

ARCHER DANIELS MIDLAND CO

Form S-3ASR

May 10, 2013

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As filed with the Securities and Exchange Commission on May 10, 2013

Registration No. 333-

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## Form S-3

### REGISTRATION STATEMENT

*UNDER*

*THE SECURITIES ACT OF 1933*

# ARCHER-DANIELS-MIDLAND COMPANY

(Exact name of the Registrant as specified in its charter)

Delaware  
(State or Other Jurisdiction)

of Incorporation)

41-0129150  
(I.R.S. Employer

Identification Number)

4666 Faries Parkway, Box 1470

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Decatur, Illinois 62525

(217) 424-5200

(Address and telephone number of the Registrant's principal executive offices)

**Marschall I. Smith**

**Senior Vice President, Secretary and General Counsel**

**Archer-Daniels-Midland Company**

**4666 Faries Parkway, Box 1470**

**Decatur, Illinois 62525**

**(217) 424-5200**

(Name, address and telephone number of agent for service)

*Copies to:*

**W. Morgan Burns  
Faegre Baker Daniels LLP  
2200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, Minnesota 55402-3901**

**Edward S. Best  
Mayer Brown LLP  
71 South Wacker Drive  
Chicago, Illinois 60603**

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, check the following box. "

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box:

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box:

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. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>		<input type="checkbox"/>	
Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company)	<input type="checkbox"/>	
			<input type="checkbox"/>	

### CALCULATION OF REGISTRATION FEE

	Amount to be
	Registered/Proposed
	Maximum Aggregate Offering
	Price Per Unit/Proposed
	Maximum Offering
Title of Each Class of	Price/Amount of
Securities to be Registered	Registration Fee(1)
Debt Securities	
Warrants to Purchase Debt Securities	
Common Stock, no par value	
Warrants to Purchase Common Stock	
Stock Purchase Contracts	
Stock Purchase Units	

- (1) An indeterminate aggregate initial offering price or number of the securities of each identified class is being registered as may from time to time be sold at indeterminate prices. Separate consideration may or may not be received for securities that are issuable on exercise, conversion or exchange of other securities. In accordance with Rule 456(b) and 457(r), the Registrant is deferring payment of all of the registration fee.



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**PROSPECTUS**

**Archer-Daniels-Midland Company**

**Debt Securities and Warrants to Purchase Debt Securities**

**Common Stock and Warrants to Purchase Common Stock**

**Stock Purchase Contracts and Stock Purchase Units**

We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and the applicable supplement carefully before you invest.

Our common stock is listed on the New York Stock Exchange under the symbol ADM.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The date of this Prospectus is May 10, 2013.**

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission using a shelf registration process. Under this shelf process, we may sell debt securities, warrants to purchase debt securities, common stock, warrants to purchase common stock, stock purchase contracts or stock purchase units in one or more offerings. We may sell these securities either separately or in units.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. That prospectus supplement may also add, update or change information contained in this prospectus. You should read this prospectus and the applicable prospectus supplement together with the additional information described under the heading **Where You Can Find More Information**.

The registration statement that contains this prospectus, including the exhibits to the registration statement, contains additional information about us and the securities offered under this prospectus. That registration statement can be read at the Securities and Exchange Commission, or SEC, web site or at the SEC offices mentioned under the heading **Where You Can Find More Information**.

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**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and special reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document we file with the SEC at its public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room.

We incorporate by reference into this prospectus the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. Some information contained in this prospectus updates the information incorporated by reference, and information that we file subsequently with the SEC will automatically update this prospectus. In other words, in the case of a conflict or inconsistency between information set forth in this prospectus and information incorporated by reference into this prospectus, you should rely on the information contained in the document that was filed later. We incorporate by reference our Transition Report on Form 10-K for the transition period from July 1, 2012 to December 31, 2012 (which incorporates by reference certain portions of our definitive Notice and Proxy Statement for our Annual Meeting of Stockholders held on May 2, 2013); our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013; our Current Reports on Form 8-K filed with the SEC on February 11, 2013, February 19, 2013, April 26, 2013, May 2, 2013 (with respect to Item 8.01 and exhibit 99.2 only), and May 6, 2013; and any filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the initial filing of the registration statement that contains this prospectus and prior to the time that we sell all the securities offered by this prospectus. Notwithstanding the foregoing, unless specifically stated otherwise, none of the information that we disclose under Items 2.02 and 7.01 of any Current Report on Form 8-K that we may from time to time furnish to the SEC will be incorporated by reference into, or otherwise included in, this prospectus.

You may request a copy of these filings, other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing, at no cost, by writing to or telephoning us at the following address:

Secretary

Archer-Daniels-Midland Company

4666 Faries Parkway, Box 1470

Decatur, Illinois 62525

Phone: (217) 424-5200

You should rely only on the information incorporated by reference or presented in this prospectus or the applicable prospectus supplement. Neither we, nor any underwriters or agents, have authorized anyone else to provide you with different information. We may only use this prospectus to sell securities if it is accompanied by a prospectus supplement. We are only offering these securities in jurisdictions where the offer is permitted. You should not assume that the information in this prospectus or the applicable prospectus supplement is accurate as of any date other than the dates on the front of those documents.



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**THE COMPANY**

For more than a century, the people of Archer-Daniels-Midland Company, or ADM, have transformed crops into products that serve vital needs. Today, 30,000 ADM employees around the globe convert oilseeds, corn, wheat and cocoa into products for food, animal feed, industrial and energy uses. With more than 265 processing plants, 460 crop procurement facilities, and the world's premier crop transportation network, ADM helps connect the harvest to the home in more than 140 countries.

We were incorporated in Delaware in 1923 as the successor to a business formed in 1902. Our executive offices are located at 4666 Faries Parkway, Box 1470, Decatur, Illinois 62525. Our telephone number is (217) 424-5200. We maintain an Internet web site at [www.adm.com](http://www.adm.com). The web site is not a part of this prospectus.

When we refer to our company, we, our and us in this prospectus under the headings The Company, Use of Proceeds and Ratio of Earnings to Fixed Charges, we mean Archer-Daniels-Midland Company, its subsidiaries and their predecessors unless the context indicates otherwise. When such terms are used elsewhere in this prospectus, we refer only to Archer-Daniels-Midland Company unless the context indicates otherwise.

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**USE OF PROCEEDS**

Unless the applicable prospectus supplement states otherwise, the net proceeds from the sale of the offered securities will be added to our general funds and will be available for general corporate purposes, including:

meeting our working capital requirements;

funding capital expenditures and possible acquisitions of, or investments in, businesses and assets; and

repaying indebtedness originally incurred for general corporate purposes.

Until we use the net proceeds, we will invest them in short-term or long-term marketable securities or use them to repay short-term borrowings.

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**RATIO OF EARNINGS TO FIXED CHARGES**

Set forth below is our consolidated ratio of earnings to fixed charges for each of the periods presented.

Fiscal Year Ended June 30,					Six-Month Transition Period Ended December 31,	Three-Month Period Ended March 31,
2008	2009	2010	2011	2012	2012	2013
4.54x	4.84x	4.78x	5.55x	3.79x	4.02x	3.38x

The ratio of earnings to fixed charges is calculated as follows:

(earnings)  
(fixed charges)

For purposes of calculating the ratio, earnings consist of:

pre-tax income from continuing operations before adjustment for noncontrolling interests in income from consolidated subsidiaries or income or loss from equity investees;

fixed charges;

amortization of capitalized interest;

distributed income of equity investees; and

our share of pre-tax losses of equity investees for which charges arising from guarantees are included in fixed charges;

minus capitalized interest;

minus preference security dividend requirements of consolidated subsidiaries; and

minus the noncontrolling interest in pre-tax income of subsidiaries that have not incurred fixed charges.

For purposes of calculating the ratio, fixed charges consist of:

interest expensed and capitalized;

amortized premiums, discounts and capitalized expenses related to indebtedness;

an estimate of the interest portion of rental expense on operating leases; and

preference security dividend requirements of consolidated subsidiaries.

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**DESCRIPTION OF DEBT SECURITIES**

This section describes the general terms and provisions of our debt securities. The prospectus supplement will describe the specific terms of the debt securities offered through that prospectus supplement and any general terms outlined in this section that will not apply to those debt securities.

The debt securities will be issued under an indenture dated as of October 16, 2012 between us and The Bank of New York Mellon, as trustee. We have summarized certain terms and provisions of the indenture in this section. We have also filed the indenture as an exhibit to the registration statement of which this prospectus forms a part. You should read the indenture for additional information before you buy any debt securities.

Because this section is a summary, it does not describe every aspect of the debt securities. This summary is subject to, and qualified in its entirety by reference to, all the provisions of the indenture, including definitions of certain terms used in the indenture. For example, in this section we use capitalized words to signify terms that have been specifically defined in the indenture. Some of the definitions are repeated herein, but for the rest you will need to read the indenture. We also include references in parentheses to certain sections of the indenture so that you can more easily locate these provisions. Whenever we refer to particular sections or defined terms of the indenture in this prospectus or in the applicable prospectus supplement, such sections or defined terms are incorporated by reference herein or in the prospectus supplement.

**General**

The debt securities will be our unsecured and unsubordinated obligations ranking on parity with all of our other unsecured and unsubordinated indebtedness.

The indenture does not limit the amount of debt securities that we may issue and provides that we may issue debt securities from time to time in one or more series. (*Section 301*). Unless otherwise specified in the applicable prospectus supplement, we may, without the consent of the holders of a series of debt securities, issue additional debt securities of that series having the same ranking and the same interest rate, maturity date and other terms (except for the price to public and issue date) as such debt securities. Any such additional debt securities, together with the initial debt securities, will constitute a single series of debt securities under the applicable indenture. No additional debt securities of a series may be issued if an event of default under the applicable indenture has occurred and is continuing with respect to that series of debt securities.

A prospectus supplement relating to a series of debt securities being offered will include specific terms relating to the offering. (*Section 301*). These terms will include some or all of the following:

the title of the debt securities of the series;

any limit on the total principal amount of the debt securities of that series;

whether the debt securities will be issuable as registered securities, bearer securities or both;

whether any of the debt securities are to be issuable initially in temporary global form;

whether any of the debt securities are to be issuable in permanent global form;

the person to whom interest on the debt securities is payable, if such person is not the person in whose name the debt securities are registered;

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the date or dates on which the debt securities will mature and our ability to extend such date or dates;

if the debt securities bear interest:

the interest rate or rates on the debt securities or the formula by which the interest rate or rates shall be determined;

the date or dates from which any interest will accrue;

any circumstances under which we may defer interest payments;

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the record and interest payment dates for debt securities that are registered securities; and

whether the interest rate or interest rate formula can be reset and, if so, the date or dates on which the interest rate or interest rate formula can be reset;

the place or places where:

we can make payments on the debt securities;

the debt securities can be presented for registration of transfer or exchange; and

notice and demands can be given to us relating to the debt securities and under the indenture;

the date, if any, after which and the price or prices (and other applicable terms and provisions) at which we may redeem the offered debt securities pursuant to any optional or mandatory redemption provisions that would permit or require us or the holders of the debt securities to redeem the debt securities prior to their final maturity;

any sinking fund or analogous provisions that would obligate us to redeem the debt securities, in whole or in part, before their final maturity;

the denominations in which any debt securities which are registered debt securities will be issuable, if other than denominations of \$1,000 or multiples of \$1,000;

the denominations in which any debt securities which are bearer securities will be issuable, if other than denominations of \$5,000;

the currency or currencies of payment on the debt securities;

any index used to determine the amount of payments on the debt securities;

the portion of the principal payable upon acceleration of the debt securities following an event of default, if such portion is other than the principal amount of the debt securities;

any events of default which will apply to the debt securities in addition to those contained in the indenture;

any additional covenants applicable to the debt securities and whether certain covenants can be waived;

whether the provisions described below under the heading `Defeasance` apply to the debt securities; and

any other terms and provisions of the debt securities not inconsistent with the terms and provisions of the indenture. *(Section 301)*. If the purchase price of any of the debt securities is denominated in a foreign currency or currencies, or if the principal of and any premium and interest on any series of debt securities is payable in a foreign currency or currencies, then the restrictions, elections, general tax considerations, specific terms and other information with respect to such issue of debt securities and such foreign currency or currencies will be set forth in the applicable prospectus supplement.

