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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **December 31, 2014**

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number **333-44315**

**Rotate Black, Inc.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of  
incorporation or organization)

**75-3225181**

(IRS Employer  
Identification No.)

**201 East Mitchell Street, Petoskey, Michigan 49770**

(Address of principal executive offices)

**(231) 347-0777**

(Registrant's telephone number, including area code)

Indicate by checkmark 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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 126.2 of the Exchange Act). Yes  No

The number of shares of common stock outstanding as of May 5, 2015 is 6,118,698.

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ROTATE BLACK, INC. AND SUBSIDIARY

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**ROTATE BLACK, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	December 31, 2014	June 30, 2014
	(Unaudited)	
<b>ASSETS</b>		
Current Assets		
Cash	\$ 13,610	\$ -
Prepaid expenses	27,892	8,616
Total current assets	41,502	8,616
Deferred development costs - Gulfport Project	3,461,217	3,459,212
Land purchase deposit	109,422	109,422
Deferred casino ground lease rent	3,929,063	3,165,468
Deferred development costs - SlotOne - Project	20,000	12,500
Security deposit	3,600	3,600
<b>TOTAL ASSETS</b>	<b>\$ 7,564,804</b>	<b>\$ 6,758,818</b>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 4,639,479	\$ 4,563,200
Accrued salaries	2,059,456	1,781,636
Accrued ground lease rent	3,929,063	3,165,468
Note payable	121,000	121,000
Loans payable - stockholders	210,676	241,943
Mortgage payable - Big Easy vessel	2,975,000	2,975,000
Note payable - Big Easy vessel	600,000	600,000
Accrued interest on mortgage and note payable	5,146,185	4,299,415
Total current liabilities	19,680,859	17,747,662
Convertible promissory notes payable	922,190	779,890
Discount on convertible promissory notes payable	(492,470)	(512,351)
Beneficial conversion feature	166,065	42,738
Warrant liability	176,852	144,387
<b>TOTAL LIABILITIES</b>	<b>20,453,496</b>	<b>18,202,326</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' (DEFICIT) EQUITY</b>		
Common stock, \$0.01 par value, 75,000,000 shares authorized; 6,114,698 and 5,316,684 shares issued and outstanding as of December 31, 2014 and June 30, 2014, respectively	61,147	53,167
Class B Preferred Stock Units, \$0.001 par value, 84,563 and 68,488 Units authorized, issued and outstanding as of December 31, 2014 and June 30, 2014, respectively	2,635,750	2,475,000
Additional paid-in-capital	23,904,172	23,458,739
Accumulated deficit	(35,542,037)	(33,930,034)
Noncontrolling Interest	(3,947,724)	(3,500,380)
<b>TOTAL STOCKHOLDERS' (DEFICIT) EQUITY</b>	<b>(12,888,692)</b>	<b>(11,443,508)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>	<b>\$ 7,564,804</b>	<b>\$ 6,758,818</b>

See notes to consolidated financial statements

**ROTATE BLACK, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
Revenue	\$ -	\$ -	\$ -	\$ -
Operating expenses				
Accrued salary expense	143,740	141,583	293,336	290,910
Stock based compensation	331,360	251,734	514,701	277,734
General and administrative expenses	115,758	35,458	186,097	136,437
Change in fair value of conversion feature	(1,315)	411,160	(44,852)	676,932
Amortization of beneficial conversion feature and discount	94,418	763,874	220,525	935,534
Interest expense	453,608	378,388	889,540	723,410
Total expenses	1,137,569	1,982,197	2,059,347	3,040,957
Net Loss	\$ (1,137,569)	\$ (1,982,197)	\$ (2,059,347)	\$ (3,040,957)
Net Loss Attributable to Noncontrolling Interest	182,289	121,811	447,344	303,868
Net Loss Attributable to Stockholders	\$ (955,280)	\$ (1,860,386)	\$ (1,612,003)	\$ (2,737,089)
Basic and diluted net loss per common share	\$ (0.21)	\$ (0.42)	\$ (0.38)	\$ (0.66)
Basic and diluted average common shares outstanding	5,433,021	4,670,200	5,485,667	4,635,762

See notes to consolidated financial statements

**ROTATE BLACK, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Unaudited)

	Six Months Ended December 31,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (2,059,347)	\$ (3,040,957)
Adjustments to reconcile net loss to cash provided by operating activities:		
Stock-based compensation	333,700	277,734
Cashless Exercise of RBMS warrant	160,750	
Stock issued for notes payable incentive consideration	19,891	-
Stock for interest	10,822	27,652
Loss on impairment of land purchase deposit	-	-
Depreciation and amortization	-	687
Amortization and changes in beneficial conversion feature and warrant liability	155,792	1,979,388
Changes in assets and liabilities:		
Prepaid expenses	(19,276)	2,149
Notes receivable	-	(105,000)
Accounts payable and accrued expenses	1,117,694	781,355
Accrued interest on mortgage and notes payable	846,770	689,022
Net cash provided by operating activities	<u>566,796</u>	<u>612,030</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deferred development costs - Gulfport Project	(2,005)	(13,634)
Deferred casino ground lease rent	(763,595)	(549,435)
Deferred development costs - SlotOne Project	(7,500)	-
Net cash used in investing activities	<u>(773,100)</u>	<u>(563,069)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from convertible promissory notes payable	231,300	475,000
Discount on 10% convertible promissory notes payable	19,881	(366,921)
Increase (decrease) in loans payable - stockholders	(31,267)	12,721
Net cash provided by financing activities	<u>219,914</u>	<u>120,800</u>
Net increase (decrease) in cash	13,610	169,761
Cash, beginning of period	-	46
Cash, end of period	<u>\$ 13,610</u>	<u>\$ 169,807</u>
<b>Noncash Transactions:</b>		
Issuance of common stock in payment of notes payable	<u>\$ 89,000</u>	<u>\$ 100,000</u>
Issuance of common stock as interest	<u>\$ 10,822</u>	<u>\$ 27,652</u>

See notes to consolidated financial statements

**ROTATE BLACK, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**1. ORGANIZATION AND OPERATIONS**

Rotate Black, Inc. (Company) was incorporated in Nevada on August 2, 2006. The Company develops, operates and manages gaming and related properties. On April 1, 2010, the Company commenced operations under the Gulfport Project management agreement.

**Gulfport Project**

The Company's primary focus will be the management of a casino resort in Gulfport, Mississippi ("the Gulfport Project") under the Gulfport Project Management Agreement with the Company's affiliate, Rotate Black MS, LLC (RBMS), a Mississippi limited liability company. (Note 5)

**Other Projects**

On December 13, 2011, the Company formed a wholly-owned subsidiary, SlotOne, Inc., to provide slot machines on a participation basis in certain casino locations where the replacement of old equipment can enhance earnings for the gaming location and the Company. To date, the Company has secured an exclusive license agreement with Global Gaming Group, Inc. for the use of its slot games and gaming content. Currently the Company is assimilating these games and its infrastructure into a new Class II gaming platform. Initial testing of the Company's new state of the art equipment is contemplated in the fall of 2015.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying unaudited financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States for interim financial statements and with the rules and regulations under Regulation S-X of the Securities and Exchange Commission for Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements presentation. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary to present fairly the financial position, results of operations and cash flows for interim financial statements have been included. These financial statements should be read in conjunction with the financial statements of the Company together with the Company's management discussion and analysis in Item 2 of this report and in the Company's Form 10-K for the year ended June 30, 2014. Interim results are not necessarily indicative of the results for a full year.

