unpaid principal balance of the promissory note becomes due.

Total short-term related party notes at September 30, 2012 and December 31, 2011 were $0 and $213,675, respectively, and provided working capital for the Company. Total long-term related party notes as September 30, 2012 and December 31, 2011 were $251,495 and $0, respectively.

The Company incurred interest expense associated with the related party notes as follows:

| | Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 | Period from January 10, 2006 (inception) to September 30, 2012 |
|---|---|---|---|---|---|
| Interest Expense | $ 7,545 | $ 5,190 | $ 20,635 | $ 13,476 | $ 49,644 |

**NOTE 7—SUBSEQUENT EVENT**

On October 31, 2012, Lantern Advisers loaned the Company $50,000 under terms and conditions set forth in an unsecured term promissory note for a term of three years. 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 maturity, at which time the entire unpaid principal balance of the promissory note becomes due.

On November 9, 2012, the Company entered into a subscription agreement for the sale of 100,000 shares of common stock at a per-share price of $1.00. The subscription agreement contained standard and customary representations, warranties and other terms and conditions.

**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 filed with the SEC on February 29, 2012 and related to our year ended December 31, 2011, and the period from January 10, 2006 (inception) to December 31, 2011.*

**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 nationwide, 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."

For the three and nine months ended September 30, 2012 and 2011, we did not generate revenues or incur revenue-related costs. 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 executive management for services rendered, and (ii) expenses for professional services such as legal and accounting services.

As of September 30, 2012, we had $88 in cash on hand and current liabilities of $45,029. As of the date of this filing, we had approximately $145,076.28 in cash on hand, and our management presently believes this cash will be sufficient to continue operations through December 2012. 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 obtain additional financing prior to the end of December 2012.

Management believes that the most significant uncertainties facing the Company relate to our ability to generate 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, 2012 Compared to the Three Months Ended September 30, 2011**

| | Three Months Ended | | | | | | |
|---|---|---|---|---|---|---|---|
| Item | 9/30/12 | 9/30/11 | % Change (Year Over Year) | | % of 2012 Net Loss | | % of 2011 Net Loss | |
| Operating Expenses: | | | | | | | | |
| General Operating Expenses | $ 5,924 | $ 617 | 860.1 | % | 9.8 | % | 2.1 | % |
| Legal and Accounting Expenses | 35,364 | 11,335 | 212.0 | % | 58.1 | % | 38.9 | % |
| Executive Management Compensation in Stock | 12,000 | 12,000 | - | % | 19.7 | % | 41.2 | % |
| Other Income (Expense) | (7,545 ) | (5,190 ) | 45.4 | % | 12.4 | % | 17.8 | % |
| Net Loss | $ 60,833 | $ 29,142 | 108.7 | % | 100 | % | 100 | % |

As the table above demonstrates, during the three months ended September 30, 2012 and 2011, our operating expenses increased 122.5% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011 due to an increase in legal and general operating expenses related to one-time expenses related to our recent reverse stock split. We expect these expenses will remain stable throughout the remainder of 2012.

Our legal and accounting expenses increased 212.0% for the three months ended September 30, 2012 compared to the three months ended September 30, 2011. As we continue to seek gaming regulatory compliance and licenses and other business opportunities, 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 continue to be significant.

**Results of Operations for the Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011**

| Item | Nine Months Ended 9/30/12 | 9/30/11 | % Change (Year Over Year) | | % of 2012 Net Loss | | % of 2011 Net Loss | |
|---|---|---|---|---|---|---|---|---|
| Operating Expenses: | | | | | | | | |
| General Operating Expenses | $6,918 | $1,524 | 354.0 | % | 5.0 | % | 1.5 | % |
| Legal and Accounting Expenses | 73,997 | 50,607 | 46.2 | % | 53.8 | % | 49.8 | % |
| Executive Management Compensation in Stock | 36,000 | 36,000 | - | % | 26.2 | % | 35.4 | % |
| Other Income (Expense) | (20,635 ) | (13,476 ) | 53.1 | % | 15.0 | % | 13.3 | % |
| Net Loss | $137,550 | $101,607 | 35.4 | % | 100 | % | 100 | % |

As the table above demonstrates, during the nine months ended September 30, 2012 and 2011, our operating expenses increased 32.7% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 due to an increase in legal and general operating expenses related to one-time expenses related to our recent reverse stock split. We expect these expenses will remain stable throughout the remainder of 2012.

Our legal and accounting expenses increased 46.2% for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. As we continue to seek gaming regulatory compliance and licenses and other business opportunities, 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 continue to be significant.

We presently expect that compensation expense arising from share issuances to our executive management will remain materially consistent with fiscal 2011. We issue 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 preserve 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 2012.

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 the remainder of fiscal 2012.

**Liquidity and Capital Resources**

Summary cash flow data is as follows:

| | Nine Months Ended March 31, | |
|---|---|---|
| | 2012 | 2011 |
| Cash flows provided (used) by : | | |
| Operating activities | $ (47,729) | $ (53,045) |
| Investing activities | - | - |
| Financing activities | 25,000 | 60,000 |
| Net increase (decrease) in cash | (22,729) | 6,955 |
| Cash, beginning of period | 22,817 | 3,081 |
| Cash, end of period | $ 88 | $ 10,036 |

The cash used in operating activities was primarily from interest expense and an increase in accounts payable.

As of September 30, 2012, we had $88 cash on hand and current liabilities of $45,029. As of the date of this filing, our management believes we have sufficient ability to secure additional capital to continue operations through December

2012. Thereafter, we expect we will require additional capital for operations and to repay related party debt. 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.

