

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

- Annual Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended: December 31, 2012
- Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 1-32583

FULL HOUSE RESORTS, INC.  
(Exact Name of Registrant as specified in Its Charter)

Delaware  
(State or Other Jurisdiction  
of Incorporation or Organization)

13-3391527  
(I.R.S. Employer  
Identification No.)

4670 S. Fort Apache Rd., Suite 190, Las Vegas, Nevada 89147  
(Address and zip code of principal executive offices)

(702) 221-7800  
(Registrant's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

Common Stock, \$.0001 per Share  
(Title of Each Class)

The NASDAQ Stock Market LLC  
(Name of Each Exchange on Which Registered)

Securities registered under Section 12(g) of the Exchange Act:

None  
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

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

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

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act.  
Large Accelerated Filer  Accelerated Filer  Non Accelerated Filer  Smaller reporting company   
Do not check if smaller reporting company

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

The aggregate market value of registrant's voting \$.0001 par value common stock held by non-affiliates of the registrant, as of June 30, 2012, was: \$47,818,168. As of March 1, 2013, there were 18,679,681 shares of Common Stock, \$.0001 par value per share, outstanding.

**Documents Incorporated By Reference**

The information required by Part III of this Form 10-K, to the extent not set forth herein, is incorporated by reference from the Registrant's definitive proxy statement relating the annual meeting of stockholders to be held in 2013, which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Form 10-K relates.

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## PART I

### Item 1. Business.

#### BACKGROUND

Full House Resorts, Inc., a Delaware corporation formed in 1987, and its subsidiaries (collectively, Full House, we, our, ours, us) develops, manages, operates, and/or invests in gaming-related enterprises. We continue to actively investigate, individually and with partners, new business opportunities and our long-term strategy is to continue deriving revenues primarily from owned operations, as well as management fees. In furtherance of that strategy we made significant acquisitions of the Rising Star Casino Resort (“Rising Star”) in 2011 and the Silver Slipper Casino (“Silver Slipper”) in 2012. With the sale of the management agreement for the FireKeepers Casino in Michigan also in 2012, we have transitioned the primary source of our revenues to owned entities.

We currently own three properties, the Rising Star located in Rising Sun, Indiana, the Silver Slipper located in Bay St. Louis, Mississippi and Stockman’s Casino (“Stockman’s”) located in Fallon, Nevada. We lease one property, the Grand Lodge Casino (“Grand Lodge”) at the Hyatt Regency Lake Tahoe Resort, Spa and Casino located in Incline Village, Nevada on the North Shore of Lake Tahoe. We manage the Buffalo Thunder Casino and Resort (“Buffalo Thunder”) and the Cities of Gold and Sports Bar casino facilities, both located in Santa Fe, New Mexico, for the Pueblo of Pojoaque pursuant to an agreement with a three year term expiring May 2014.

Previously we managed, through a 50% joint venture, FireKeepers Casino near Battle Creek, Michigan for the Nottawaseppi Huron Band of Potawatomi (“the Michigan Tribe”) pursuant to a 7-year management agreement with the Michigan Tribe. On March 30, 2012, the joint venture managing the FireKeepers Casino sold the equity of the joint venture and the management agreement to the FireKeepers Development Authority (“FDA”), a tribal entity formed by the Michigan Tribe, for \$97.5 million.

On October 1, 2012, we acquired all of the outstanding membership interest of the entity operating the Silver Slipper for \$69.3 million, exclusive of net working capital balances, fees and expenses. The sale of the equity interests of the joint venture managing FireKeepers Casino and the related management agreement to the FDA and the subsequent purchase of the Silver Slipper in 2012 significantly transitioned us from an operating company that principally managed gaming properties to an operating company that principally derives revenues from owned operations.