When we use the term *holder* in this prospectus with respect to a registered debt security, we mean the person in whose name such debt security is registered in the security register. *(Section 101)*.

#### **Denominations, Registration and Transfer**

We may issue the debt securities as registered securities, bearer securities or both. We may issue debt securities in the form of one or more global securities, as described below under *Global Securities*. Unless we state otherwise in the applicable prospectus supplement, registered securities denominated in U.S. dollars will be issued only in denominations of \$1,000 and multiples of \$1,000. Bearer securities denominated in U.S. dollars will be issued only in denominations of \$5,000 with coupons attached. A global security will be issued in a



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denomination equal to the total principal amount of outstanding debt securities represented by that global security. The prospectus supplement relating to debt securities denominated in a foreign currency will specify the denominations of the debt securities. (*Sections 201, 203, 301 and 302*).

You may exchange any debt securities of a series for other debt securities of that series if the other debt securities are denominated in authorized denominations and have the same aggregate principal amount and the same terms as the debt securities that were surrendered for exchange. In addition, if debt securities of any series are issuable as both registered securities and as bearer securities, you may, subject to the terms of the indenture, exchange bearer securities (with all unmatured coupons, except as provided below, and all matured coupons in default attached) of the series for registered securities of the same series of any authorized denominations and that have the same aggregate principal amount and the same terms as the debt securities that were surrendered for exchange.

Unless we state otherwise in the applicable prospectus supplement, any bearer security surrendered in exchange for a registered security between a record date and the relevant date for payment of interest must be surrendered without the coupon relating to such date for payment of interest attached. Interest will not be payable on the registered security on the relevant date for payment of interest issued in exchange for the bearer security, but will be payable only to the holder of such coupon when due in accordance with the terms of the indenture.

Unless we state otherwise in the applicable prospectus supplement, bearer securities will not be issued in exchange for registered securities. (*Section 305*).

Registered securities may be presented for registration of transfer, duly endorsed or accompanied by a satisfactory written instrument of transfer, at the office or agency maintained by us for that purpose in a place of payment. There will be no service charge for any registration of transfer or exchange of the debt securities, but we may require you to pay any tax or other governmental charge payable in connection with a transfer or exchange of the debt securities. (*Section 305*). If the applicable prospectus supplement refers to any office or agency, in addition to the security registrar, initially designated by us where you can surrender the debt securities for registration of transfer or exchange, we may at any time rescind the designation of any such office or agency or approve a change in the location. If debt securities of a series are issuable only as registered securities, we will be required to maintain a transfer agent in each place of payment for such series. If debt securities of a series are issuable as bearer securities, we will be required to maintain, in addition to the security registrar, a transfer agent in a place of payment for such series located outside the United States. We may at any time designate additional transfer agents with respect to any series of debt securities. (*Section 1002*).

We shall not be required to:

issue, register the transfer of or exchange debt securities of any series during a period beginning at the opening of business 15 days before the selection of debt securities of that series to be redeemed and ending at the close of business on:

the day of mailing of the relevant notice of redemption, if debt securities of the series are issuable only as registered securities, or

the day of the first publication of the relevant notice of redemption, if debt securities of the series are issuable as bearer securities, or

the mailing of the relevant notice of redemption, if debt securities of that series are also issuable as registered securities and there is no publication;

register the transfer of or exchange any registered selected for redemption, except for the unredeemed portion of any registered security being redeemed in part; or

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exchange any bearer security selected for redemption, except to exchange the bearer security for a registered security of that series and like tenor which is simultaneously surrendered for redemption. (*Section 305*).

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### **Original Issue Discount Securities**

Debt securities may be issued as original issue discount securities and sold at a discount below their stated principal amount. If a debt security is an original issue discount security, an amount less than the principal amount of the debt security will be due and payable upon a declaration of acceleration of the maturity of the debt security under the applicable indenture. (*Sections 101 and 502*). The applicable prospectus supplement will describe the federal income tax consequences and other special factors you should consider before purchasing any original issue discount securities.

### **Payments and Paying Agents**

Unless we state otherwise in the applicable prospectus supplement, payment of principal and any premium and interest on registered securities, other than a global security, will be made at the office of the paying agent or paying agents we may designate from time to time. (*Section 1002*). At our option, payment of any interest may be made (i) by check mailed to the address of the payee entitled to payment at the address listed in the security register, or (ii) by wire transfer to an account maintained by the payee as specified in the security register. Unless we state otherwise in the applicable prospectus supplement, payment of any installment of interest on registered securities will be made to the person in whose name the registered security is registered at the close of business on the regular record date for such interest payment. (*Section 307*).

Unless we state otherwise in the applicable prospectus supplement, payment of principal and any premium and interest on bearer securities will be payable, subject to applicable laws and regulations, at the offices of the paying agent or paying agents outside the United States that we may designate from time to time. (*Section 1002*). At our option, payment of any interest may be made by check or by wire transfer to an account maintained by the payee outside the United States. Unless we state otherwise in the applicable prospectus supplement, payment of interest on bearer securities on any interest payment date will be made only upon presentation and surrender of the coupon relating to that interest payment date. (*Section 1001*). No payment on any bearer security will be made:

at any of our offices or agencies in the United States;

by check mailed to any address in the United States; or

by transfer to an account maintained in the United States.

Neither we nor our paying agents will make payment on bearer securities or coupons, or upon any other demand for payment, if you present them to us or our paying agents within the United States. Notwithstanding the foregoing, payment of principal of and any premium and interest on bearer securities denominated and payable in U.S. dollars will be made at the office of our paying agent in the United States if, and only if, payment of the full amount payable in U.S. dollars at all offices or agencies outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions. (*Section 1002*).

Unless we state otherwise in the applicable prospectus supplement, the principal office of the trustee in New York City will be designated as our sole paying agent for payments on debt securities that are issuable only as registered securities. We will name in the applicable prospectus supplement any paying agent outside the United States, and any other paying agent in the United States, initially designated by us for the debt securities. We may, at any time:

designate additional paying agents;

rescind the designation of any paying agent; or

approve a change in the office through which any paying agent acts.

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If debt securities of a series are issuable only as registered securities, we will be required to maintain a paying agent in each place of payment for that series. If debt securities of a series are issuable as bearer securities, we will be required to maintain:

a paying agent in each place of payment for that series in New York City for payments on any registered securities of that series;

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a paying agent in each place of payment located outside the United States where debt securities of that series and any coupons may be presented and surrendered for payment. If the debt securities of that series are listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland, the Luxembourg Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, then we will maintain a paying agent in London, Luxembourg City or any other required city located outside the United States for debt securities of that series; and

a paying agent in each place of payment located outside the United States where, subject to applicable laws and regulations, registered securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon us may be served. (*Section 1002*).

Any money that we pay to a paying agent for the purpose of making payments on the debt securities and that remains unclaimed two years after the payments were due will be returned to us. After that time, any holder of a debt security or any coupon may only look to us for payments on the debt security or coupon. (*Section 1003*).

## **Global Securities**

*Global Securities.* The debt securities may be issued initially in book-entry form and represented by one or more global securities in fully registered form without interest coupons which will be deposited with the trustee as custodian for The Depository Trust Company, which we refer to as DTC, and registered in the name of Cede & Co. or another nominee designated by DTC. Except as set forth below, the global securities may be transferred, in whole and not in part, only to DTC or another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global securities may not be exchanged for certificated securities except in the limited circumstances described below.

All interests in the global securities will be subject to the rules and procedures of DTC.

*Certain Book-Entry Procedures for the Global Securities.* The descriptions of the operations and procedures of DTC set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of DTC and are subject to change by DTC from time to time. We do not take any responsibility for these operations or procedures, and investors are urged to contact DTC or its participants directly to discuss these matters.

DTC has advised us that it is:

a limited-purpose trust company organized under the laws of the State of New York;

a banking organization within the meaning of the New York Banking Law;

a member of the Federal Reserve System;

a clearing corporation within the meaning of the New York Uniform Commercial Code, as amended; and

a clearing agency registered pursuant to Section 17A of the Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC's participants include securities brokers and dealers, banks and trust companies, clearing corporations and certain other organizations. Indirect access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies, which we refer to collectively as the indirect participants, that clear through or maintain a custodial relationship with a participant either directly or indirectly. Investors who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants.



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We expect that, pursuant to procedures established by DTC:

upon deposit of each global security, DTC will credit, on its book-entry registration and transfer system, the accounts of participants with an interest in the global security; and

ownership of beneficial interests in the global securities will be shown on, and the transfer of ownership of beneficial interests in the global securities will be effected only through, records maintained by DTC (with respect to the interests of participants) and the participants and the indirect participants (with respect to the interests of persons other than participants).

The laws of some jurisdictions may require that some purchasers of securities take physical delivery of those securities in definitive form. Accordingly, the ability to transfer beneficial interests in the securities represented by a global security to those persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person holding a beneficial interest in a global security to pledge or transfer that interest to persons or entities that do not participate in DTC's system, or to otherwise take actions in respect of that interest, may be affected by the lack of a physical security in respect of that interest.

So long as DTC or its nominee is the registered owner of a global security, DTC or that nominee, as the case may be, will be considered the sole legal owner or holder of the securities represented by that global security for all purposes of the securities and the indenture. Except as provided below, owners of beneficial interests in a global security will not be entitled to have the debt securities represented by that global security registered in their names, will not receive or be entitled to receive physical delivery of certificated securities and will not be considered the owners or holders of the securities represented by that beneficial interest under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee. Accordingly, each holder owning a beneficial interest in a global security must rely on the procedures of DTC and, if that holder is not a participant or an indirect participant, on the procedures of the participant through which that holder owns its interest, to exercise any rights of a holder of securities under the indenture or that global security. We understand that under existing industry practice, in the event that we request any action of holders of securities, or a holder that is an owner of a beneficial interest in a global security desires to take any action that DTC, as the holder of that global security, is entitled to take, DTC would authorize the participants to take that action and the participants would authorize holders owning through those participants to take that action or would otherwise act upon the instruction of those holders. Neither we nor the trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of securities by DTC or for maintaining, supervising or reviewing any records of DTC relating to the securities.

Payments with respect to the principal of and interest on a global security will be payable by the trustee to or at the direction of DTC or its nominee in its capacity as the registered holder of the global security under the indenture. Under the terms of the indenture, we and the trustee may treat the persons in whose names the debt securities, including the global securities, are registered as the owners thereof for the purpose of receiving payment thereon and for any and all other purposes whatsoever. Accordingly, neither we nor the trustee has or will have any responsibility or liability for the payment of those amounts to owners of beneficial interests in a global security. Payments by the participants and the indirect participants to the owners of beneficial interests in a global security will be governed by standing instructions and customary industry practice and will be the responsibility of the participants and indirect participants and not of DTC.

Transfers between participants in DTC will be effected in accordance with DTC's procedures and will be settled in same-day funds.

Although DTC has agreed to the foregoing procedures to facilitate transfers of interests in the global securities among participants in DTC, it is under no obligation to perform or to continue to perform those procedures, and those procedures may be discontinued at any time. Neither we nor the trustee will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

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We obtained the information in this section and elsewhere in this prospectus concerning DTC and its book-entry system from sources that we believe are reliable, but we take no responsibility for the accuracy of any of this information.

*Certificated Securities.* We will issue certificated securities to each person that DTC identifies as the beneficial owner of the securities represented by the global securities upon surrender by DTC of the global securities only if:

DTC notifies us that it is no longer willing or able to act as a depository for the global securities, and we have not appointed a successor depository within 90 days of that notice;

DTC ceases to be a clearing agency registered under the Securities Exchange Act of 1934 at a time when such registration is required, and we have not appointed a successor depository within 90 days after becoming aware of that cessation;

circumstances specified with respect to a particular series of debt securities as triggering the ability to exchange global securities occur; or

we determine (subject to the procedures of DTC) not to have the securities represented by a global security. (*Section 305*).

Neither we nor the trustee will be liable for any delay by DTC, its nominee or any direct or indirect participant in identifying the beneficial owners of the related securities. We and the trustee may conclusively rely on, and will be protected in relying on, instructions from DTC or its nominee for all purposes, including with respect to the registration and delivery, and the respective principal amounts, of the securities to be issued in certificated form.