**Consolidated Financial Statements**

The accompanying consolidated financial statements include all of the accounts of the Company, its subsidiary RB OK, LLC and its affiliate, RBMS (Note 6).

On February 28, 2015, our board of directors approved, and submitted a proposal to our stockholders for approval of a 1 for 10 reverse split of our common stock (the "Reverse Stock Split"). The Reverse Stock Split was intended to increase the market price of our common stock to make our common stock more attractive to a broader range of institutional and other investors. We filed a Certificate of Change with the Secretary of State of the State of Nevada to affect the Reverse Stock Split on March 12, 2015. Upon the effectiveness of the Reverse Stock Split, every ten shares of issued and outstanding common stock of the Company were automatically combined into one share of common stock with any fractional shares rounded up to the next whole share and the par value of the common stock increased from \$0.001 to \$0.01, per share. The Reverse Stock Split reduced the number of outstanding shares of the Company's common stock from approximately 55.0 million shares to approximately 5.5 million shares. The authorized shares of the Company's common stock remain at 75,000,000.

Unless otherwise indicated, all share amounts, per share data, share prices, exercise prices and conversion rates set forth in these notes and the accompanying consolidated financial statements have, where applicable, been adjusted retroactively to reflect the Reverse Stock Split.

Investments in 50% or less owned entities without controlling influence by the Company are accounted for using the equity method. Under the equity method, the Company recognizes its ownership share of the income and losses of the equity entity. Through June 30, 2011, the Company accounted for its investment in RBMS on the equity method (Note 6).

All significant intercompany accounts and transactions have been eliminated.

#### **Reclassifications**

Certain amounts for the current year have been revised or reclassified to conform to 2014 financial statement presentation.

#### **Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### **Financial Instruments**

The Company considers the carrying amounts of financial instruments, including cash, accounts payable and accrued expenses to approximate their fair values because of their relatively short maturities.

#### **Property and Equipment**

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method.

Maintenance and repairs are charged to operating expenses as they are incurred. Improvements and betterments, which extend the lives of the assets, are capitalized. The cost and accumulated depreciation of assets retired or otherwise disposed of are relieved from the appropriate accounts and any profit or loss on the sale or disposition of such assets is credited or charged to income.

#### **Derivative Instruments**

The Company's derivative liabilities are related to embedded conversion features of the 10% Convertible Notes Payable. For derivative instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair market value and is then re-valued at each reporting date, with changes in fair value recognized in operations for each reporting period. The Company uses the Black-Scholes model to value the derivative instruments at inception and subsequent valuation dates and the value is re-assessed at the end of each reporting period in accordance with Accounting Standards Codification ("ASC") 815.

#### **Beneficial Conversion Charge**

The intrinsic value of the beneficial conversion feature arising from the issuance of convertible notes payable with conversion rights that are in the money at the commitment date is recorded as debt discount and amortized to interest expense over the term of the note. The intrinsic value of a beneficial conversion feature is determined after initially allocating an appropriate portion of the proceeds received from the sale of the note to any detachable instruments, such as warrants, included in the sale based on relative fair values.

#### **Revenue Recognition**

Revenue is recognized when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured and delivery or performance of service has occurred. Management fees earned under a contract to operate and manage casino projects are recognized pursuant to terms of the agreement. For the three and six months ended December 31, 2014, the Company had no revenue.

## **Share-Based Compensation**

The Company recognizes compensation expense for all share-based payment awards made to employees, directors and others based on the estimated fair values on the date of the grant. Common stock equivalents are valued using the Black-Scholes Option Pricing Model using the market price of our common stock on the date of valuation, an expected dividend yield of zero, the remaining period or maturity date of the common stock equivalent and the expected volatility of our common stock.

The Company determines the fair value of the share-based compensation awards granted as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measureable. If the fair value of the equity instruments issued is used, it is measured using the stock price and other measurement assumptions as of the earlier of either the date at which a commitment for performance to earn the equity instrument is reached or the date the performance is complete.

The Company recognizes compensation expense for stock awards with service conditions on a straight-line basis over the requisite service period, which is included in operations.

## **Basic and Diluted Net Income (Loss) per Common Share**

Basic net income (loss) per share (EPS) is calculated by dividing net income (loss) available to common stockholders (numerator) by the weighted-average number of common shares outstanding during each period (denominator). Diluted loss per share gives effect to all dilutive common shares outstanding using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Although there were common stock equivalents outstanding as of December 31, 2014 and December 31, 2013, they were not included in the calculation of earnings per shares because their inclusion would have been considered anti-dilutive.

## **Leases**

Rent expense is recognized on the straight-line basis over the term of the lease.

## **Recent Accounting Pronouncements**

In August 2014, FASB issued ASU 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern ("ASU 2014-15") The guidance in ASU 2014-15 sets forth management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern as well as required disclosures. ASU 2014-15 indicates that, when preparing interim and annual financial statements, management should evaluate whether conditions or events, in aggregate, raise substantial doubt about an entity's ability to continue as a going concern for one year from the date the financial statements are issued or are available to be issued. This evaluation should include consideration of conditions and events that are either known or are reasonably knowable at the date the financial statements are issued or are available to be issued, and, if applicable, whether it is probable that management's plans to address the substantial doubt will be implemented and, if so, whether it is probable that the plans will alleviate the substantial doubt. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods and annual periods thereafter. Early application is permitted. The Company does not expect the adoption to have a material impact on the Company's consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.



### 3. GOING CONCERN

The consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has incurred losses since inception, resulting in an accumulated deficit of \$39,489,761 and negative working capital of \$19,639,357 as of December 31, 2014 and further losses are anticipated. These factors raise doubt about the Company's ability to continue as a going concern. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations arising from normal business operations when they come due. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue.

The Company's plan is to commence management fees from the Gulfport Project Management Agreement and other future sources of revenue. Until these occur in sufficient amounts, the Company plans to sell unregistered stock to accredited investors.

### 4. RBMS MANAGEMENT AGREEMENT

On October 27, 2010, RBMS and the Company, as manager, entered into a management agreement, effective as of April 1, 2010 for a period of 99 years. The Company, as manager, would manage all of the operations of the gaming facility. The management fee will be payable; (1) \$200,000, per month, (2) then upon commencement of the gaming operations, \$250,000, per month, and (3) then achieving certain earnings, as defined, \$300,000, per month. The manager is entitled to appoint two directors of the five directors on the RBMS Board of Directors.

In December 2013, the Company agreed to amend its management agreement with RBMS to facilitate the equity financing for the Gulfport Project and is in the process of negotiating the final terms of this agreement.

As of December 31, 2014, and June 30, 2014, in accordance with ASC 810, "Consolidation", Management evaluated and determined that the variable interest holders of RBMS lacked the direct and indirect ability to make decisions about the entity's activities and determined that that the Company is the primary beneficiary of RBMS. As a result, the consolidated financial statements of RBMS have been included in the accompanying consolidated financial statements of the Company.