#### Projects Currently Operating

##### Casino Operations Gulf Coast - Silver Slipper

The Silver Slipper is on the far west end of the Mississippi Gulf Coast (22 miles west of Gulfport, 34 miles west of Biloxi) in Bay St. Louis, Mississippi and is approximately one hour (56 miles) from New Orleans, Louisiana. The property has over 37,000 square feet of gaming space containing approximately 1,000 slot and video poker machines, 26 table games, a poker room and the only live keno game on the Gulf Coast. The property includes a fine dining restaurant, buffet, quick service restaurant and two casino bars. The property draws heavily from the New Orleans metropolitan area and other communities in southern Louisiana and southwestern Mississippi.

We acquired all of the outstanding membership interests in Silver Slipper Casino Venture LLC, the owner of the Silver Slipper, on October 1, 2012, for \$69.3 million, exclusive of net working capital balances, fees and expenses.

In November 2004, Silver Slipper entered into a lease agreement with Cure Land Company, LLC for approximately 38 acres of land ("Land Lease"), which includes approximately 31 acres of protected marsh land as well as a seven acre casino parcel, on which the Silver Slipper was subsequently built. In December 2010, Silver Slipper entered into a lease agreement with Cure Land Company, LLC for approximately five acres of land occupied by the Silver Slipper gaming office and warehouse space. On January 31, 2012 Silver Slipper entered into a lease agreement with Chelsea Company, LLC for a small parcel of land with a building which may be occupied by a future proposed Silver Slipper welcome center. On January 11, 2013 Silver Slipper terminated a previous restaurant lease agreement with Diamondhead Country Club & Property Owners Association ("DCCPOA") and entered into a contract to purchase services to be provided by DCCPOA related to its golf and country club.

The Land Lease includes an exclusive option to purchase the leased land ("Purchase Option"), as well as an exclusive option to purchase a four acre portion of the leased land ("4 Acre Parcel Purchase Option"), which may be exercised at any time in conjunction with a hotel development during the term of the lease for \$2.0 million. On February 26, 2013, Silver Slipper entered into a third amendment to the Land Lease which amended the term and Purchase Option provisions of the Land Lease. The term of the Land Lease was extended to April 30, 2058, and the Purchase Option was extended through October 1, 2027 and may only be exercised after February 26, 2019. If there is no change in ownership, the purchase price will be \$15.5 million, less \$2.0 million if the 4 Acre Parcel Purchase Option has been previously exercised, plus a retained interest in Silver Slipper operations of 3% of net income. In the event that we sell or transfer substantially all of the assets of or ownership in Silver Slipper, then the purchase price will increase to \$17.0 million.

### **Casino Operations Midwest - Rising Star Casino Resort**

On April 1, 2011, we acquired all of the operating assets of Grand Victoria Casino & Resort, L.P. through Gaming Entertainment (Indiana) LLC, our wholly-owned subsidiary. We renamed the property the Rising Star Casino Resort in August 2011. The property has 40,000 square feet of casino space and, includes over 1,300 slot and video poker machines, 37 table games, a 190-room hotel, five dining outlets and an 18-hole Scottish links golf course.

In October 2011, the Rising Sun/Ohio County First, Inc. ("RSOCF") and the Rising Sun Regional Foundation, Inc. teamed up to develop a new 104-room hotel on land adjacent to our property. On June 13, 2012, the City of Rising Sun Advisory Plan Commission ("Plan Commission") provided a favorable recommendation to the City Council of Rising Sun, Indiana, regarding a revised amendment to the plan of development, which was adopted by the City Council on July 5, 2012. On August 13, 2012, the Plan Commission approved the detailed plan of development. The parties entered into a real estate sale agreement dated May 2, 2012, for RSOCF to purchase approximately 3.0 acres of land on which the hotel will be developed for \$30,000 per acre which closed in November 2012. Construction commenced in December of 2012, and the hotel is expected to open in late 2013. We believe that the added hotel room inventory in proximity to the casino facility will favorably impact revenues and visitor counts.

### **Casino Operations Northern Nevada**

#### **Grand Lodge Casino**

On September 1, 2011, we purchased the operating assets of the Grand Lodge and entered into a 5-year lease with Hyatt Equities LLC for the casino space in the Hyatt Regency Resort, Spa and Casino in Incline Village, Nevada on the north shore of Lake Tahoe. The lease has an option, subject to mutual agreement, to renew for an additional 5-year term. The Grand Lodge has 18,900 square feet of casino space integrated with the Hyatt Regency Lake Tahoe Resort, Spa and Casino, featuring approximately 257 slot machines, 16 table games and 4 poker tables.