## **Bearer Debt Securities**

If we issue bearer securities, the applicable prospectus supplement will describe all of the special terms and provisions of debt securities in bearer form, and the extent to which those special terms and provisions are different from the terms and provisions described in this prospectus, which generally apply to debt securities in registered form, and will summarize provisions of the applicable indenture that relate specifically to bearer debt securities.

## **Covenants Contained in the Indenture**

The following definitions are used in this prospectus to describe certain covenants contained in the indenture.

*Attributable Debt* means:

the balance sheet liability amount in respect of capital leases, plus

the amount of future minimum operating lease payments, less any amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges, discounted using the methodology used to calculate the present value of operating lease payments in our most recent Annual Report to Stockholders reflecting that calculation.

The amount of Attributable Debt relating to an operating lease that can be terminated by the lessee with the payment of a penalty will be calculated based on the lesser of:



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the aggregate amount of lease payments required to be made until the first date the lease can be terminated by the lessee plus the amount of the penalty, or

the aggregate amount of lease payments required to be made during the remaining term of the lease. (*Section 101*).

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*Consolidated Net Tangible Assets* means the total amount of our assets, minus applicable reserves and other properly deductible items, minus

all current liabilities, excluding Funded Debt classified as such by reason of being renewable or extendible, and

all goodwill, trade names, patents, unamortized debt discount and expense, and other similar intangibles to the extent not deducted as reserves and deductible items set forth above,

all as set forth on our most recent consolidated balance sheet. (*Section 101*).

*Funded Debt* means:

Indebtedness that matures more than 12 months after the time of the computation of the amount thereof or that is extendible or renewable to a time more than 12 months after the time of the computation of the amount thereof;

all guarantees of any such Indebtedness or of dividends, other than any guarantee in connection with the sale or discount by us or any Restricted Subsidiary of accounts receivable, trade acceptances and other paper arising in the ordinary course of business; and

all preferred stock of any Subsidiary, taken at the greater of its voluntary or involuntary liquidation price at the time of any calculation hereunder, but exclusive of accrued dividends, if any.

Funded Debt does not, however, include any amount in respect of obligations under leases, or guarantees of obligations, whether or not such obligations or guarantees would be included as liabilities on a balance sheet. (*Section 101*).

*Indebtedness* means:

all items of indebtedness or liability, except capital and surplus, that would be included in total liabilities on the liability side of a balance sheet as of the date that indebtedness is being determined; and

guarantees, endorsements (other than for purposes of collection) and other contingent obligations relating to, or to purchase or otherwise acquire, indebtedness of others, unless the amount is included in the preceding bullet point.

Indebtedness does not, however, include any obligations or guarantees of obligations relating to lease rentals, even if the obligations or guarantees of obligations relating to lease rentals would be included as liabilities on the consolidated balance sheet of us and our Restricted Subsidiaries. (*Section 101*).

*Principal Domestic Manufacturing Property* means any building, structure or other facility, together with the land on which it is erected and fixtures that are part of such building, located in the United States that is used by us or our Subsidiaries primarily for manufacturing, processing or warehousing, the gross book value of which exceeds 1% of our Consolidated Net Tangible Assets, other iv>

Item 2. Properties

SDI previously owned a 25% tenant-in-common interest in three buildings located at 5203 - 5205 East Lincoln Drive in Paradise Valley, Maricopa County, Arizona 85253. This interest was associated to SDI's previous business as a real estate company. In April 2009, we entered into an arrangement to transfer this property to SDI's former CFO and CEO, Munjit Johal in exchange for the return and cancellation of 50,000 of our common shares held by Mr. Johal.

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### Item 3. Legal Proceedings

For information on Legal Proceeding, see Note 9 in “Item 8 Financial Statements and Supplementary Data” included in this Form 10-K.

In the ordinary course of conducting its business, the Company is, from time to time, involved in other litigation, administrative proceedings and regulatory government investigations including but not limited to those in which the Company is a plaintiff.

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

No matters were submitted to a vote of the Company's shareholders during the fiscal year ended December 31, 2010.

## PART II

### Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market Information

Prior to the Share Exchange, Galaxy Gaming, Inc. was a privately-held company and there was no public market for the securities of Galaxy. Our common stock has been quoted on the OTC Bulletin Board ("OTCBB"), which is sponsored by the Financial Industry Regulatory Authority ("FINRA"). Prior to the effective date of the Plan, the stock was quoted under the symbol SDFD.OB. A few months after the Plan was effective, FINRA reissued the stock ticker symbol as SECD.OB. After the Short Form Merger, we requested a new symbol from FINRA and was issued the symbol GLXZ.OB. The OTCBB is a network of security dealers who buy and sell stock. The dealers are connected by a computer network that provides information on current "bids" and "asks", as well as volume information.

The following table sets forth the range of high and low bid quotations for our post-bankruptcy common stock for each of the periods indicated as reported by the OTCBB. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. We have also note n/a in periods where no actual trading had occurred.

Quarter Ended	2010		2009	
	High \$	Low \$	High \$	Low \$
December 31	0.60	0.31	1.01	0.31
September 30	0.45	0.14	0.50	0.45
June 30	0.55	0.15	n/a	n/a
March 31,	0.65	0.31	n/a	n/a

#### Penny Stock

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity for our common stock. Therefore, stockholders may have difficulty selling our securities.

#### Holders of Our Common Stock

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As of March 28, 2011, we had 35,508,091 shares of our common stock issued and outstanding, held by 44 shareholders of record. All of the pre-Share Exchange issued and outstanding equity interests, preferred and common stock, previously issued by SDI were extinguished and rendered null and void upon approval of SDI's Bankruptcy Plan.

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Dividends

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where after giving effect to the distribution of the dividend:

1. we would not be able to pay our debts as they become due in the usual course of business, or;
2. our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

We have not declared any dividends and we do not plan to declare any dividends in the foreseeable future.

Securities Authorized for Issuance under Equity Compensation Plans

In anticipation of establishing an equity compensation plan the Company:

- (1) granted options to our CFO to purchase 22,500 shares of the Company's common stock at a price of \$0.55 per share, exercisable for three years. Additional grants of options to our CFO to purchase 22,500 shares of the Company's common stock at a price of \$0.55 per share, exercisable for three years, will be made at the beginning of each additional year of service through November 2012.
- (2) agreed that our outside Board member, Dan Scott, will receive immediately-vested options to purchase 46,250 shares of our common stock per quarter.

Recent Sales of Unregistered Securities

On June 23, 2009, we closed a private offering of common stock. A total of 138,750 shares were sold to thirteen purchasers for a total purchase price of \$55,500. Of this total, 37,500 shares were purchased for cash proceeds in the amount of \$15,000. Additionally 86,000 shares were sold to Company employees in exchange for promissory notes in the aggregate amount of \$34,400. The notes are secured by the shares purchased, bear interest at a rate of six percent (6%) per year, and are payable over the course of two years. Finally 15,250 shares were issued in exchange for services rendered by a Company executive valued at \$6,100. The Company issued 100,000 shares of common stock in settlement of accounts payable. Convertible notes payable in the amount of \$200,000, plus accrued interest, were converted to equity resulting in the issuance of 1,042,989 common shares. In July of 2009 we began a private offering of common stock to raise approximately \$400,000. Investor demand for the offering prompted our Board of Directors to extend the amount offered. As a result of the over-subscription, a total of 1,722,858 shares and 861,429 warrants were purchased for cash proceeds of \$603,000. The offering was closed in December, 2009. During the year ended December 31, 2009, the Company issued 1,101,583 share of common stock for services to be performed in non-cash transactions pursuant to various service agreements. On April 1, 2010 the Company sold a total of 1,428,572 shares of common stock and 714,286 warrants to two principals of a competitor for total cash proceeds of \$500,000. On February 24, 2011 the Company sold a total of 533,333 shares of common stock and 266,667 warrants for total cash proceeds of \$200,000.

The offering and sale of the Company's shares were exempt from registration under rule 506 of Regulation D. The shares were offered exclusively to accredited and/or sophisticated investors and there was no solicitation or advertising.

Item 6. Selected Financial Data

A smaller reporting company is not required to provide the information required by this Item.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion and analysis of our financial condition, results of operations and liquidity and capital resources as of December 31, 2010 and 2009 and for the years ended December 31, 2010 and 2009. This discussion should be read together with our audited consolidated financial statements and related notes included in "Item 8. Financial Statements and Supplementary Data" included in this Annual Report on Form 10-K ("Form 10-K"). Some of the information contained in this discussion includes forward-looking statements that involve risks and uncertainties; therefore our "Special Note Regarding Forward-Looking Statements" and "Risk Factors" should be reviewed for a discussion of important factors that could cause actual results to differ materially from the results described in, or implied by, such forward-looking statements.

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OVERVIEW

We develop, manufacture and market technology and entertainment-based products for the gaming industry for placement on the casino floor. Our products primarily relate to licensed casino operators' table games activities and focus on either increasing their profitability, productivity and security or expanding their gaming entertainment offerings in the form of proprietary table games, electronically enhanced table game platforms or fully-automated electronic tables. Our products are offered in highly regulated markets throughout the world. Our products are manufactured at our headquarters and manufacturing facility in Las Vegas, Nevada, as well as outsourced for certain sub-assemblies in the United States.

Current Economic Environment

The gaming industry in both the United States and abroad has been particularly affected by the downturn in general worldwide economic conditions, which continued to have negative consequences on our results in 2010 and is likely to continue to have a negative impact in 2011. The activity in the credit markets and in the broader global economy and financial markets has exacerbated these trends. Consumer confidence has been significantly impacted, as seen in broader economic trends such as declines in auto and other retail sales, the weakness in the housing market and increased unemployment.

As a result, the outlook for the gaming, travel and entertainment industries both domestically and internationally remains highly uncertain. Due to recent disruptions in the financial markets, gaming operators have been less able to secure financing for development projects and have scaled back such projects considerably. Customers have made significant cuts in expenditures, including layoffs of workers and management employees as well as delayed expansions or new openings. These economic conditions may cause both our domestic and international clients to decrease their expenditures on gaming equipment and our financial condition, results of operations and stock price may be negatively affected thereby.

Plan of Operation

See "Item 1. Business" included in this Form 10-K for a more detailed discussion of our business, strategy and a description of each of our product categories.

Results of Operations of Galaxy Gaming, Inc. for the Years Ended December 31, 2010 and 2009

For the year ended December 31, 2010 our continuing operations generated gross revenues of \$3,054,856 an increase of 10% from gross revenues of \$2,765,674 for the year ended December 31, 2009. The increase was attributable to the growth in our recurring revenue from table game content and fees associated with the performance of our electronic game platform. Such revenue was \$2,950,157 in 2010 vs. \$2,514,816 in 2009, an increase of 17%. We experienced a decline in the sale or reimbursement of our products and manufactured equipment; (\$104,699 in 2010 vs. \$250,858 in 2009) as a result in the decrease in our installations of our Bonus Jackpot System. Such decrease resulted in the decrease of costs of ancillary products and assembled components from \$223,717 in 2009 to \$135,738 in 2010. Selling, general and administrative expenses were \$2,681,410 for the year ended December 31, 2010, an increase of 7% over the prior year selling, general and administrative expenses of \$2,515,817. The increase was primarily due to increased payroll in sales and finance, increases in sales and marketing related expenses and increases in regulatory costs associated with game and product approvals and applying for gaming licenses in new jurisdictions and legal expenses associated with the ongoing legal proceedings discussed in note 9 to the financial statements offset by a decrease in rent, and legal fees and outside services associated with the bankruptcy and reverse merger transaction. Research and development expenses for the year ended December 31, 2010 were \$285,310, an increase of 26% over the prior year research and development expenses of \$226,495. The increase was due to increased payroll and related benefits. Other expenses decreased from \$147,406 in 2009 to \$88,259 in 2010 due to decreased interest expense.

The increase in revenue was instrumental in reducing the net loss from operations to \$135,861 in 2010 vs. a loss of \$347,761 in 2009.

During the year end December 31, 2009, the Company experienced a net loss from discontinued operations in the amount of \$99,950. This transaction represented disposal of a real estate investment related to the former business of Secured Diversified Investment, Ltd. that remained after the confirmation of the Chapter 11 Plan of Reorganization of SDI.