### 5. GULFPORT CASINO HOTEL PROJECT (HEMINGWAY RESORT AND CASINO)

Pursuant to the new regulatory requirements imposed by the Mississippi Gaming Commission, the Company amended its project plans to a 250,000 square-foot land-based casino featuring gaming, restaurants, bars, and support space, as well as an adjacent 300-room four-star hotel. Subject to obtaining the necessary financing (Note 15), the Company expects the completion and grand opening of the Project in fall 2016. When completed, the \$170 million project will feature:

- Casino— approximately 53,000 square feet of gaming space, including 1,388 slot machines, 33 table games, including blackjack, craps, roulette, and pai-gow;
- Hotel— a 300-room four star hotel including 40 suites and 260 traditional rooms;
- Food and Beverage— 3 distinctive and diverse dining options, including a 120-seat steakhouse, a 240-seat buffet, and a casual dining café;
- Bars— 3 bars, including a Hemingway Bar featuring views of the marina and outdoor seating; and
- Parking— a parking garage and lot that can accommodate approximately 1,200 vehicles.

On November 12, 2014, the Company entered into an exclusive engagement agreement with a financial advisor for the seeking, arranging, negotiating and general advising of the Company with respect to the placement, in one or a series of transactions, of debt and/or equity securities for the purpose of funding the development of the Hemingway Resort and Casino. Consideration for the services under this agreement include a contingent placement fee equal to 3% of the principal amount of any first lien debt and 6% of any subordinated debt or equity like portion.

The financing of this \$170 million project is contemplated to include:

- \$115,000,000 of Senior Secured Notes
- \$25,000,000 of Vendor Finance
- \$25,000,000 of New Rotate Black, Inc. Equity
- \$5,000,000 Equity invested to Date

Rotate Black, Inc.'s equity investment is contemplated to come from the sale of \$25.8 Million of Rotate Black, Inc. Senior Notes. (Note 15)

## 6. INVESTMENT IN RBMS

Upon formation of RBMS and the commencement of the management agreement, the Company, RBL and an officer of the Company owned an aggregate 46.6% of the voting interests of RBMS and the remaining units were sold to outside investors. Through June 30, 2011, the Company accounted for its investment in RBMS on the equity method in accordance with ASC 810-10; as it did not meet all the requirements of a variable interest entity to consolidate; the outside equity investors were not protected from the losses of the entity nor were they guaranteed a return by the legal entity; the outside equity investors expected residual returns that were not capped by any arrangements or documents with other holders; and the percent of ownership was expected to be diluted by future financing of RBMS.

Commencing June 30, 2012, and through December 31, 2014, management evaluated and determined that the variable interest holders lacked the direct and indirect ability to make decisions about the entity's activities and determined that that the Company is the primary beneficiary of RBMS. As a result, the financial statements of RBMS have been included in the accompanying consolidated financial statements of the Company.

### Ground Lease

RBMS has entered into one of two necessary ground leases with regard to the Gulfport Casino Hotel site. It is currently a party to a ninety-nine (99) year ground lease (the "Private Lease") for approximately five (5) acres of land in Gulfport located in the Bert Jones Yacht Basin. RBMS anticipates entering into a fifty-nine (59) year ground lease with the Gulfport Redevelopment Commission for approximately four and one-half (4.5) acres of adjacent and contiguous land (the "GRC Lease"). The GRC Lease will allow RBMS to control more than the minimum seven (7) acres of contiguous land required to have a gaming eligible site in Gulfport, Mississippi.

- **Private Lease** – The Private Lease provides that the Company will pay a percentage rent with a minimum rent guarantee. The percentage rent is equal to four percent (4%) of the gross gaming revenues (as defined in the Private Lease). The minimum rent guarantee is \$110,000 per month with an annual consumer price index adjustment of the minimum rent on the annual anniversary of the Private Lease.
- **GRC Lease** – The current proposed terms for the GRC Lease call for the Company to pay an initial base rent of \$50,000 to the GRC upon commencement of construction of the initial gaming operations. After commencement of the gaming operations, it is anticipated that the rent payable to the GRC will be a percentage rent with a minimum rent guarantee. The rent is anticipated to be equal to one percent (1%) of the gross gaming revenues, and the current proposed minimum rent guarantee will be \$600,000 per annum. There can be no assurance that the GRC will grant a lease to RBMS or on these terms.

## **7. THE BIG EASY GAMING VESSEL**

On June 10, 2010, the Company purchased The Big Easy, a gaming vessel for the Gulfport Project, for an aggregate purchase price of \$4,264,500, payable: (a) by issuance of a secured note payable to the seller of \$2,975,000 (the Secured Note), (b) issuance of an unsecured note payable to the seller of \$600,000 (Unsecured Note), fees of \$414,500 and cash of \$275,000. The gaming vessel collateralized the Secured Notes and both notes are guaranteed by an officer of the Company. The Secured Note was payable on June 11, 2011 and bears interest at 14.5%, per annum, payable \$35,000, per month, commencing June 11, 2010. The Unsecured Note bears interest at 14.5%, per annum, and is payable monthly, in an amount equal to 2% of the monthly gross gaming revenue generated from operations, as defined, until June 2012 when all principal and interest were due. Since September 17, 2010, both notes have been deferred and the interest rate was increased to 20%, per annum.

As of June 30, 2011, the due dates of both notes were extended in support of the Company's current project in Gulfport, MS and the Trustee of the Cruise Holdings bankruptcy estate, holding the mortgage and promissory note payable consented; (1) to require no payments through June 30, 2012; (2) that the collection fees and accrued interest be paid on or before October 1, 2012; (3) extend the due date of the balance of the obligation for the principal and accrued interest to July 1, 2013. The Company has not repaid the principal and accrued interest by the dates stipulated in the extension and is currently in default. As a result, the balances as of the mortgage payable, note payable and accrued interest have been reflected as current liabilities in the Company's balance sheet as of December 31, 2014 and June 30, 2014.

On December 20, 2012, the Company and an officer of the Company, as Guarantor, entered into a Settlement Agreement (Agreement) with the Trustee for the estate of the gaming vessel which set forth terms related to the consideration to be paid by the Company to the Trustee in exchange for the release of all claims against the Company and the Guarantor, including all promissory notes, penalties, fees and interest.

The Agreement is subject to the order of approval by the US Bankruptcy Court, Southern District of Florida, West Palm Division with regard to the Guarantor and will become effective upon the first business day of RBMS's closing on primary equity and debt financing for not less than \$100,000,000 for the design, construction and opening of a casino resort in Gulfport, MS. Pursuant to the terms of the Agreement, upon closing, the Company shall deliver to the Trustee 250,000 shares of newly authorized Series B Subordinated Participating Preferred Stock in Rotate Black. These Series B Preferred shares will be fully redeemed through payments to the Trustee totaling \$5,000,000 and will be determined as a percentage of the Company's gross cash receipts each year, as defined. The payments will be due on a monthly basis. The Series B shares will be subordinated to a maximum of \$2,500,000 of Series A Preferred shares. The Series B are fully redeemable by the Company in part or in full based upon a schedule whereby the balance will be adjusted; (1) within the first three months of the closing to \$2,000,000; (2) within the first 15 months of closing to \$2,500,000; (3) within the first 27 months of closing to \$3,000,000; (4) within the first 39 months of closing to \$3,500,000; (5) within the first 51 months of closing to \$4,000,000; and (5) after 51 but before 59 months of closing the Company is obligated to pay \$5,000,000. If the Series B Preferred is not redeemed on an accelerated basis or in accordance with the terms of the Agreement, the Company shall pay the Trustee the sum of \$5,000,000, plus 12% interest, per annum, over the five years, with default provisions as defined.