On November 9, 2012, we issued a total of 100,000 shares of common stock under a subscription agreement at $1.00 per share. We anticipate utilizing the monies raised to fund our operations.

Management continues to pursue other business opportunities for the Company, including but not limited to the continued marketing of its Winner's Pot Poker game and seeking of additional investment capital. However, management's efforts to date have not yielded any results, and management may ultimately prove unsuccessful in these endeavors, requiring us 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.

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.

**Trends and Uncertainties**

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***

As indicated above, from inception through September 30, 2012 (and presently), the Company has been 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. paid 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. In August 2007, the New Jersey Casino Control Commission adopted temporary regulations governing the Winner's Pot Poker game; and in July 2010, the Commission approved our petition to conduct business as a licensed casino service industry supplier with Bally's Park Place. This license expired in January 2011. We continue to assess our renewal options as we seek new customers in New Jersey.

Since approximately May 2006, we have also been focused on obtaining 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 various casinos or gaming establishments during the past years in an effort to secure additional licensing arrangements. To date, our efforts have been primarily focused on casinos and gaming establishments in Minnesota, New Jersey and Nevada.

Based on our prior license agreement with Bally's Park Place, Inc., we recognized revenue from operations during fiscal 2008 through fiscal 2010. Given the termination of that license agreement, it is uncertain whether we will be able to generate revenues in the future. 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 gaming establishments and thereby generate additional revenues.

***Expenses***

As indicated above under the caption "Results of Operations," our selling, general and administrative expenses overall increased for the three and nine months ended September 30, 2012 compared to the three and nine months ended September 30, 2011 and are expected to remain stable through the remainder of 2012. As we make applications and seek gaming regulatory compliance and licenses, our selling, general and administrative expenses will increase. 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***

Currently, we have yet to obtain the final licensure required in the states of Nevada, New Jersey 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 (which license would be more broad and flexible than the current transactional waiver which the Company has thus far secured from the New Jersey Casino Control Commission)

- 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

- Distribution licenses permitting us to distribute Winner's Pot Poker game units to casinos and gaming establishments in Minnesota; and

- Registration with the Nevada Gaming Commission as a publicly traded company.

In addition, we will likely require positive results from suitability reviews (generally focusing on financial stability, honesty, character and integrity) of our executive management and other key personnel or significant shareholders conducted by the Nevada Gaming Commission and similar state agencies in other jurisdictions. We intend to continue working with the state regulatory and tribal council authorities to obtain the above-described and other registrations and licenses that we deem necessary or desirable as market opportunities come to light.

In general, we have little control over the various licensing, registration and suitability review processes and outcomes in the various states. It is possible that we may not be able to obtain required or desired licenses, registrations or approvals suitably fast enough to exploit potential opportunities with casinos or gaming establishments. It is also possible that our applications for licenses, registrations or findings of suitability may be rejected by state regulatory authorities.

***Financing***

As discussed above under the caption “Liquidity and Capital Resources,” our management believes we have sufficient capital to continue operations through December 2012. 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 2012.

We cannot be certain that any required additional financing will be available on terms favorable to us, if at all. 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.

**Capital Expenditures**

The Company did not have and does not plan to have any material commitments for capital expenditures in 2011 or 2012. Given the Company’s business model, investment in capital resources is not required beyond inventory of its game, which is produced in small quantities on an as-needed basis once a license agreement has been executed.

**Going Concern**

We have incurred operating losses, accumulated deficit and negative cash flows from operations since January 10, 2006 (inception). As of September 30, 2012, we had an accumulated deficit of $1,105,776. These factors, among others, raise 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 and repay related party debt. 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.

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 Annual Report on Form 10-K filed with the SEC in February 2012. There have been no material changes to our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K.

**Item 4. 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, 2012, 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, 2012.

**Changes in Internal Controls**

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II – OTHER INFORMATION**

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

On September 30, 2012, we issued a total of 18,182 shares of common stock to our Chief Executive Officer (9,081 shares) and Chief Financial Officer (9,081 shares) for officer compensation. The Company offered and sold the shares in reliance on the exemptions from registration set forth in Sections 4(2) and 4(5) 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.

On November 9, 2012, the Company entered into a subscription agreement for the sale of 100,000 shares of common stock at a per-share price of $1.00. The Company offered and sold the shares in reliance on the exemptions from registration set forth in Sections 4(2) (Regulation D, Rule 506) and 4(5) 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, (i) the subscription agreement required the investor to make customary representations and warranties respecting investment intent and related matters, and (ii) 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 31, 2012, Lantern Advisers loaned the Company $50,000 under terms and conditions set forth in an unsecured term promissory note for a term of three years. 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 maturity, at which time the entire unpaid principal balance of the promissory note becomes due.

On November 9, 2012, the Company entered into a subscription agreement for the sale of 100,000 shares of common stock at a per-share price of $1.00. The subscription agreement contained standard and customary representations, warranties and other terms and conditions.

**Item 6. Exhibits.**

| Exhibit No. | Description |
|---|---|
| 31.1 | Certification of Chief Executive Officer (filed herewith). |
| 31.2 | Certification of Chief Financial Officer (filed herewith). |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Schema Document |
| 101.CAL | XBRL Calculation Linkbase Document |
| 101.DEF | XBRL Definition Linkbase Document |
| 101.LAB | XBRL Label Linkbase Document |
| 101.PRE | XBRL Presentation Linkbase Document |

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**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 14, 2012

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

Dated: November 14, 2012