Liquidity and Capital Resources

As of December 31, 2010, Galaxy had total current assets of \$988,972 and total assets in the amount of \$1,921,782. Galaxy's total current liabilities as of December 31, 2010 were \$739,750.

Galaxy's operating activities used \$136,671 in cash for the year ended December 31, 2010 and \$421,587 in cash for the year ended December 31, 2009. The primary components of our negative operating cash flow for the year ended December 31, 2010 were our net loss of \$135,861, increases in inventory of \$51,701 and decreases in accounts payable of \$97,449 and accrued expenses and taxes of \$9,895 offset by depreciation

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and amortization expenses of \$39,090, provision for bad debt of \$55,617, share based compensation expense of \$16,000, increases in accrued interest related party of \$9,553 and deferred revenue of \$12,138 and a \$18,374 decrease in prepaid expenses and taxes. Cash flows provided by financing activities during the year ended December 31, 2010 were \$174,970, consisting of proceeds from issuance of Common Stock (\$500,000) and collection of stock subscription receivable (\$15,447) offset by payments on notes payable (related party) of \$249,349 and payments on notes payable of \$91,128. Investing Activities used \$2,704 in cash during the year ended December 31, 2010, consisting of \$40,026 in payment received on note receivable offset by \$24,617 in purchases of property and equipment and \$18,113 increase in other assets.



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We intend to fund our continuing operations through increased sales. Additionally the issuance of debt or equity financing arrangements may be required to fund expenditures or other cash requirements. On April 1, 2010 the Company sold a total of 1,428,572 shares of common stock and 714,286 warrants for total cash proceeds of \$500,000. Additionally, on February 24, 2011, the Company sold 533,333 shares of common stock and 266,667 warrants for total cash proceeds of \$200,000.

Despite this prior funding, there can be no assurance that we will be successful in raising additional funding, if required. If we are not able to secure additional funding, the implementation of our business plan may be impaired. There can be no assurance that such additional financing will be available to us on acceptable terms or at all. We will from time to time acquire products and businesses complementary to our business. As a public entity, we may issue shares of our common stock and preferred stock in private or public offerings to obtain financing, capital or to acquire other businesses that can improve our performance and growth. To the extent that we seek to acquire other businesses in exchange for our common stock, fluctuations in our stock price could have a material adverse effect on our ability to complete acquisitions.

Off Balance Sheet Arrangements

As of December 31, 2010, there were no off balance sheet arrangements.

Significant Equipment

We do not anticipate the purchase of any significant equipment for the next twelve months.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

A smaller reporting company is not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements Required by Article 8 of Regulation S-X:

Audited Financial Statements for Galaxy Gaming, Inc.:

<u>F-1</u>	<u>Report of Independent Registered Public Accounting Firm</u>
<u>F-2</u>	<u>Balance Sheets as of December 31, 2010 and 2009</u>
<u>F-3</u>	<u>Statements of Operations for the years ended December 31, 2010 and 2009</u>
<u>F-4</u>	<u>Statement of Stockholders' Equity (Deficit) as of December 31, 2010</u>
<u>F-5</u>	<u>Statements of Cash Flows for the years ended December 31, 2010 and 2009</u>
<u>F-6-16</u>	<u>Notes to Financial Statements</u>

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
Galaxy Gaming, Inc.  
Las Vegas, Nevada

We have audited the accompanying balance sheets of Galaxy Gaming, Inc. as of December 31, 2010 and 2009, and the related statements of operations, stockholders' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Galaxy Gaming, Inc. as of December 31, 2010 and 2009 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Silberstein Ungar, PLLC

Silberstein Ungar, PLLC  
Bingham Farms, Michigan  
March 21, 2011

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GALAXY GAMING, INC.

BALANCE SHEETS

AS OF DECEMBER 31, 2010 and 2009

ASSETS	2010	2009
<b>Current Assets</b>		
Cash and cash equivalents	\$ 444,434	\$ 408,839
Accounts receivable - trade, net	311,961	372,560
Miscellaneous receivables	15,790	7,606
Prepaid expenses	24,940	43,314
Inventory	175,372	123,671
Note receivable – related party – current portion	16,475	53,004
<b>Total Current Assets</b>	<b>988,972</b>	<b>1,008,994</b>
<b>Property and Equipment, net</b>	<b>44,101</b>	<b>32,316</b>
<b>Other Assets</b>		
Intellectual property, net	119,831	126,879
Intangible assets	346,790	150,000
Note receivable - related party - net of current portion	403,975	407,472
Other	18,113	-
<b>Total Other Assets</b>	<b>888,709</b>	<b>684,351</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,921,782</b>	<b>\$ 1,725,661</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 195,899	\$ 309,348
Accrued expenses and taxes	108,103	117,998
Accrued interest – related party	25,973	16,420
Deferred revenue	220,867	208,729
Notes payable - related party	107,850	357,199
Note payable - current portion	81,058	22,242
<b>Total Current Liabilities</b>	<b>739,750</b>	<b>1,031,936</b>
<b>Long-Term Debt</b>		
Note payable, net of current portion	1,148,448	1,172,392
<b>TOTAL LIABILITIES</b>	<b>1,888,198</b>	<b>2,204,328</b>
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Common stock, 65,000,000 shares, \$ .001 par value common stock authorized;		
34,974,758 shares issued and outstanding (2009 – 33,056,186)	34,974	33,056
Preferred stock, 10,000,000 shares, \$ .001 par value preferred stock authorized;		
0 shares issued and outstanding	0	0
Additional paid in capital	1,252,393	944,774
Stock warrants	470,632	147,504
Stock subscription receivable	(10,520 )	(25,967 )
Accumulated deficit	(1,713,895)	(1,578,034)
<b>TOTAL STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>33,584</b>	<b>(478,667 )</b>



TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$	1,921,782	\$	1,725,661
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The accompanying notes are an integral part of the financial statements.

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GALAXY GAMING, INC.  
STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Gross Revenues	\$ 3,054,856	\$ 2,765,674
Costs of Ancillary Products and Assembled Components	135,738	223,717
Selling, general and administrative	2,681,410	2,515,817
Research and development	285,310	226,495
Total costs and expenses	3,102,458	2,966,029
Operating Income (Loss)	(47,602 )	(200,355 )
Other Income (Expense)	(88,259 )	(147,406 )
Loss before Provision for Income Taxes	(135,861 )	(347,761 )
Provision for Income Taxes	0	0
Loss from Continuing Operations	(135,861 )	(347,761 )
Loss from Discontinued Operations	0	(99,950 )
Net Income (Loss)	\$ (135,861 )	\$ (447,711 )
Weighted average number of shares outstanding		
Basic	33,931,722	30,286,660
Fully Diluted	35,325,294	30,475,812
Net Loss per Share		
From Operations	\$ (0.00 )	\$ (0.01 )
From Discontinued Operations	\$ -	\$ (0.00 )
Fully Diluted	\$ (0.00 )	\$ (0.01 )

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

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GALAXY GAMING, INC.

STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)  
AS OF DECEMBER 31, 2010

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Stock Warrants	Stock Subscription Receivable	Accumulated Deficit	Total
Beginning balance, January 1, 2009	10,000,000	\$ 10,000	\$ 125	\$ -	\$ -	\$ (1,130,323)	\$ (1,120,198)
Cancellation of old shares	(10,000,000)	(10,000 )	10,000	-	-	-	-
Issuance of new shares upon confirmation of reorganization plan	29,000,006	29,000	71,000	-	-	-	100,000
Shares issued upon conversion of notes payable	1,042,989	1,043	237,523	-	-	-	238,566
Shares issued for services	1,101,583	1,101	66,132	-	-	-	67,233
Shares issued for payment of accounts payable	100,000	100	39,900	-	-	-	40,000
Share issued under private placement financing	1,722,858	1,723	601,277	-	-	-	603,000
Shares retired through transfer of property to former employee	(50,000 )	(50 )	-	-	-	-	(50 )
Other shares issued post-confirmation	138,750	139	55,362	-	(25,967 )	-	29,534
Share based compensation expense	-	-	10,959	-	-	-	10,959
Issuance of stock warrants	-	-	(147,504 )	147,504	-	-	-
Net loss from continuing operations	-	-	-	-	-	(347,761 )	(347,761 )
Net loss from discontinued operations	-	-	-	-	-	(99,950 )	(99,950 )
Balance, December 31, 2009	33,056,186	33,056	944,774	147,504	(25,967 )	(1,578,034)	(478,667 )
Shares issued for payment of accounts payable	40,000	40	15,960	-	-	-	16,000
	-	-	26,665	-	-	-	26,665

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Share based compensation expense							
Payments received on stock subscription receivable	-	-	-	-	15,447	-	15,447
Shares issued under private placement financing	1,428,572	1,428	498,572	-	-	-	500,000
Issuance of stock warrants	-	-	(323,128 )	323,128	-	-	-
Shares issued in connection with asset acquisition	450,000	450	89,550	-	-	-	90,000
Net loss for the year ended December 31, 2010	-	-	-	-	-	(135,861 )	(135,861 )
Balance, December 31, 2010	34,974,758	\$ 34,974	\$ 1,252,393	\$ 470,632	\$ (10,520 )	\$ (1,713,895)	\$ 33,584

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

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GALAXY GAMING, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Cash Flows from		
Operating Activities:		
Net loss from for the year \$	(135,861)	(347,761)
Adjustments to Reconcile		
Net Loss to Net Cash		
Used in Operating		
Activities:		
Depreciation expense	12,832	16,040
Amortization expense	26,258	7,040
Provision for bad debts	55,617	52,760
Interest expense from		
stock warrant issuance	-	29,966
Share-based		
compensation	26,665	10,959
Common stock issued for		
services	-	67,233
Changes in Assets and		
Liabilities		
Decrease (increase) in		
accounts receivable	4,982	(191,005)
(Increase) in		
miscellaneous receivable	(8,184 )	(90 )
Decrease (increase) in		
prepaid expenses and		
taxes	18,374	(23,541 )
(Increase) in inventory	(51,701 )	(77,494 )
Decrease in accrued		
interest receivable	-	5,029
(Decrease) increase in		
accounts payable	(97,449 )	188,472
(Decrease) in accrued		
expenses and taxes	(9,895 )	(133,981)
(Decrease) in due to		
employee	-	(31,639 )
Increase (decrease) in		
accrued interest – related		
party	9,553	(5,725 )
Increase in deferred		
revenue	12,138	12,150
Net Cash Used in		
Operating Activities	(136,671)	(421,587)
Cash Flows from		
Investing Activities:		
Acquisition of property		
and equipment	(24,617 )	(24,967 )
Increase in other assets	(18,113 )	-
Payments received on		
note receivable	40,026	44,885
Net Cash Provided by		
(Used in) Investing		
Activities	(2,704 )	19,918
Cash Flows from		
Financing Activities:		
	-	200,000



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Proceeds from issuance of convertible notes		
Payments on notes payable – related party	(249,349)	(27,251 )
Collection of stock subscription receivable	15,447	-
Payments on note payable	(91,128 )	(20,660 )
Proceeds from issuance of common stock	500,000	632,534
Net Cash Provided by Financing Activities	174,970	784,623
Net Increase in Cash and Cash Equivalents	35,595	382,954
Cash and Cash Equivalents – Beginning of Year	408,839	25,885
Cash and Cash Equivalents – End of Year	\$ 444,434	\$ 408,839
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 55,454	\$ 76,305
Cash paid for income taxes	\$ -	\$ -
Non – Cash Investing and Financing Activities:		
Conversion of notes payable to equity	\$ -	\$ 150,000
Disposal of real estate investment for common stock	\$ -	\$ 99,950
Common Stock issued for payment of accounts payable	\$ 16,000	\$ -
Intangible assets acquired through the issuance of notes payable	\$ 126,000	\$ -
Intangible assets acquired through the issuance of common stock	\$ 90,000	\$ -

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

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GALAXY GAMING, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

Note 1: Nature of Operations

On January 1, 2007, Galaxy Gaming, LLC (“GGLLC”), which was organized as a Nevada limited liability company on September 27, 2000, entered into several agreements with GGINC. Pursuant to these agreements, GGLLC sold selected assets, such as inventory and fixed assets, to GGINC. On December 31, 2007, GGINC acquired, through an asset purchase agreement, GGLLC’s remaining intellectual property including patents, patent applications, trademarks, trademark applications, copyrights, know-how and trade secrets related to the casino gaming services including but not limited to games, side bets, inventions and ideas. GGINC also acquired the existing client base from GGLLC.