## **8. LAND PURCHASE DEPOSIT**

On May 26, 2009, the Company entered into an agreement to acquire real property in Sullivan County, New York. The purchase price for the property was 140,983 shares of common stock of the Company, \$1,750,000 in cash on escrow and \$1,750,000 in cash upon closing. On May 11, 2009, the Company issued 63,074 shares of common stock and Rotate Black, LLC transferred, on behalf of the Company, 77,909 shares of the Company's common stock to the seller, both being held in escrow, as a deposit under the agreement for the first right to purchase the real property. The shares were valued at \$7,049,142, \$50.00, per share. In October 2009, the Company issued 77,909 shares of common stock to Rotate Black, LLC as repayment of the advance.

On November 9, 2009, March 16, 2010 and May 21, 2010, the Company issued 7,000 (valued at \$350,000, \$50.00, per share), 20,861 (valued at \$521,532, \$25.00, per share) and 50,000 (valued at \$550,000 \$11.00, per share) shares of common stock in satisfaction of anti-dilution rights of the land purchase agreement.

The Company has evaluated the fair value of the land deposit and has determined that the acreage of land has a fair value in excess of the book value of the deposit recorded, however, the value of the 218,844 shares of the common stock of the Company provided as a deposit on the land is in excess of its fair value and, therefore, recorded a loss on impairment of the land purchase deposit of \$8,361,252 as of June 30, 2014.

#### **9. LOANS PAYABLE – STOCKHOLDERS**

Loans payable – stockholders consists of advances made by the certain stockholders of the Company and an officer of the Company through a limited liability entity owned by him, and are payable on demand.

#### **10. EMPLOYMENT AGREEMENT**

Commencing July 3, 2013, the Company entered into an agreement with its Chief Financial Officer for a term of twelve months subject to earlier termination or renewable upon mutually agreed terms which has been extended on a month-to-month basis. Compensation for the officer is accrued at \$5,000, per month, and will not be paid until the earlier that the Company has successfully raised a minimum of \$500,000 in working capital for its own operations or the Company has sufficient excess cash reserves to enable payment. Upon signing the agreement, the officer was issued 100,000 shares of common stock as a signing bonus and is entitled to receive 1,000 additional shares of the Company's common stock for each month of service provided, issued quarterly.

#### **11. CONVERTIBLE AND PROMISSORY NOTES**

On each of July 1, 2014, and on August 28, 2014, the Company sold \$32,500, of nine month 8% convertible promissory notes. The notes can be converted at the variable conversion price, as defined, beginning on the date that is 180 days following the date of the note and thereafter at any time until the note is fully paid. If at any time when the notes are issued and outstanding, the Company issues or sells shares of common stock for no consideration or for a consideration per share less than the conversion price, as defined, in effect on the date of the issuance, then the conversion price will be reduced to that amount.

In December 2014 and February 2015, these notes were repaid.

On October 7, 2014, the Company sold \$6,000, of the two-year 10% convertible promissory notes. The note can be converted at a price of \$0.90 a share from the closing date and thereafter at any time until the note is fully paid.

On October 17, 2014, the Company sold \$7,800, of the two-year 10% convertible promissory notes. Warrants to purchase an aggregate of 8,667 shares of the Company's common stock were issued in conjunction with these financings. The note can be converted at a price of \$0.90 a share from the closing date and thereafter at any time until the note is fully paid.

On December 2, 2014, the Company sold \$300,000, of the two-year 10% convertible promissory notes. Warrants to purchase an aggregate of 330,000 shares of the Company's common stock were issued in conjunction with these financings. The note can be converted at a price of \$0.90 a share from the closing date and thereafter at any time until the note is fully paid.

From May 1, 2012 and continuing through December 31, 2014, the Company issued an aggregate of \$1,313,690 in two-year, 10% convertible promissory notes and \$65,000 in 8% convertible promissory notes. The notes are convertible into the Company's common stock as defined at \$0.90 a share. There is a total of \$922,190 in convertible notes outstanding as of December 31, 2014.

In December 2014 the Company changed the exchange price on the convertible promissory notes and warrant to \$0.90 (in effect with the reverse stock split).

The convertible note holders were also issued a five year common stock purchase warrant for the purchase of up to 856,004 shares of the Company's common stock, at a price per share of \$0.90, that permits a cashless exercise in the event that the underlying shares of common stock to be issued upon exercise are not registered pursuant to an effective registration statement at the time of the exercise.

***Convertible Promissory Note Payable Beneficial Conversion Feature***

As part of the issuance of the convertible promissory notes payable, the Company recorded a liability for the embedded beneficial conversion feature on the convertible debentures. Since the conversion feature of the note payable may be reset based upon subsequent financing, the derivative was reflected as a liability. The Company records changes in fair value at each reporting period in its consolidated statements of operations as a gain or loss associated with the change in fair market value. For the six months ended December 31, 2014 and 2013, the Company recorded a (gain)/expense on the change in fair market value of (\$44,852) and \$676,932, respectively.

The Company calculates the value of the conversion features using the Black Scholes Option Pricing Model, and has reflected this as a discount against the convertible promissory note, amortizable as interest expense over two years.

***Warrants***

As part of the issuance of the convertible debentures, the Company recorded a liability for the issuance of detachable warrants. Although such warrants are typically considered equity instruments, the warrant agreement allows for resets of the conversion price based upon subsequent financings, therefore the warrant issuance was deemed a liability for financial reporting purposes under the accounting guidance.

The warrants were valued using the Black-Scholes Option Pricing Model with the stock price on day of grant, the risk free interest rate and the expected volatility. This value has been reflected as discount of the convertible promissory note payable, amortizable as interest expense over two years.

As of December 31, 2014 and June 30, 2014, the Convertible Promissory Notes Payable were as follows:

	<u>December 31, 2014</u>	<u>June 30, 2014</u>
10% Convertible Promissory Note Payable	\$ 857,190	\$ 779,890
8% Convertible Promissory Note Payable	\$ 65,000	\$ -
Less:		
Beneficial Conversion Feature Discount	\$ (101,656)	\$ (50,630)
Warrant Discount	<u>\$ (390,814)</u>	<u>\$ (461,721)</u>
Convertible Promissory Note Payable - Net	<u>\$ 429,720</u>	<u>\$ 267,539</u>

For the six months ended December 31, 2014 and 2013 respectively, the Company recorded \$220,525 and \$935,534 as amortization of the beneficial conversion feature and discount.

On September 6, 2012, the Company received \$65,000 in loan proceeds. A promissory note was issued in the amount of \$121,000, which includes interest payments of \$56,000. In addition, 18,500 shares of common stock were issued as additional interest. Pursuant to the terms of the note, if the promissory note was not repaid by May 20, 2013 the Company is to use its best efforts to liquidate shares of its common stock to repay the loan. As of the date of the accompanying consolidated financial statements, no payments have been made on the promissory note.