#### **Stockman's Casino**

We acquired Stockman's in Fallon, Nevada on January 31, 2007. Stockman's has approximately 8,400 square feet of gaming space with approximately 265 slot machines, four table games and keno. The facility has a bar, a fine dining restaurant and a coffee shop.

### **Development / Management Operations**

#### **Buffalo Thunder Casino and Resort**

In May 2011, we entered into a three-year agreement with the Pueblo of Pojoaque, which has been approved by the National Indian Gaming Commission ("NIGC") as a management contract, to advise on the operations of the Buffalo Thunder in Santa Fe, New Mexico along with the Pueblo's Cities of Gold and Sports Bar casino facilities. We receive a base consulting fee of \$0.1 million per month plus quarterly success fees based on achieving certain financial targets and incur only minimal incremental operating costs related to the contract. Our management and related agreements with the Buffalo Thunder became effective on September 23, 2011. The Buffalo Thunder features approximately 1,200 slot machines, 18 table games and a poker room and the property's gaming area covers approximately 61,000 square feet. The Cities of Gold and Sports Bar casino facilities include a simulcast area.

Additional projects are considered based on their forecasted profitability, development period, regulatory and political environment and the ability to secure the funding necessary to complete the development, among other considerations. We continue to actively investigate, individually and with partners, new business opportunities. We believe we will have sufficient cash and financing available to fund acquisitions and development opportunities in the future.

## Terminated Projects

### FireKeepers Casino

Until March 30, 2012, we owned 50% of Gaming Entertainment (Michigan), LLC (“GEM”), a joint venture with RAM Entertainment, LLC, a privately-held investment company. GEM had the exclusive right to provide casino management services at the FireKeepers Casino for the Michigan Tribe for seven years commencing August 5, 2009. On December 2, 2010, the FDA entered into a hotel consulting services agreement with GEM, as the consultant, related to the FireKeepers Casino phase II development project, which included development of a hotel, multi-purpose/ballroom facility, surface parking and related ancillary support spaces and improvements. GEM was to perform hotel consulting services for a fixed fee of \$12,500 per month, continuing through to the opening of the project, provided the total fee for services did not exceed, in the aggregate, \$0.2 million. On May 22, 2012, we signed an amendment to the hotel consulting services agreement extending the terms of the agreement through November 2012.

In addition to the \$97.5 million sale price, the FDA paid RAM and us \$1.2 million each, equal to the management fee that would have been earned under the management agreement for April 2012 less a \$0.2 million wind-up fee and \$0.1 million holdback receivable. The \$0.1 million holdback receivable was received in May 2012, less expenses related to the sale deducted by the FDA. Our gain on the sale of joint venture, related to the sale of our interest in GEM, was \$41.2 million and allocated as follows (in millions):

Gross proceeds, before \$0.3 million wind-up fee and holdback receivable	\$	48.8
Plus: April 2012 ‘Wind up’ fee received, net of \$0.03 million wind-up fee and holdback receivable		0.9
		<u>49.7</u>
Less: Net basis of contract rights expensed		(2.8)
Less: Our interest in joint venture		(5.7)
Gain on sale of joint venture	\$	<u>41.2</u>

### Harrington Raceway and Casino, Delaware

Until August 31, 2011, we were a non-controlling 50%-investor in Gaming Entertainment (Delaware), LLC (“GED”), a joint venture with Harrington Raceway Inc. GED had a 15-year management contract through August 2011 with Harrington Casino at the Delaware State Fairgrounds in Harrington, Delaware.