On February 10, 2009, Secured Diversified Investment, Ltd. (“SDI”) acquired all of the issued and outstanding stock of Galaxy Gaming, Inc. (“GGINC”) pursuant to the terms of a Share Exchange Agreement. Following the closing of the Share Exchange Agreement, SDI discontinued all prior operations and focused exclusively on the business and operations of its wholly-owned subsidiary, GGINC. GGINC was incorporated in the State of Nevada on December 29, 2006 and acquired the business operations of one or more companies using the “Galaxy Gaming” moniker.

In August of 2009 upon filing articles of merger in Nevada, GGINC was merged into SDI. At the effective date the separate legal existence of GGINC ceased and the surviving corporation in the merger (SDI) continued its existence under the laws of the State of Nevada under the name Galaxy Gaming, Inc. (“the Company”).

The Company designs, manufactures and markets casino table games and electronic jackpot bonus system platforms played in land-based and cruise ship gaming establishments. The game concepts and the intellectual property associated with these games are typically protected by patents, trademarks and/or copyrights. The Company markets its products and licensed intellectual property via its own sales force to casinos throughout North America and to cruise ships worldwide. Revenues come primarily from recurring royalties received from its clients for the licensing of game content and other fees paid based upon the performance of its electronic platforms. Additionally, the Company receives revenue as reimbursement from the sale of its associated products.

On February 21, 2011 the Company entered into a definitive agreement with TableMAX Corporation (TMAX) a provider of electronic table games and platforms headquartered in Las Vegas, Nevada. Under the terms of the agreement, the Company has exclusive worldwide rights (excluding one international and two U.S. territories) to the TMAX electronic gaming platform and certain game titles. See Note 19.

Note 2: Significant Accounting Policies

This summary of significant accounting policies of the Company is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied to the preparation of the financial statements.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized as income when earned and expenses are recognized when they are incurred. The Company does not have significant categories of cost as its income is recurring with high margins. Expenses such as wages, consulting expenses, legal, regulatory and professional fees, and rent are recorded when the expense is incurred.

Cash and Cash Equivalents

The Company considers cash on hand, cash in banks, certificates of deposit, and other short-term securities with maturities of three months or less when purchased, as cash and cash equivalents.

The Company’s bank accounts are deposited in insured institutions. The funds are insured up to \$250,000. At December 31, 2010 the Company’s bank deposits exceeded the insured amounts. Management believes it has little risk related to the excess deposits.

Reclassifications

Certain accounts and financial statement captions in the prior periods have been reclassified to conform to the current period financial statements.

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GALAXY GAMING, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010

Note 2: Significant Accounting Policies (continued)

Inventory

Inventory consists of products designed to enhance table games, such as signs, layouts, bases for the different signs and electronic devices to support our enhanced bonus platforms. The inventory value is determined by the average cost method and management maintains inventory levels based on historical and industry trends. Signs and layouts do not change unless the table game changes. The Company does not allocate overhead to inventory as such costs are not significant.

Fair Value of Financial Instruments

The fair value of cash and cash equivalents, accounts receivable, prepaid expenses, inventory, accounts payable, accrued expenses and deferred revenue approximates the carrying amount of these financial instruments due to their short-term nature. The fair value of long-term debt, which approximates its carrying value, is based on current rates at which the Company could borrow funds with similar remaining maturities.

Property and Equipment

Property and equipment are being depreciated over their estimated useful lives, 3 to 7 years, using the straight-line method of depreciation for book purposes.

Intangible Assets

The Company acquired, with an asset purchase agreement from the GLLC, intellectual property including patents, patent applications, trademarks, trademark applications, copyrights, know-how and trade secrets related to the casino gaming services including, but not limited to, games, side bets, inventions and ideas.

These intangible assets have finite lives and are being amortized using the straight-line method over their economic useful lives of twenty years. The intangible assets are analyzed for potential impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. These assets were transferred at cost.

The Company purchased back a regional territory from an outside sales representative. The total value of this agreement was \$150,000 and the resulting intangible asset has an infinite life.

As more fully described in Note 18, the Company executed an Asset Purchase Agreement on April 15, 2010 with T&P Gaming, Inc., and its majority owners whereby the Company acquired the client installation base, intellectual property, territorial license and related inventory associated with the “Deuces Wild Hold’em Fold’em game (“Deuces Wild”) and related “Random Wild” game.

Intangible Assets (continued)

The client installation base and intellectual property have finite lives and are being amortized using the straight-line method over the following economic useful lives:

Client installation base	Sixty months
Patent	Eighty seven months
Trademark	One hundred forty four months

The intangible assets are analyzed for potential impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. The territorial license has an infinite life.

Revenue Recognition

Revenue is primarily derived from the licensing of products and intellectual property. Consistent with the Company’s strategy, revenue is generated from negotiated recurring licensing fees for table game content and the performance of the electronic table game platform. The Company also receives a one-time sale or reimbursement of the manufactured equipment. When a table game is licensed without electronic enhancements, the Company generally sells the associated products and negotiates a month-to-month license fee for the game content. When a table game is licensed with electronic enhancements, such as the Bonus Jackpot System, the Company generally sells the associated products, negotiates a month-to-month license fee for the game content, and collects an additional recurring fee associated with the performance of the system such as a fee per each wager placed.



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GALAXY GAMING, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

Note 2: Significant Accounting Policies (continued)

Substantially all revenue is recognized when it is earned. Clients are typically invoiced one month in advance for content fees and the advance billings are carried as deferred revenue on the balance sheet. Additionally, clients may be invoiced at the time of shipment or delivery of product sales and invoiced in arrears for performance-based items. The monthly recurring invoices are based on executed agreements with each client. Total revenue from recurring royalties for the licensing of game content, fees paid based upon the performance of our electronic platforms and Inter-Casino Jackpot system was \$2,950,157 and \$2,514,816 for the years ended December 31, 2010 and 2009 respectively. Revenue from reimbursement from the sale of product was \$104,699 and \$250,858 for the years ended December 31, 2010 and 2009 respectively.

Revenue as reimbursement from the sale of our associated products is recognized when the following criteria are met:

- Persuasive evidence of an arrangement between us and our client exists.
  - Shipment has occurred.
  - The price is fixed and or determinable; and
  - Collectability is reasonably assured or probable

The software included in the Bonus Jackpot System serves to assist in the count of the number of wagers; essentially the software is incidental to the operation of the system. As such the Company does not segregate the portion of revenue between manufactured equipment and any software or electronic devices needed to use the equipment when the system is sold. Furthermore, the Company does not market the software separately from the equipment.

Costs of Ancillary Products and Assembled Components

Costs of Ancillary Products and Assembled Components include pay tables, layouts and signage as it relates to a specific proprietary game that our client may elect to purchase in connection with the use of our game and the cost of the assembled components of the Bonus Jackpot System.

Research and Development

Research and development costs are charged to expense when incurred and are included in the statements of operations. These costs include salaries, benefits, and other internal costs allocated to software and hardware development efforts, as well as purchased components.

Deferred Income Taxes

Deferred income taxes are recognized by applying enacted statutory rates, applicable to future years, to temporary differences between the tax bases and financial statement carrying values of the Company's asset and liabilities. Valuation allowances are recorded to reduce deferred tax assets to amounts that are more likely than not to be realized.

Basic Income (Loss) Per Share

Basic earnings per share excludes dilution and is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Stock-Based Compensation

Stock-based compensation is accounted for at fair value in accordance with ASC Topic 718. During the year ended December 31, 2010 the Board of Directors approved the adoption of a stock option plan. The Company has not granted any stock options under this plan.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions have been made in determining the depreciable lives of such assets and the allowance for doubtful accounts receivable. Actual results could differ from those estimates.

Recently Issued Accounting Guidance

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flow.



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GALAXY GAMING, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010

## Note 3: Note Receivable

The note receivable at December 31, 2010 and December 31, 2009 was as follows:

	2010	2009
Note receivable	\$ 420,450	\$ 460,476
Less:		
current portion	(16,475 )	(53,004)
Long-term Note Receivable	\$ 403,975	\$ 407,472

The Company acquired, with an asset purchase agreement from the GLLC, the note receivable stated above, as part of the purchase of the remaining intellectual property including patents, patent applications, trademarks, trademark applications, copyrights, know-how and trade secrets related to the casino gaming services including but not limited to games, side bets, inventions and ideas. The purchase was financed by a ten year unsecured note with a 6% fixed interest rate, monthly principal and interest payments of \$6,598 with the unpaid principal and interest due in February 2017. Interest income associated with this note receivable was \$26,150 and \$29,265 for the years ended December 31, 2010 and 2009 respectively. The terms of the note were amended in September 2010 whereby (1) the monthly principal and interest payment was reduced to \$3,332; (2) the unpaid principal and interest is due August 2015 and (3) the note is collateralized by a second deed of trust on real property.

Management evaluates collectability on a regular basis and will set up reserves for uncollectible amounts when it has determined that some or all of this receivable may be uncollectible. At December 31, 2010 management believed that 100% of the notes receivable principal and interest amounts are collectable.

## Note 4: Prepaid Expenses

Prepaid expenses consist of the following as of December 31, 2010 and December 31, 2009:

	2010	2009
Prepaid marketing agreement	\$ 4,000	\$ 24,750
Prepaid IT system	7,292	3,326
Prepaid insurance	463	447
Prepaid legal	-	5,825
Prepaid trade show expense	8,583	5,054
Prepaid property taxes	3,718	-
Prepaid other	884	3,912
Total Prepaid Expenses	\$ 24,940	\$ 43,314

## Note 5: Property and Equipment

The Company owned property and equipment, recorded at cost, which consisted of the following at December 31, 2010 and December 31, 2009:

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	2010	2009
Computer equipment	\$ 37,403	\$ 31,345
Furniture and fixtures	51,187	36,278
Office equipment	10,320	10,320
Leasehold improvements	3,650	-
Subtotal	102,560	77,943
Less:		
Accumulated depreciation	(58,459)	(45,627)
Property and Equipment, net	\$ 44,101	\$ 32,316

Depreciation expense was \$12,832 and \$16,040 for the years ended December 31, 2010 and 2009, respectively.

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GALAXY GAMING, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010

Note 6: Accrued Expenses and Taxes

The Company recorded accrued expenses and taxes which consisted of the following at December 31, 2010 and December 31, 2009:

	2010	2009
Wages and related costs	\$ 85,515	\$ 78,141
Accrued expenses and taxes	22,588	39,857
Total Accrued Expenses and Taxes	\$ 108,103	\$ 117,998

Note 7: Long – term Debt

Long - term debt consists of the following at December 31, 2010 and December 31, 2009:

	2010	2009
Note payable to commercial bank	\$ 1,172,393	\$ 1,194,634
Notes payable asset acquisition	57,113	-
	1,229,506	1,194,634
Less: Current portion	(81,058)	(22,242)
Total Long – term debt	\$ 1,148,448	\$ 1,172,392

The note payable is due to a commercial bank in monthly installments of \$9,159 including fixed interest of 7.3%, for ten years, through February 2017, at which time there is a balloon payment of \$1,003,230. This liability was assumed with the asset purchase agreement from the GGLLC. The note payable financed the purchase of the intellectual property including patents, patent applications, trademarks, trademark applications, copyrights, know-how and trade secrets related to the casino gaming services including but not limited to games, side bets, inventions and ideas. The note agreement remains in the name of the GGLLC.

In connection with the Asset Purchase Agreement executed on April 15, 2010, (see Note 18), the Sellers agreed to finance \$126,000 over eighteen months at an interest rate of 6% per annum. Monthly principal and interest payments of \$7,301 are required with the first payment paid upon closing.