## **12. COMMON AND PREFERRED STOCK**

In July, August and September 2014, the Company issued an aggregate of 3,000 shares of common stock, at \$0.50, per share, as officer compensation valued at \$1,500.

On August 3, 2014, the Company issued 99,457 shares of common stock for the conversion of a 10% Convertible Promissory Note, plus accrued interest and additional interest as an incentive consideration, valued at \$89,511.

In October, November and December 2014, the Company issued an aggregate of 3,000 shares of common stock, at \$0.50, per share, as officer compensation valued at \$1,500.

On October 1, 2014, the Company issued 44,000 shares of common stock for consulting services valued at \$22,000.

On October 22, 2014, the Company issued 33,557 shares of common stock for the conversion of a 10% Convertible Promissory Note and accrued interest valued at \$30,202.

On December 30, 2014, the Company issued 15,000 shares of common stock for consulting services valued at \$7,500.

On December 30, 2014, the Company issued an aggregate of 600,000 shares of common stock for compensation to two officers of the Company valued at \$300,000.

### **As of June 30, 2014, the Company issued:**

The Company issued 20,000 shares of common stock for legal services valued at \$1.00 per share.

The Company issued an aggregate of 222,000 shares of common stock as officer compensation valued at \$144,000.

The Company issued an aggregate of 294,939 shares of common stock for were issued for the conversion of 10% Convertible Promissory Notes and accrued interest valued at \$294,921.

The Company issued an aggregate of 68,333 shares of common stock in consideration of notes payable valued at \$136,667.

The Company issued 32,500 shares of common stock as additional consideration to note holders.

The Company issued an aggregate of 94,533 shares of common stock for consulting services valued at an aggregate of \$179,067.

The Company issued 10,000 shares of common stock for interest valued at \$20,000.

The Company issued 4,485 shares of common stock for the exercise of cashless warrants.

## **RBMS Equity**

RBMS equity consists of 84,563 Series B Common Units and 8,861 warrants to purchase B Common Units. \$1,925,000 in Units were sold for cash from 2010 through 2012 and \$550,000 in Units were issued for services rendered to the Company. Pursuant to these transactions Series A Preferred Unit holders converted into Common B Units. In August 2014, certain stockholders of RBMS exercised a warrant for a cashless exercise of 16,075 Series B Common Units valued at \$160,750.

## **Stock Option Plan**

On July 6, 2011, the Company's stockholders approved the Rotate Black, Inc. Stock Option Plan (Plan) under which the Chief Executive Officer of the Company may grant incentive stock options to certain employees to purchase up to 25,000,000 shares of common stock of the Company. The option price shall be no less than the fair market value of the stock, as defined. The Plan shall terminate after ten years. As of December 31, 2014 and June 30, 2014 no options were granted under the Plan.

## **Preferred Stock**

The Company has 5,000,000 shares of Preferred Stock authorized, which has no designation.

On June 10, 2011, the Board of Directors designated 500 shares of Class A 12% Preferred stock (Series A), stated value of \$1,000, per share. Each share is convertible at any time from and after the issue date into shares of common stock determined by dividing the stated value of the shares of Series A by the conversion price of \$.10, as defined. Holders of the Series A are entitled to receive cumulative dividends at 12%, per annum, payable quarterly, subject to periodic increases, as defined, and a late fee of 18%, per annum. The Series A have certain anti-dilution rights, as defined. In addition, upon the occurrence of any triggering event, as defined, the holder of the Series A shall have the right to: (A) require the Company to redeem all of the Series A held by the holder for a redemption price, in cash, equal to the an amount as defined, or (B) redeem all of the Series A held by the holder for a redemption price, in shares of common stock of the Company, equal to a number of shares equal to the redemption amount, as defined. Upon liquidation of the Company, the Series A holders are entitled to receive an amount equal to the stated value, plus accrued and unpaid dividends. The Series A have no voting rights.

On June 10, 2011, the Company entered into a Securities Purchase Agreement to sell up to an aggregate of 500 shares of Preferred Stock with an aggregate value of \$500,000.

As of June 30, 2011 the Company sold 190 Series A shares with 95,000 warrants to purchase common stock for an aggregate of \$190,000. Each warrant is exercisable at \$4.00, per share, for five years. As of December 31, 2014 and June 30, 2014, none of the warrants have been exercised.

The fair value of the 95,000 detachable warrants sold with the Series A for an aggregate of \$190,000, was valued at \$91,500 and recorded as additional paid-in capital using a Black Scholes Option Pricing Model using the stock price on day of grant, \$1.90, per share, the risk free interest rate of 1.48% and the expected volatility of 81.13%.

Since the Series A embodies an obligation to repurchase the issuer's equity shares in response to a triggering event, as defined, the Company classified the Series A Preferred Stock as a liability in accordance with guidance under ASC 480-10-65.

As of June 30, 2013, all of the 190 shares of Series A Preferred Stock, including accrued interest, dividends and fees, have been converted to an aggregate of 403,039 shares of the Company's common stock.

## Warrants

As of December 31, 2014, the Company has the following warrants outstanding.

	Warrants Issued	Exercise Price	Term
Series A warrants	95,000	\$ 0.90	5 years
10% Convertible Promissory Notes Payable	856,004	\$ 0.90	5 years
Officers and Affiliates	128,000	\$ 0.90	5 years
Investment Banker Fees	17,730	\$ 0.90	5 years
Total	1,096,734		

## 13. COMMITMENTS AND CONTINGENCIES

The Company has guaranteed certain notes payable of RBL in the amount to \$250,000. (Note 7)

On February 19, 2013 the Company agreed to engage a non-exclusive placement agent in connection with the possible private placement of equity, equity-linked or debt securities in connection with the financing of the Gulfport casino hotel project ("Agreement"). On November 6, 2014, the Company terminated this agreement and agreed to a success-based fee of up to \$250,000 contingent upon the close of the Gulfport transaction.

On November 12, 2014, the Company agreed to engage an exclusive financial advisor and placement agent in connection with the possible private placement of equity, equity-linked or debt securities in connection with the financing of the Gulfport casino hotel project ("Agreement"). The Agreement is for an initial term of twelve months and the scope of the engagement agreement calls for a nonrefundable transaction fee, as defined, equal to the sum of (i) 3.00% of the aggregate principal amount of all unsecured, non-senior, second lien or subordinated debt securities, senior notes, capital leases, operating leases and/or bank debt raised or committed from a financing partner introduced to the Company by the agent and (ii) 6.00% of the aggregate amount of all equity and equity-linked securities, as defined, placed or committed from a financing partner introduced to the Company by the agent. The transaction fee shall be subject to an aggregate minimum fee of \$1,500,000 provided that the project is financed or the Company enters into an agreement whereby there is change of control.

### Litigation

On February 23, 2010, a Complaint was filed in the Third Judicial District Court of the State of Nevada in and For the County of Lyon against the Company, RBL, and others in the amount of \$5,000,000 pursuant to the termination of a development agreement for the Dayton Project. On July 16, 2010, the Company and Defendants filed an answer and counterclaim. A default Judgment was filed in the Third Judicial District Court of the State of Nevada In and For the County of Lyon on August 8, 2011 against the Company, Rotate Black, LLC, two officers of the Company. On June 6, 2012, the Company filed a Motion for Leave to Seek District Court's Correction of Clerical Error Appearing on the Face of the Judgment, Subject Matter of Current Appeal in the Supreme Court of the State of Nevada. On June 7, 2012 the Company was notified that the Nevada Supreme Court would hear its appeals to the default judgment. On September 14, 2014 the Supreme Court upheld the default, but overturned the default judgment and remanded the case back down to the District Court. The Company will continue to vigorously defend this action but can provide no assurance as to the likelihood of the outcome of the matter.