Maturities of the Company’s long-term debt as of December 31, 2010 are as follows:

December 31, 2011	\$81,058
2012	25,533
2013	27,734
2014	28,099
2015	32,144
Thereafter	1,034,938
Total Long – term Debt	\$ 1,229,506

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During 2009 the Company issued \$200,000 of convertible notes payable with an interest rate of 12%. The holders of the convertible notes chose to convert the notes, including accrued interest, into 1,042,989 shares of the Company's common stock. The notes and accrued interest totaling \$8,600 were convertible into common stock of the Company at the conversion rate of .20 cents per share. The holders of the notes were also granted stock purchase warrants allowing the holders to purchase up to an additional 175,000 shares of common stock at the price of \$.40 per share. The warrants expire April 2014. In lieu of cash exercising, the warrant the holders may elect to receive shares equal to the value of the warrant. The Company recorded interest expense in the amount of \$29,966 relating to the fair value of the warrants issued during the year ended December 31, 2009.

### Note 8: Notes Payable - Related Party

The Company received working capital loans from the GLLC, a related party, in 2008 and 2007. The loans bear 9% interest and are due 90 days after demand. The terms of the loan call for interest to be accrued on interest if payments are not made. Interest expense associated with these loans was \$21,694 and \$37,024 for the years ended December 31, 2010 and 2009 respectively.

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GALAXY GAMING, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010

Note 9: Commitments and Contingencies

Operating Lease Obligation

The Company leases its offices from a related party that is related to the Company's CEO. The initial term of the lease expired August 31, 2010 and there was an option for two six year renewals. Under the terms of the lease agreement the monthly minimum rental payment was \$18,565 and rent increased 3% every year on September 1st. Effective April 1, 2010 the related party agreed to temporarily reduce the monthly rent to \$9,283 until the end of the initial lease period. On September 1, 2010 a new lease was entered into for a period of two years with a monthly rental payment of \$10,359. Rent expense was \$143,551 and \$218,463 for the years ended December 31, 2010 and 2009 respectively.

Rent to be paid under the lease agreement is summarized as follows:

Twelve months ended December 31, 2011	\$ 124,308
2012	82,872
Total Lease Obligation	\$ 207,180

Legal Proceedings

The Company's current material litigation is briefly described below. The Company assumes no obligation to update the status of pending litigation, except as required by applicable law, statute or regulation.

Sherron Associates, Inc. – A judgment was issued in Washington State against the Company's CEO and others in a manner unrelated to the Company in 1998. Sherron Associates, Inc., a Washington company, ("Sherron") claimed to be the assignee of the judgment and disguised through a non-existent company it alleged to control, sued Mr. Saucier and various predecessor companies in the Superior Court of the State of Washington for the County of King in 2005. In 2008 the case was dismissed with prejudice and the defendants were awarded their legal costs. Later in 2008, Sherron filed suit against the Company claiming Sherron is assignee of the judgment and further claiming the Company is the alter-ego of its CEO and therefore responsible for payment of the judgment. The Company claims, among other defenses, that the judgment is invalid and even if it were valid, Sherron lacks standing in the matter because it is not the assignee nor is it the alter ego of its CEO. Separately, the Company's CEO filed a motion in the Superior Court of the State of Washington for the County of Spokane seeking to quash the underlying judgment.

The Court granted the motion and ruled the judgment vacated nunc pro tunc. Sherron filed a motion for reconsideration, which the Court denied and affirmed its previous decision in favor of the Company's CEO. Subsequently, Sherron filed an appeal to the Court of Appeals of the State of Washington, Division III and the appellate court reversed the Superior Court's ruling. The Company and its CEO believe the reversal improper and contrary to law and in November 2010, our CEO filed a Petition for Review with the Supreme Court for the State of Washington. The matter is currently pending. We intend to continue to vigorously defend the case and seek all legal remedies available to us.

Also in 2008, Sherron filed suit against the Company in Nevada attempting to execute the judgment against certain intellectual property of the Company, claiming the property belongs personally to the Company's CEO. This case and the previously mentioned King County case are stayed pending the final outcome of the Spokane County action.

We deny any liability or wrongdoing in the Sherron litigation. We believe that the above claims and litigation are without merit and intend to vigorously defend any case brought against us. Due to the uncertainty of the ultimate outcome of this matter, the impact, if any, on future financial results is not subject to reasonable estimates.

The Company paid legal fees directly to the law firm retained by its CEO. The law firm was employed in 2009 and 2010 for the express purpose of defending the Sherron litigation described above. In 2009, the CEO's attorneys were successful in vacating the judgment which is the subject of the Sherron litigation. The Company believes this strategy to vacate the underlying judgment to be a faster, surer and less expensive method to defend the Sherron litigation, than other alternatives available to the Company. The Company has also agreed to continue to be responsible for these legal fees during any and all appeal processes. Total fees from this law firm charged to expense were \$42,632 and \$37,661 for the

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years ended December 31, 2010 and 2009. The Company anticipates its legal fees pertaining to the Sherron litigation to increase in subsequent quarters until the matter has reached a final conclusion.

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GALAXY GAMING, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

Note 9: Commitments and Contingencies (continued)

The Company and its CEO have jointly filed actions against Sherron in Nevada for various abuses of process in the litigation and their malicious attempts to improperly enforce a judgment. This case is likewise stayed pending the final outcome of the Spokane County action.

California Administrative Licensing Action - In 2002, Galaxy Gaming of California, LLC, ("GGCA") a subsidiary of a predecessor company, submitted an application to the California Gambling Control Commission (the "Commission") for a determination of suitability for licensure to do business with tribal gaming operations in California. The Division of Gambling Control of the California Department of Justice (the "Division") processed the application and in late 2005 made an initial recommendation to the Commission alleging GGCA was unsuitable. GGCA believed that the process conducted by the Division was seriously flawed and biased and in December 2006, exercised its right to have an administrative law judge further adjudicate the process. The Commission agreed and assigned the matter for adjudication before an administrative law judge.

On January 1, 2008, the Company acquired GGCA and inherited the administrative action. At the time, the Division (since renamed the "Bureau of Gambling Control") still had not filed its statement of issues against GGCA. Subsequently, on February 10, 2009, the Company applied to the Bureau for its finding of suitability since it was now conducting business with California tribal casinos. The Bureau filed its statement of issues against GGCA in October, 2009. The Company sought the abandonment of the GGCA application since the entity ceased business operations and was later dissolved. The abandonment request has not been acted upon by the Commission. A hearing with the assigned administrative law judge regarding the GGCA application is now scheduled in June, 2011.

Since our president was formerly associated with the manager of GGCA, our ability to continue to conduct business in California could be contingent upon a successful resolution of this action. During these proceedings, the Company is entitled to conduct business in California. Total revenues the Company derived from California for the year ended December 31, 2010 was \$151,109. The Company believes that the issues raised in the statement of issues are baseless, without merit and unrelated to its business operations and will therefore vigorously defend the administrative action. We continue to seek the abandonment of the GGCA application and the further processing of the Company's application with the Commission.

In the ordinary course of conducting its business, the Company is, from time to time, involved in other litigation, administrative proceedings and regulatory government investigations including but not limited to those in which the Company is a plaintiff.

Note 10: Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts based on periodic reviews of accounts receivable. As of December 31, 2010 and December 31, 2009, the Company had an allowance for doubtful accounts of \$19,912 and \$23,935, respectively.

Note 11: Stockholders' Equity (Deficit)

The Company had 65,000,000 shares of \$.001 par value common stock and 10,000,000 shares of \$.001 par value preferred stock authorized as of December 31, 2010 and December 31, 2009. On April 1, 2010 the Company sold a total of 1,428,572 shares of common stock and 714,286 warrants for total cash proceeds of \$500,000. There were 34,974,758 common shares and -0- preferred shares issued and outstanding at December 31, 2010.

Note 12: Related Party Transactions

The company leases its offices from a related party that is related to the company's CEO. Effective September 1, 2010 the lease was renegotiated with the related party, for a period of two years with a monthly rental payment of \$10,359. See Note 9.

The Company has agreed to pay the legal expenses incurred by its CEO's attorneys pertaining to its defense in the Sherron litigation, (Please see Note 9). Total fees from this law firm charged to expense were \$42,632 and \$37,661 for the years ended December 31, 2010 and 2009 respectively.

The Company has a note receivable from a related party totaling \$420,450 and \$460,476 at December 31, 2010 and 2009 respectively. See Note 3.

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GALAXY GAMING, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010

Note 12: Related Party Transactions (continued)

The Company has a note payable from a related party totaling \$107,850 and \$357,199 at December 31, 2010 and 2009 respectively. Additionally there is accrued interest owed to the related party totaling \$25,973 and \$16,420 at December 31, 2010 and 2009 respectively. See Note 8.

Note 13: Other Income (Expenses)

Other income (expenses) of the Company consists of the following for the year ended December 31, 2010 and 2009:

	2010	2009
Interest income	\$ 26,150	\$ 29,265
Interest expense	(114,409)	(176,671)
Total Other Income (Expenses)	\$ (88,259)	\$ (147,406)

Note 14: Income Taxes

For the year ended December 31, 2010, the Company incurred a net loss and, therefore, has no tax liability. The Company has a previous net operating loss carry-forward of \$1,035,000. The losses will be carried forward and can be used through the year 2028 to offset future taxable income up to a cumulative total of approximately \$1,160,000. The cumulative net operating loss carry-forward for income tax purposes may differ from the cumulative financial statement loss due to permanent differences and timing differences between book and tax reporting. Additionally, the Company has a foreign tax credit carry-forward of approximately \$181,000 that can be used in the future to offset federal income tax owed.

The Company periodically reviews the need for a valuation allowance against deferred tax assets based upon earnings history and trends. The Company believes that the valuation allowances provided are appropriate

The cumulative tax effect at the expected rate of 34% of significant items comprising our net deferred tax amount is as follows:

	2010	2009
Deferred tax asset attributable to:		
Net operating loss carryover	\$ 394,400	\$ 351,900
Valuation allowance	(394,400)	(351,900)
Net Deferred Tax Asset	\$ -	\$ -

Note 15: Non-Cash Investing and Financing Cash Flow Disclosures

During the year ended December 31, 2009 the Company issued 1,101,583 shares of stock for services to be performed in non-cash transactions pursuant to various service agreements. The cost of the service was expensed over the term of the respective service agreement. The Company issued 100,000 shares of common stock in settlement of accounts payable. Convertible notes payable in the amount of \$200,000, plus accrued interest of \$8,600, were converted to equity resulting in the issuance of 1,042,989 common shares. The Company disposed of a real estate investment in a non-cash trade for 50,000 shares of common stock resulting in a loss of \$99,950 from discontinued operations during the quarter ended December 31, 2009

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Additionally, during the year ended December 31, 2009, the Company sold 101,250 shares of common stock to employees in exchange for various notes receivable totaling \$40,500. As of December 31, 2010 and December 31, 2009, \$10,520 and \$25,967 was still outstanding and has been recorded as a stock subscription receivable.

During the year ended December 31, 2010 the Company issued 40,000 shares of common stock in settlement of accounts payable.

In connection with an asset acquisition, the Company issued 450,000 shares of common stock during the quarter ended December 31, 2010. See Note 18.

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 NOTES TO FINANCIAL STATEMENTS  
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#### Note 16: Stock Warrants and Options

As indicated in Note 15 the Company issued 714,286 warrants in connection with the sale of common stock on April 1, 2010. During the year ended December 31, 2010, the Company issued 22,500 stock options as part of the employment agreement with its CFO. The Company has accounted for these warrants as equity instruments in accordance with EITF 00-19 (ASC 815-40), Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock, and as such, will be classified in stockholders' equity as they meet the definition of "...indexed to the issuer's stock" in EITF 01-06 (ASC 815-40) The Meaning of Indexed to a Company's Own Stock. The Company has estimated the fair value of the warrants issued in connection with the sale of common stock at \$323,128 and the employment agreement at \$10,665 using the Black-Scholes option pricing model.

The Company also issued 185,000 stock options to a board member. The warrants were valued at the fair market value of the services performed which resulted in an expense of \$16,000 for the year ended December 31, 2010.

Key assumptions used by the Company are summarized as follows:

	PPM	Employment agreement
Volatility	165%	152%
Expected dividend yield	0.00%	0.00%
Risk-free rate over the estimated expected life of the warrants	1.63%	0.0066%
Expected term (in years)	3.0	3.0

The warrants issued have been accounted for as an equity transaction. The cost of the options issued in connection with the employment agreement and to the board member were classified as operating expenses for the year ended December 31, 2010.