On January 18, 2012, an investment banker filed a civil lawsuit against the Company in the Circuit Court of Harrison County, Mississippi, First Judicial District, alleging breach of a fee letter agreement in the amount of \$150,000, plus attorney's fees and costs. The Plaintiff filed a motion for summary judgment on November 21, 2013, which was heard on January 9, 2014, whereupon the motion was granted with regard to the Company's liability for \$25,000. The Court has not entered an order confirming its ruling and has not reached a determination as to the Company's liability on the remaining \$125,000. The Company will vigorously defend this action but can provide no assurance as to the likelihood of the outcome of the matter. As of December 31, 2014 and June 30, 2014, the Company has an accrued liability of \$150,000 against the claim.



#### **14. INCOME TAXES**

The Company and its subsidiaries file separate tax returns. As of December 31, 2014 and June 30, 2014, management has evaluated and concluded that there are no significant uncertain tax positions requiring recognition in the Company's consolidated financial statements.

#### **15. SUBSEQUENT EVENTS**

##### **Common Stock**

In January, February, March and April 2015 the Company issued an aggregate of 4,000 shares of common stock for compensation to an officer of the Company.

##### **Convertible Notes and Warrants**

On January 3, 2015, the Company sold a \$15,000, two-year, 10% convertible promissory note.

On March 1, 2015, the Company sold an aggregate of \$50,000, two-year, 10% convertible promissory notes.

On March 19, 2015, the Company sold an aggregate of \$60,500, two-year, 10% convertible promissory notes.

The notes can be converted at a price of \$0.90, per share, share from the closing date and thereafter at any time until the note is fully paid. Warrants to purchase an aggregate of 33,889 shares of the Company's common stock were issued in conjunction with these convertible promissory notes.

##### **Financing**

On November 12, 2014, the Company entered into an exclusive engagement agreement with a financial advisor for the seeking, arranging, negotiating and general advising of the Company with respect to the placement, in one or a series of transactions, of debt and/or equity securities for the purpose of funding the development of the Hemingway Resort and Casino. Consideration for the services under this agreement include a contingent placement fee equal to 3% of the principal amount of any first lien debt and 6% of any subordinated debt or equity like portion.

The total financing of this project is contemplated to be \$170 million and is anticipated to be structured in the following way:

- \$115,000,000 of Senior Secured Notes
- \$25,000,000 of Vendor Finance
- \$25,000,000 of New Rotate Black, Inc. Equity
- \$5,000,000 of Equity invested to Date

Rotate Black, Inc.'s equity investment is contemplated to come from the direct sale of \$25.8 Million of Rotate Black, Inc. Senior Notes.

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

### FORWARD LOOKING STATEMENTS

*This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, relating to our financial condition, profitability, liquidity, resources, business outlook, market forces, corporate strategies, contractual commitments, legal matters, capital requirements and other matters. We note that many factors could cause our actual results and experience to change significantly from the anticipated results or expectations expressed in our forward-looking statements. When words and expressions such as: "believes," "expects," "anticipates," "estimates," "plans," "intends," "objectives," "goals," "aims," "projects," "forecasts," "possible," "seeks," "may," "could," "should," "might," "likely," "enable," "will likely result," "are expected to," "will continue," "is anticipated," "believes," "estimates," "projects" or similar words or expressions are used in this Form 10-Q, as well as statements containing phrases such as "in our view," "there can be no assurance," "although no assurance can be given," or "there is no way to anticipate with certainty," forward-looking statements are being made and these words or phrases or similar expressions should be interpreted as intended to identify these forward-looking statements.*

*In addition to the risks discussed in Item 1A "Risk Factors" of our Form 10-K, filed with the Securities and Exchange Commission on March 18, 2015, various other risks and uncertainties may affect the operation, performance, development and results of our business and could cause future outcomes to change significantly from those set forth in our forward-looking statements, including the following factors:*

- our growth strategies;
- our development and potential acquisition of new facilities;
- risks related to development and construction activities;
- anticipated trends in the gaming industries;
- patron demographics;
- general market and economic conditions;
- access to capital and credit, including our ability to finance future business requirements;
- the availability of adequate levels of insurance;
- changes in federal, state, and local laws and regulations, including environmental and gaming license legislation and regulations;
- regulatory approvals;
- competitive environment; and
- risks, uncertainties and other factors described from time to time in this and our other SEC filings and reports.

*These statements are subject to risks and uncertainties beyond our reasonable control that could cause our actual business and results of operations to differ materially from those reflected in our forward-looking statements. Forward-looking statements are not guarantees of future performance. Our forward-looking statements are based on trends which we anticipate in our industry and our good faith estimate of the effect on these trends of such factors as industry capacity, product demand and product pricing. The inclusion of projections and other forward-looking statements should not be regarded a representation by us or any other person that we will realize our projections or that any of the forward-looking statements contained in this quarterly report will prove to be accurate.*

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

## MANAGEMENT'S ANALYSIS OF BUSINESS

As used herein the terms "we", "us", "our," the "Registrant," and the "Company" means, Rotate Black, Inc., a Nevada corporation.

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and related notes included in this report. This discussion includes forward-looking statements that involve risks and uncertainties. As a result of many factors, our actual results may differ materially from those anticipated in these forward-looking statements.

### GENERAL OVERVIEW OF BUSINESS

Rotate Black, Inc. (the Company), was incorporated in Nevada on August 2, 2006. The Company develops, operates and manages gaming and related properties. On April 1, 2010, the Company commenced operations under the Gulfport Project management agreement.

The Company's primary focus will be the management of a casino resort in Gulfport, Mississippi (the "Gulfport Project") under the Gulfport Project Management Agreement with the Company's affiliate, Rotate Black MS, LLC (RBMS), a Mississippi limited liability company.

On May 28, 2010, the Company, Rotate Black, LLC ("RBL"), an entity under common control with the company, and an officer of the Company formed RBMS to own, develop and manage the operations of a dockside vessel-based casino in Gulfport, Mississippi. The initial strategy was to secure an existing gaming vessel, move the vessel to the Company's Gulfport site, and build land assets on that site to support the gaming vessel. Subsequently, the strategy was changed to developing an entirely land-based casino.

The Gulfport Project is being developed on approximately nine-and-a-half acres of the last gaming-eligible sites in Gulfport, Mississippi. The Gulfport Project is adjacent to the \$625+ million redevelopment of the Marina, Port and downtown Gulfport areas.

Gulfport, the second largest city in Mississippi, is approximately 12 miles west of Biloxi. The Gulfport Project is expected to be a sixteen-month development period. Upon completion, the casino is intended to feature roughly 1,400 slot machines and 33 table games. The Gulfport Project's non-gaming amenities are anticipated to include a 300 room hotel, pool, cabanas, steakhouse, buffet, snack bar and feature bars.

The Company believes that various factors will drive the success of the Gulfport Project and its competitive position including favorable population demographics in the regional area, an established and stable existing gaming market, easy accessibility, and location as part of the renewed Gulfport Marina and Port areas.

The Gulfport Project is to be located approximately 65 miles northeast from New Orleans, Louisiana; 70 miles south of Hattiesburg, Mississippi; 65 miles southwest from Mobile, Alabama; and, 105 miles from Pensacola, Florida. In total, the approximately five million people living within 150 miles generate approximately 17 million visits to the Gulf Coast market each year.

In addition, the project site is just south of downtown Gulfport, four miles from the Gulfport-Biloxi International Airport and adjacent to Mississippi's third busiest intersection with an estimated 34,000 cars passing by daily.

## **Gulfport Project**

On May 28, 2010, the Company, Rotate Black, LLC (RBL), an entity under common control with the Company, and an officer of the Company formed Rotate Black MS, LLC (RBMS), a Mississippi limited liability company, to own, develop and manage the operations of a casino resort to be located on the property adjacent to the Gulfport, MS marina. RBMS's initial strategy was to secure an existing gaming vessel, move the vessel to the Gulfport site, and build land assets on that site to support the gaming vessel. Subsequently, RBMS changed its strategy to an entirely land-based casino.

Pursuant to the new regulatory requirements imposed by Mississippi Gaming Commission, the Company amended its project plans to a 250,000 square-foot land-based casino featuring gaming, restaurants, bars, and support space, as well as an adjacent 300-room four-star hotel. The Company expects the completion and grand opening of the Project in Fall 2016. Upon completion, the proposed \$170 million project is anticipated to feature:

- Casino – approximately 53,000 square feet of gaming space, including 1,388 slot machines, 33 table games, including blackjack, craps, roulette, and easy-baccarat
- Hotel – a 300-room four star hotel including 40 suites and 260 traditional rooms
- Food and Beverage – Three distinctive and diverse dining options, including a 120-seat steakhouse, a 240-seat buffet, and a casual dining café
- Bars – Three bars, including a Hemingway Bar featuring views of the marina and outdoor seating
- Parking – a parking garage and lot that can accommodate approximately 1,200 vehicles

On November 12, 2014, the Company entered into an exclusive engagement agreement with a financial advisor for the seeking, arranging, negotiating and general advising of the Company with respect to the placement, in one or a series of transactions, of debt and/or equity securities for the purpose of funding the development of the Hemingway Resort and Casino. Consideration for the services under this agreement include a contingent placement fee equal to 3% of the principal amount of any first lien debt and 6% of any subordinated debt or equity like portion.

The total financing of this project is contemplated to be \$170 million and is anticipated to be structured in the following way:

- \$115,000,000 of Senior Secured Notes
- \$25,000,000 of Vendor Finance
- \$25,000,000 of New Rotate Black, Inc. Equity
- \$5,000,000 Equity invested to Date

Rotate Black, Inc.'s equity investment is contemplated to come from the direct sale of \$25.8 Million of Rotate Black, Inc. Senior Notes.

## **Other Projects**

### **SlotOne, LLC**

On December 13, 2011, the Company formed a wholly-owned subsidiary, SlotOne, Inc., to provide slot machines on a participation basis in certain casino locations where the replacement of old equipment can enhance earnings for the gaming location and the Company. To date, the Company has secured an exclusive license agreement with Global Gaming Group, Inc. for the use of its slot games and gaming content. Currently the Company is assimilating these games and its infrastructure into a new Class II gaming platform. Initial testing of the Company's new state of the art equipment is contemplated in the fall of 2015.

## **Going Concern**

Our financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. The Company has incurred substantial losses from operations and it has negative operating cash flow, which raises doubt about its ability to continue as a going concern. The Company sustained a net loss attributable to common shareholders of (\$1,612,003) for the six months ended December 31, 2014 and has an accumulated deficit as of December 31, 2014 of \$39,489,761.

We intend to continue our planned capital expenditures to develop our gaming interests, as discussed, but we do not have sufficient realized revenues in order to finance these activities internally. As such, we intend to seek capital in order to fund our working capital and capital expenditure needs.

Although we recently obtained additional financing through convertible promissory notes and loans, we can provide no assurance that we will be able to obtain sufficient additional funds to develop our interests and alleviate doubt about our ability to continue as a going concern. We cannot be certain that additional funds, even if available, will be on acceptable terms. To the extent the Company raises additional funds by issuing equity or equity-linked securities, our stockholders may experience significant dilution. Any debt financing, if available, may involve restrictive covenants that impact our ability to conduct business. Furthermore, certain of our current creditors may be required to approve any such transaction and may require the issuance of securities convertible into equity of the Company that can result in significant dilution.

The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## **Results of Operations**

### **Three months ended December 31, 2014 compared to the three months ended December 31, 2013**

#### **Revenue**

For the three months periods ended December 31, 2014 and 2013, we had revenues of \$0 and \$0 respectively. The Company is anticipating management fees associated with the Gulfport project.

#### **Expenses**

Our total expenses for the three months ended December 31, 2014, were \$1,137,569 as compared to \$1,982,197 for the comparable prior year period. The decrease of \$844,628, approximately 43%, can be attributed primarily to decreases in change in fair value of the conversion feature of the notes payable and amortization of the beneficial conversion feature offset by increases in general and administrative expenses, interest expense, stock-based compensation expense and accrued salary expense.

General and administrative expenses for the three months ended December 31, 2014, were \$115,758 as compared to \$35,458 for the comparable prior year period. The increase of \$80,300, approximately 226%, is mainly attributable to increases in legal and lease extension fees offset by a decrease in lobbyist fees.

Interest expense for the three months ended December 31, 2014 was \$453,608 as compared to \$378,388 for the three months ended December 31, 2013. This increase of \$75,220, approximately 20% resulted primarily from increases in interest related to the mortgage on the Big Easy Vessel and Promissory Notes in addition to interest on stockholder loans and the convertible promissory notes.

Net loss attributable to stockholders for the three months ended December 31, 2014, was \$955,280 as compared to a net loss of \$1,860,386 for the comparable prior year period. The decrease in loss of \$905,106, approximately 49%, attributed primarily to decreases in the change in fair value of the conversion feature of the notes payable and amortization of the beneficial conversion feature offset by increases in general and administrative expenses, interest expense, stock-based compensation expense and accrued salary expense.

## **Six months ended December 31, 2014 compared to the six months ended December 31, 2013**

### **Revenue**

For the six month periods ended December 31, 2014 and 2013, we had revenues of \$0 and \$0 respectively. The Company is anticipating management fees associated with the Gulfport project.

### **Expenses**

Our total expenses for the six months ended December 31, 2014, were \$2,059,347 as compared to \$3,040,957 for the comparable prior year period. The decrease of \$981,610, approximately 32%, can be attributed primarily to decreases in the change in fair value of the conversion feature of the notes payable and amortization of the beneficial conversion feature offset by increases in general and administrative expenses, interest expense, stock-based compensation expense and accrued salary expense.

General and administrative expenses for the six months ended December 31, 2014, were \$186,097 as compared to \$136,437 for the comparable prior year period. The increase of \$49,660, approximately 36%, is mainly attributable to increases in legal and lease extension fees offset by a decrease in lobbyist fees.