A summary of changes in share purchase warrants during the year ended December 31, 2010 is as follows:

	Warrants	Weighted Average Exercise Price
Outstanding, January 1, 2010	1,036,429	\$ 0.40
Issued	714,286	\$ 0.40
Exercised	0	-
Expired	0	-
Outstanding, December 31, 2010	1,750,715	\$ 0.40

A summary of changes in employee stock options during the year ended December 31, 2010 is as follows:

	Stock Options	Weighted Average Exercise Price
Outstanding, January 1, 2010	83,750	\$ 0.4451
Issued	207,500	\$ 0.4274



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Exercised	-	-
Expired	-	-
Outstanding, December 31, 2010	291,250	\$ 0.4325

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Note 17: Bankruptcy confirmation and reverse merger – adoption of “fresh start” accounting

On February 10, 2009, Secured Diversified Investment, Ltd (“SDI”), a publicly held Nevada corporation, entered into a Share Exchange Agreement with the Company. In connection with the closing of the Share Exchange Agreement, SDI obtained 100% of the issued and outstanding shares of the Company, and the Company became a wholly-owned subsidiary (the “Share Exchange”). Also pursuant to the terms of SDI’s Bankruptcy Plan (“the Plan”), all of SDI’s outstanding debt obligations (other than administrative expenses related to chapter 11 case) have been discharged in exchange for its issuance of new common stock on a pro rata basis to its creditors.

Pursuant to the terms and conditions of the Share Exchange Agreement and the terms of the Plan, SDI issued 25,000,000 shares of common stock pro-rata to the former shareholders of the Company in exchange for obtaining ownership of 100% of the issued and outstanding shares of the Company and 4,000,006 shares of new common stock on a pro rata basis to its creditors in exchange for the discharge of the outstanding debts under chapter 11 of the U.S. Bankruptcy Code. All of SDI’s pre-Share Exchange issued and outstanding equity interests were extinguished and rendered null and void. Immediately following these events there were 29,000,006 shares of common stock issued and outstanding.

Following confirmation of the Plan and the consummation of the Share Exchange, SDI pursued the business plan of Galaxy Gaming.

After the consummation of the Plan and Share Exchange, SDI continued to own a twenty-five percent interest in certain real property in Arizona. On or about April 17, 2009, SDI transferred this property to a former officer and director, in exchange for the former officer tendering fifty thousand shares of the common stock of SDI for cancellation.

In accordance with generally accepted accounting principles, since the reorganization values of SDI’s assets were less than the total of its post-petition liabilities and allowed claims, and since the holders of existing SDI shares before the confirmation of the reorganization plan received less than 50 percent of the voting shares of the emerging entity, the Company has adopted fresh-start reporting. The total amount of debt forgiveness was \$683,284. The remaining asset of SDI was valued at \$100,000, the estimated fair value at the date of confirmation.

Note 18: Asset Acquisition

On April 15, 2010 the Company executed an Asset Purchase Agreement (“Agreement”) with T&P Gaming, Inc., and its majority owners (“Sellers”) whereby the Company acquired the client installation base, intellectual property, territorial license and related inventory associated with the “Deuces Wild Hold’em Fold’em game (“Deuces Wild”) and related “Random Wild” game.

The purchase price of \$216,000 was allocated as follows:

Description	Amount
Client installation base	\$ 115,200
Patent	10,800
Trademark	13,000
Territorial license	77,000
Total	\$ 216,000

The Sellers agreed to finance \$126,000 over eighteen months at an interest rate of 6% per annum. Monthly principal and interest payments of \$7,301 are required with the first payment paid upon closing. Additionally, the Company agreed to transfer to the Sellers \$90,000 worth of the Company’s common stock at such time the Sellers assigned the valid and fully enforceable patent to the Company. Such assignment was completed and 450,000 shares of the Company’s common stock were issued during the year ended December 31, 2010.

The Agreement also has a bonus performance provision, whereby the Company will pay to the Sellers \$50 per month, per table over 10 games placed in the United States. The bonus performance is not due until a game is in its fourth month of live play. No performance bonuses have been paid during the year ended December 31, 2010.

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GALAXY GAMING, INC.  
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Note 19: Subsequent Events

On February 21, 2011 the Company entered into a definitive agreement (“Agreement”) with TableMAX Corporation (“TMAX”) a provider of electronic table games and platforms headquartered in Las Vegas, Nevada and Mr. Ariel Emanuel, a principal investor in TMAX. Under the terms of the Agreement the Company has exclusive worldwide rights (excluding one international and two U.S. territories) to the TMAX electronic gaming platform and certain games titles. The Company will create an operating division (the “TableMAX Division”) which will conduct sales, distribution, marketing, engineering, sub-licensing and manufacturing related to the TMAX products and related intellectual property. The TableMAX Division shall be wholly owned by the Company and shall not be considered to be owned by, related to, a joint venture partner of or an agent of TMAX in any manner. The term of the Agreement is five years. At any time during the term of the agreement, either TMAX or the Company may make a written offer to purchase the sole ownership of the TableMAX Division. Such offer shall be subject to the parties’ mutual agreement and neither party shall be under any obligation to accept such an offer. If such an agreement has not been consummated within six months of the expiration of the agreement then each party must indicate to the other party no later than six months from the scheduled expiration of the Agreement their intent to renew the Agreement for a term of at least one year.

TMAX agreed to assign, for the term of the agreement, all of its existing gaming installations and usable inventory to the TableMAX Division. The Company agreed to furnish its intellectual property relating to its table game content for use by the TableMAX Division royalty-free for the term of the agreement. The Agreement specifies annual performance targets whereby the Company is required, on a cumulative basis, to have minimum table placements. If the Company fails to meet the performance criteria as defined in the agreement, the Company will be required to pay TMAX the difference between TMAX’s share of the actual profit obtained by the TableMAX Division and the estimated profit that would have been obtained if the minimum standard had been obtained.

The Company is responsible for the losses of the TableMAX Division however TMAX has agreed to reimburse the Company during the first 12 months from the date of the Definitive Agreement for operating expenses of the TableMAX Division up to a maximum of \$600,000. Net profits from the TableMAX Division will be split between the Company and TMAX on a sliding scale basis dependent upon the number of TableMAX Division table installations and profit results as defined in the agreement.

On February 24, 2011 the Company sold a total of 533,333 shares of common stock and 266,667 warrants for total cash proceeds of \$200,000.

In accordance with SFAS 165 (ASC 855-10) the Company has analyzed its operations subsequent to December 31, 2010 to March 21, 2011, the date these financial statements were issued, and has determined that, except for entering into the Definitive Agreement with TableMax Corporation and the sale of common stock and related warrants, it does not have any additional material subsequent events to disclose.

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Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

No events occurred requiring disclosure under Item 307 and 308 of Regulation S-K during the fiscal year ending December 31, 2010.

Item 9A(T). Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in company reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Treasurer, as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2010. Based on their evaluation, they concluded that our disclosure controls and procedures were effective.

Our internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorization of our Board of Directors and management; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Under the supervision and with the participation of our management, including our chief Chief Executive Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation under the criteria established in Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2010.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

During the most recently completed fiscal quarter, there has been no change in our internal control over financial reporting that has materially affected or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following information sets forth the current names of our current Directors and executive officers and their ages.

Name	Age	Office(s) held
Robert Saucier	56	President, CEO, Chairman of the Board of Directors
Andrew Zimmerman	49	CFO, Secretary and Treasurer
William O'Hara	70	COO and Director
Daniel Scott	55	Outside Director

Set forth below is a brief description of the background and business experience of each of our current executive officers and Directors.

Robert B. Saucier is our President, CEO, and Chairman of the Board of Directors. Mr. Saucier is the founder of the Company and has served as our President and CEO since inception and for the Company's accounting and operational predecessors since 1997. Besides leading the executive team, Mr. Saucier's primary responsibilities include product development, strategic planning, developing acquisition strategies and investor relations. During his career, Mr. Saucier has founded and grown five start-up companies. He was founder and CEO of the Mars Hotel Corporation, (1992 - 1998) a company that developed and managed the first non-tribal casino in Washington. Previously, Mr. Saucier founded International Pacific, an Inc. 500 company which recorded a 2,447% rate (five year period) and served as its President and Chairman (1986 -1992). He also founded and led Titan International, Inc. (1981 - 1986), a company that was engaged in electronic safety, security and surveillance systems. Throughout his career, Mr. Saucier has consulted with and invested in numerous business ventures and real estate development projects.

Andrew Zimmerman is our Chief Financial Officer, Secretary and Treasurer. Mr. Zimmerman was a practicing Arizona CPA and has over twenty-five years of professional experience in public accounting, casino management, manufacturing, and entertainment. From December 2008 through November 2009, Mr. Zimmerman was the Chief Financial Officer of David Saxe Productions, a producer of various shows in Las Vegas. Mr. Zimmerman was the Chief Financial Officer and Treasurer of Mission Industries, Nevada's largest provider of hospitality and restaurant textile services, for ten years (1996 – 2000) and (2002 – 2008). Mr. Zimmerman has also served as the CFO of Konami Gaming, Inc. a slot manufacturer, the Bud Jones Company and Palace Casinos in Biloxi, Mississippi. Mr. Zimmerman is a graduate of Arizona State University. He also serves on the board of a large automotive finance company.

William O'Hara is our Chief Operating Officer and a Director and is in charge of the day-to-day operations of our business. After a successful 21-year career in the cosmetic, cosmetology and aesthetic industry, Mr. O'Hara began his gaming industry career as the first employee of Shuffle Master Gaming in 1991. Mr. O'Hara relocated to Las Vegas in 1992 to head up that company's sales, service and marketing. In 1998, he joined Casinovations, Inc. as Senior Vice President of operations and president of its Mississippi subsidiary. In 2000, Mr. O'Hara joined PDS Gaming as the Senior Vice President of their newly formed electronic table games division. Mr. O'Hara joined Galaxy Gaming in February 2008. Mr O'Hara previously served on the Board of Directors of the Missouri Riverboat Gaming Association and Casino Management Association.

Dan Scott is an outside Director. Mr. Scott has over twenty years of senior management experience in the gaming industry. Mr. Scott was Vice President of Finance and Treasurer during twelve years with Caesars Palace in Las Vegas. He was also Senior Vice President and Chief Financial Officer with MGM Grand Hotel and Casino in Las Vegas. His projects as an independent consultant include a six year engagement encompassing the design, construction and management of Casino MonteLago at Lake Las Vegas. Mr. Scott, a Nevada CPA, is a graduate of the University of Wisconsin.

Directors

Our bylaws authorize no less than one (1) and no more than fifteen (15) Directors. We currently have three Directors.

Term of Office

Our Directors are appointed for a one-year term to hold office until the next annual meeting of our shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our Board of Directors and hold office until removed by the Board.

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Family Relationships

There are no family relationships between or among the Directors, executive officers or persons nominated or chosen by the Company to become Directors or executive officers.

Director or Officer Involvement in Certain Legal Proceedings

To the best of our knowledge, except as described below, during the past five years, none of the following occurred with respect to a present or former Director or executive officer of the Company: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of any competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and (4) being found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

None.

Committees of the Board

Mr. Scott currently serves on the Company's compensation committee. We do not currently have an executive committee or stock plan committee.

Audit Committee

We do not have a separately-designated standing audit committee. The entire Board of Directors performs the functions of an audit committee, but no written charter governs the actions of the Board when performing the functions of what would generally be performed by an audit committee. The Board approves the selection of our independent accountants and meets and interacts with the independent accountants to discuss issues related to financial reporting. In addition, the Board reviews the scope and results of the audit with the independent accountants, reviews with management and the independent accountants our annual operating results, considers the adequacy of our internal accounting procedures and considers other auditing and accounting matters including fees to be paid to the independent auditor and the performance of the independent auditor.

Nominating Committee

Our Board of Directors does not maintain a nominating committee. As a result, no written charter governs the Director nomination process. The size of our Board, at this time, does not require a separate nominating committee.

When evaluating Director nominees, our Directors consider the following factors:

The appropriate size of our Board of Directors;

Our needs with respect to the particular talents and experience of our Directors;

The knowledge, skills and experience of nominees, including experience in finance, administration or public service, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the Board;

Experience in political affairs;

Experience with accounting rules and practices; and

The desire to balance the benefit of continuity with the periodic injection of the fresh perspective provided by new Board members.