Interest expense for the six months ended December 31, 2014 was \$889,540 as compared to \$723,410 for the six months ended December 31, 2013. This increase of \$166,130, approximately 23% resulted primarily from increases in interest related to the mortgage on the Big Easy Vessel and Promissory Notes in addition to interest on stockholder loans and the convertible promissory notes.

Net loss attributable to stockholders for the six months ended December 31, 2014, was \$1,612,003 as compared to a net loss of \$2,737,089 for the comparable prior year period. The decrease in loss of \$1,125,086, approximately 41%, attributed primarily to decreases in change in fair value of conversion feature of the notes payable and amortization of the beneficial conversion feature offset by increases in general and administrative expenses, interest expense, stock-based compensation expense and accrued salary expense.

### **Liquidity and Capital Resources**

As of December 31, 2014, we had negative working capital of \$19,639,357 compared to negative working capital of \$17,739,046 as of June 30, 2014, and an accumulated deficit of \$39,489,761 as of December 31, 2014, and further losses are anticipated.

We do not have sufficient funds to continue our operating activities. Future operating activities are expected to be funded by sales of common stock and to a limited extent, debt financing until such time that operations will generate sufficient funds.

These factors raise doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations arising from normal business operations when they come due. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts of and classification of liabilities that might be necessary in the event we cannot continue.

### **Cash Provided by Operating Activities**

Cash flows from operating activities for the six months ended December 31, 2014 was \$566,696, as compared to \$612,030 for the comparable six months ended December 31, 2013. The decrease in the Company's operating cash flows was \$45,234 from the six months ended December 31, 2014 as compared the three months ended December 31, 2013. The Company had not generated revenues from operations for the six months ended December 31, 2014 or 2013. As a result, cash flows from operations are generated primarily by changes in amortization and changes in fair market value associated with the convertible debt and warrant liability, offset by amounts accrued for operating expenses and stock-based compensation.

### **Cash Used in Investing Activities**

Cash flows used in investing activities for the six months ended December 31, 2014 was \$773,100 as compared to \$563,069 used in investing activities for the three months ended December 31, 2013. This increase in cash used in investing activities of \$210,031 consisted primarily of an increase in deferred casino ground lease rent.

### **Cash Provided by Financing Activities**

Cash flows provided by financing activities for the three months ended December 31, 2014 were \$219,914 as compared to \$120,800 provided by financing activities for the three months ended December 31, 2013. This increase in cash provided by financing activities of \$99,114 consisted primarily of an increase in discounts on notes payable offset by a decreases in the proceeds from convertible promissory notes and loans payable stockholders.

### **Off-balance Sheet Arrangements**

The Company has no off-balance sheet arrangements other than the guarantees discussed in the Notes to the consolidated financial statements.

### **Impact of Inflation**

We believe that inflation has not had a material impact on our results of operations for the period ended December 31, 2014. We cannot be assured that future inflation will not have an adverse impact on our operating results and financial condition.

### **Climate Change**

Our opinion is that neither climate change, nor governmental regulations related to climate change, have had, or are expected to have, any material effect on our operations.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information to be reported under this item is not required of smaller reporting companies.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and the Chief Financial Officer, we have concluded that our disclosure controls and procedures were not effective as of December 31, 2014, based on their evaluation of these controls and procedures. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in reports it files or submits under the Exchange Act is accumulated and communicated to management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

We have identified certain matters that constitute deficiencies (as defined under the Public Company Accounting Oversight Board Auditing Standard No. 5) in our internal controls over financial reporting. The deficiencies that we have identified relate to the fact that that our overall financial reporting structure, internal accounting information systems and current staffing levels are not sufficient to support our financial reporting requirements. We are working to remedy our deficiencies.

### **Changes in internal control over financial reporting**

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

On February 23, 2010, a Complaint was filed in the Third Judicial District Court of the State of Nevada in and For the County of Lyon against the Company, RBL, and others in the amount of \$5,000,000 pursuant to the termination of a development agreement for the Dayton Project. On July 16, 2010, the Company and Defendants filed an answer and counterclaim. A default Judgment was filed in the Third Judicial District Court of the State of Nevada In and For the County of Lyon on August 8, 2011 against the Company, Rotate Black, LLC, two officers of the Company, and others in the amount of \$9,674,057 for exemplary and punitive damages. In connection with this matter, a Request for Enrollment of Foreign Judgment was filed in the Circuit Court of Harrison County, Mississippi, First Judicial District on December 23, 2011. On June 6, 2012, the Company filed a Motion for Leave to Seek District Court's Correction of Clerical Error Appearing on the Face of the Judgment, Subject Matter of Current Appeal in the Supreme Court of the State of Nevada. On June 7, 2012 the Company was notified that the Nevada Supreme Court would hear its appeals to the default judgment. On September 4, 2014, the Supreme Court removed the default judgment and remanded the case back down to the District Court for further litigation. The Company continues to vigorously defend this action but can provide no assurance as to the likelihood of the outcome of the matter.

On January 18, 2012, an investment banker filed a civil lawsuit against the Company in the Circuit Court of Harrison County, Mississippi, First Judicial District, alleging breach of a fee letter agreement in the amount of \$150,000, plus attorney's fees and costs. The Plaintiff filed a motion for summary judgment on November 21, 2013, which was heard on January 9, 2014, whereupon the motion was granted with regard to the Company's liability for \$25,000. The Court has not entered an order confirming its ruling and has not reached a determination as to the Company's liability on the remaining \$125,000. The Company will vigorously defend this action but can provide no assurance as to the likelihood of the outcome of the matter.

### **ITEM 1A. RISK FACTORS**

N/A.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.



**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

<b>Exhibit No.:</b>	<b>Exhibit</b>
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934*
31.2	Certification of the Chief Financial Officer (principal financial and accounting officer) pursuant to Rule 13a-14 of the Securities Exchange Act of 1934*
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350*
32.2	Certification of the Chief Financial Officer (principal financial and accounting officer) pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350*
101.INS	XBRL INSTANCE DOCUMENT+
101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT+
101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE+
101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE+
101.LAB	XBRL TAXONOMY EXTENSION LABELS LINKBASE+
101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE+

\*filed herewith

+submitted herewith

**SIGNATURES**

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**ROTATE BLACK, INC.**

Date: May 12, 2015

By: /s/ John Paulsen

John Paulsen, Chairman,  
(Principal Executive Officer)

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Paulsen, Chief Executive Officer of Rotate Black, Inc. certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rotate Black, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated Subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
  - d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**ROTATE BLACK INC.**

Date: May 12, 2015

By: /s/ John Paulsen

John Paulsen  
Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Alan Bailey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rotate Black, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
  - d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**ROTATE BLACK INC.**

Date: May 12, 2015

By: /s/ Alan Bailey

Alan Bailey  
Chief Financial Officer  
Principal Financial and Accounting Officer

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Rotate Black, Inc. (the "Company") on Form 10-Q for the quarter ending December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

**ROTATE BLACK INC.**

Date: May 12, 2015

By: /s/ John Paulsen  
John Paulsen  
Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Rotate Black, Inc. (the "Company") on Form 10-Q for the quarter ending December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

**ROTATE BLACK INC.**

Date: May 12, 2015

By: /s/ Alan Bailey  
Alan Bailey  
Chief Financial Officer  
Principal Financial and Accounting Officer

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