Our goal is to assemble a Board that brings together a variety of perspectives and skills derived from high quality business and professional experience. In doing so, the Board will also consider candidates with appropriate non-business backgrounds. Other than the foregoing, there are no stated minimum criteria for Director nominees, although the Board may also consider such other factors as it may deem are in our best interests as well as our stockholders. In addition, the Board identifies nominees by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination. If any member of the Board does not wish to continue in service or if the Board decides not to re-nominate a member for re-election, the Board then identifies the desired skills and experience of a new nominee in light of the criteria above. Current members of the Board are polled for suggestions as to individuals meeting the criteria described above. The Board may also engage in research to identify qualified individuals. To date, we have not engaged third parties to identify or evaluate or assist in identifying potential nominees, although we reserve the right in the future to retain a third party search firm, if necessary. The Board does not typically consider shareholder nominees because it believes that its current nomination process is sufficient to identify Directors who serve our best

interests.

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## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our Directors and executive officers and persons who beneficially own more than ten percent of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, Directors and greater than ten percent beneficial shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To the best of our knowledge based solely on a review of Forms 3, 4, and 5 (and any amendments thereof) received by us during or with respect to the year ended December 31, 2010 the following persons have failed to file, on a timely basis, the identified reports required by Section 16(a) of the Exchange Act during fiscal year ended December, 2010:

Name and principal position	Number of late reports	Transactions not timely reported	Known failures to file a required form
Robert Saucier	n/a	n/a	n/a
Andrew Zimmerman	n/a	n/a	n/a
William O'Hara	n/a	n/a	n/a

## Code of Ethics

As of December 31, 2010, we had not adopted a Code of Ethics for Financial Executives, which would include our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

## Item 11. Executive Compensation

## Compensation Discussion and Analysis

The Company's current executive compensation system consists of cash compensation to the executive officers who are primarily responsible for the day-to-day management and continuing development of its business. The Company's Chief Operating Officer ("COO"), William O'Hara is party to a three-year employment agreement with the Company. Mr. O'Hara's compensation arrangement consists of a base annual salary together with a potential monthly bonus to be awarded for those months in which the Company achieves higher sales figures than in any previous month. The objective of this arrangement is to provide Mr. O'Hara with regular compensation which is reasonable in light of the cash constraints faced by the Company's developing business while also providing an incentive for the COO to lead the operations towards a continually expanding revenue base. The Company's Chief Financial Officer ("CFO"), Andrew Zimmerman is party to a three-year employment agreement with the Company. Mr. Zimmerman's compensation arrangement consists of a base annual salary.

The Company presently does not have an employment agreement or any fixed policy regarding compensation of Robert Saucier, its President and CEO. Currently, Mr. Saucier receives cash compensation of approximately \$30,000 per year. As the founder of the Company, Mr. Saucier holds a strong entrepreneurial interest in developing and expanding the Company to the best of his ability.

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## Summary Compensation Table

The table below summarizes all compensation awarded to, earned by, or paid to our current executive officers for each of the last two completed fiscal years.

Name and principal position	Year	SUMMARY COMPENSATION TABLE							Total (\$)
		Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Incentive Plan Compensation (\$)	Non-Equity Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	
Robert Saucier, CEO, President, Director	2010	28,125	0	0	0	0	0	0	28,125
	2009	30,000	0	0	0	0	0	0	30,000
Andrew Zimmerman, CFO, Treasurer, Secretary	2010	121,537	0	0	10,665	0	0	0	132,202
	2009	11,100	0	0	6,959	0	0	0	18,059
William O'Hara, COO, Director	2010	141,250	2,951	0	0	0	0	0	144,201
	2009	150,000	3,155	0	0	0	0	6,100	159,255

## Narrative Disclosure to the Summary Compensation Table

We do not have a written employment contract with our President and CEO, Robert Saucier. We currently pay him an annual salary of \$30,000. The Company's COO, William O'Hara is party to a three-year Employment Agreement with the Company. Mr. O'Hara receives a base annual salary of \$150,000. In addition, for each month in which our total sales are higher than any previous month, Mr. O'Hara earns a bonus equal to 10% of the increased sales above the prior monthly record. Mr. O'Hara's contract expired in February 2011 however Mr. O'Hara will receive six months of severance pay including benefits if his termination is other than for cause. The Company's CFO, Secretary, and Treasurer, Andrew Zimmerman is also party to a three-year employment agreement with the Company through November 2012. Mr. Zimmerman's base compensation consists of a monthly salary paid in bi-monthly installments. Under his Employment Agreement with the Company, Mr. Zimmerman's base salary began at \$6,600 and increases in phases over the course of his first year of employment to a maximum of \$12,500 per month.

Messrs. Saucier, O'Hara and Zimmerman agreed to temporarily reduce each of their salaries by 10% effective April 1, 2010. The Company restored one half of the reduction effective September 15, 2010 and the remaining amount effective with the pay period ending March 15, 2011

(A) The dollar amounts of Option Awards are the aggregate grant date fair value of the option awards. Please refer to Notes to Consolidated Financial Statements- Note 16 "Stock Options and Warrants" for further information about our calculation of those amounts, which we based on the reported closing market price of our common stock on the OTCBB on the date we granted the options.

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Outstanding Equity Awards At Fiscal Year-end Table

The table below summarizes all unexercised options, stock that has not vested, and equity incentive plan awards for each named executive officer outstanding as of the end of our last completed fiscal year.

Name	OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END OPTION AWARDS					STOCK AWARDS			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Stock That Have Not Vested (#)	Market Value of Shares or Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Other Rights That Have Not Vested (#)
Robert Saucier, CEO, President, Director	-	-	-	-	-	-	-	-	-
William O'Hara, COO and Director	-	-	-	-	-	-	-	-	-
Andrew Zimmerman, CFO(1)	37,500 22,500	-	-	\$0.55 \$0.55	11/15/2012 11/15/2013	-	-	-	-

(1) Mr. Zimmerman was initially granted options to purchase 37,500 shares of the Company's common stock at a price of \$0.55 per share, exercisable for three years. Additional grants of options to purchase 22,500 shares of the Company's common stock at a price of \$0.55 per share, exercisable for three years, will be made at the beginning of each additional year of service to Mr. Zimmerman.

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## Compensation of Directors Table

The table below summarizes all compensation paid to our Directors for our last completed fiscal year.

Name	DIRECTOR COMPENSATION							Total (\$)
	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Compensation Other (\$)		
Robert Saucier	28,125	0	0	0	0	0	28,125	
William O'Hara	144,201	0	0	0	0	0	144,201	
Dan Scott	16,000	0	16,000	0	0	0	32,000	

## Narrative Disclosure to the Director Compensation Table

Robert Saucier and William O'Hara do not currently receive any cash compensation from the Company or for their service as members of the Board of Directors. The compensation summarized above reflects the compensation each of our Directors and former Directors received in their capacities as executive officers of the Company. Dan Scott receives a cash stipend in the amount of \$4,000 per quarter. We have also agreed that Mr. Scott will receive immediately-vested options to purchase 46,250 shares of our common stock per quarter.

Prior to his appointment as a Director, Mr. Scott performed consulting services for the Company. The total cost of Mr. Scott's consulting services was \$119,157 during the year ended December 31, 2009.

## Stock Option Grants

In anticipation of establishing an equity compensation plan the Company:

- (1) granted options to our CFO to purchase 37,500 shares of the Company's common stock at a price of \$0.55 per share, exercisable for three years. Additional grants of options to purchase 22,500 shares of the Company's common stock at a price of \$0.55 per share, exercisable for three years, will be made at the beginning of each additional year of service.
- (2) agreed that our outside Board member, Dan Scott, will receive immediately-vested options to purchase 46,250 shares of our common stock per quarter. The exercise price and term of such stock options has not been determined at this time.

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#### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of March 28, 2011, the beneficial ownership of our common stock by each executive officer and Director, by each person known by us to beneficially own more than 5% of the our common stock and by the executive officers and Directors as a group. Except as otherwise indicated, all shares are owned directly and the percentage shown is based on 35,508,091 shares of common stock issued and outstanding on March 28, 2011

Title of class	Name and address of beneficial owner (1)	Amount of beneficial ownership	Percent of class
Executive Officers & Directors:			
Common	Triangulum Partners, LLC(2) 6980 O'Bannon Drive Las Vegas, Nevada 89117	24,750,000	69.70%
	William O'Hara, COO and Director	15,250	.04%
	Andrew Zimmerman, CFO (3)	131,429	.37%
	Mr. Daniel Scott, Director (4)	352,833	1.0%
<b>Total of All Directors and Executive Officers:</b>		<b>25,249,512 Shares</b>	<b>71.11%</b>
More Than 5% Beneficial Owners:			
None.			

- (1) As used in this table, "beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security). In addition, for purposes of this table, a person is deemed, as of any date, to have "beneficial ownership" of any security that such person has the right to acquire within 60 days after such date.
- (2) Mr. Robert Saucier, our CEO, President, and Director, is the Manager of Triangulum Partners, LLC. In that capacity, he is able to direct voting and investment decisions regarding the entity's shares of common stock.
- (3) Mr. Zimmerman owns 71,429 shares of common stock and has options to purchase an additional 60,000 share of common stock at \$0.55.
- (4) Mr. Scott owns 121,583 shares of common stock and has options to purchase an additional 231,250 shares of common stock ranging from \$0.15 to \$0.55

#### Item 13. Certain Relationships and Related Transactions, and Director Independence

Except as set forth below, none of our Directors or executive officers, nor any proposed nominee for election as a Director, nor any person who beneficially owns, directly or indirectly, shares carrying more than 5% of the voting rights attached to all of our outstanding shares, nor any members of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the foregoing persons has any material interest, direct or indirect, in any transaction over the last two years or in any presently proposed transaction which, in either case, has or will materially affect us:

1. We maintain our corporate office at 6980 O'Bannon Drive, Las Vegas, NV. We currently lease the property from a related party, at a cost of \$10,359 per month.
2. We have paid legal fees directly to a law firm retained personally by our CEO. The law firm was employed by him for the express purpose of defending the Sherron Associates litigation described in Item 3. In 2009, these attorneys were successful in invalidating the judgment which is the subject of the Sherron litigation against the Company. We believed this strategy to quash the underlying judgment to be a

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faster, surer and less expensive method to defend the Sherron litigation, than other alternatives available to us. We have also agreed to continue to be responsible for these legal fees during the appeal by Sherron.

We are not a “listed issuer” within the meaning of Item 407 of Regulation S-K and there are no applicable listing standards for determining the independence of our directors. Applying the definition of independence set forth in Rule 4200(a)(15) of The Nasdaq Stock Market, Inc., we believe that Dan Scott is our only independent director.

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#### Item 14. Principal Accounting Fees and Services

Below is the table of Audit Fees billed by our auditor in connection with the audit of the Company's annual financial statements for the years ended:

Financial Statements for the Year Ended December 31 Galaxy Gaming, Inc.	Audit Services	Audit Related Fees	Tax Fees	Other Fees	Total
2010	\$13,000	\$7,250	\$3,500	\$2,000	\$25,750
2009	\$12,000	\$9,500	\$3,300	\$0	\$24,800

#### PART IV

#### Item 15. Exhibits, Financial Statements Schedules

##### (a) Financial Statements and Schedules

The following financial statements and schedules listed below are included in this Form 10-K.  
Financial Statements (See Item 8)

##### (b) Exhibits

Exhibit Number	Description
<u>23.1</u>	<u>Consent of Silberstein Ungar, PLLC, Certified Public Accountants</u>
<u>31.1</u>	<u>Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>31.2</u>	<u>Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>32.1</u>	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

By: /s/ Robert Saucier  
Robert Saucier  
President, Chief Executive Officer and Director  
March 31, 2011

By: /s/ Andrew Zimmerman  
Andrew Zimmerman  
Chief Financial Officer, Treasurer and Secretary  
March 31, 2011

By: /s/ William O'Hara  
William O'Hara  
Chief Operation Officer and Director  
March 31, 2011

By: /s/ Daniel Scott  
Daniel Scott  
Director  
March 31, 2011