### Nambé Pueblo, New Mexico

We had a note receivable related to advances made to, or on behalf of, Nambé Pueblo to fund tribal operations and development expenses related to a potential casino project. Repayment of this note was conditioned upon the development of the project, and ultimately, the successful operation of the casino. Subject to such conditions, our agreements with the Nambé Pueblo tribe provided for the reimbursement of these advances plus applicable interest, if any, either from the proceeds of any outside financing of the development and the actual operation itself. Management fully reserved the value of the note receivable from the Nambé Pueblo to \$0.0 million and recognized the impairment of the note receivable during the third quarter of 2011. As of September 30, 2012, the Nambé Pueblo note receivable was written off, due to the probability that the project will not be completed and collection is unlikely.

## GOVERNMENT REGULATION

The ownership, management, and operation of gaming facilities are subject to many federal, state, provincial, tribal and/or local laws, regulations and ordinances, which are administered by the relevant regulatory agency or agencies in each jurisdiction. These laws, regulations and ordinances are different in each jurisdiction, but primarily deal with the responsibility, financial stability and character of the owners and managers of gaming operations, as well as persons financially interested or involved in gaming operations.

We may not own, manage or operate a gaming facility unless we obtain proper licenses, permits and approvals. Applications for a license, permit or approval may be denied for reasonable cause. Most regulatory authorities license, investigate, and determine the suitability of any person who has a material relationship with us. Persons having material relationships include officers, directors, employees, and certain security holders.

Once obtained, licenses, permits, and approvals must be renewed from time to time and generally are not transferable. Regulatory authorities may at any time revoke, suspend, condition, limit, or restrict a license for reasonable cause. License holders may be fined and in some jurisdictions and under certain circumstances gaming operation revenues can be forfeited. We may be unable to obtain any licenses, permits, or approvals, or if obtained, they may not be renewed or may be revoked in the future. In addition, a rejection or termination of a license, permit, or approval in one jurisdiction may have a negative effect in other jurisdictions. Some jurisdictions require gaming operators licensed in that state to receive their permission before conducting gaming in other jurisdictions.

The political and regulatory environment for gaming is dynamic and rapidly changing. The laws, regulations, and procedures dealing with gaming are subject to the interpretation of the regulatory authorities and may be amended. Any changes in such laws, regulations, or their interpretations could have a negative effect on our operations and future development of gaming opportunities. Certain specific provisions applicable to us are described below.

### *Nevada Regulatory Matters*

In order to acquire and own Stockman's Casino, the Grand Lodge Casino or any other gaming operation in Nevada, we are subject to the Nevada Gaming Control Act and to the licensing and regulatory control of the Nevada State Gaming Control Board, the Nevada Gaming Commission, and various local, city and county regulatory agencies.

The laws, regulations and supervisory procedures of the Nevada gaming authorities are based upon declarations of public policy which are concerned with, among other things:

- the character of persons having any direct or indirect involvement with gaming to prevent unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- establishment and application of responsible accounting practices and procedures;
- maintenance of effective control over the financial practices and financial stability of licensees, including procedures for internal controls and the safeguarding of assets and revenues;

- recordkeeping and reporting to the Nevada gaming authorities;
- fair operation of games; and
- the raising of revenues through taxation and licensing fees.

In May 2006, we applied for registration with the Nevada Gaming Commission as a publicly traded corporation, which was granted on January 25, 2007. The registration is not transferable and requires periodic payment of fees. The Nevada gaming authorities may limit, condition, suspend or revoke a license, registration, approval or finding of suitability for any cause deemed reasonable by the licensing agency. If a Nevada gaming authority determines that we violated gaming laws, then the approvals and licenses we hold could be limited, conditioned, suspended or revoked, and we, and the individuals involved, could be subject to substantial fines for each separate violation of the gaming laws at the discretion of the Nevada Gaming Commission. Each type of gaming device, slot game, slot game operating system, table game or associated equipment manufactured, distributed, leased, licensed or sold in Nevada must first be approved by the Nevada State Gaming Control Board and, in some cases, the Nevada Gaming Commission. We must regularly submit detailed financial and operating reports to the Nevada State Gaming Control Board. Certain loans, leases, sales of securities and similar financing transactions must also be reported to or approved by the Nevada Gaming Commission.

Certain of our officers, directors and key employees are required to be, and have been, found suitable by the Nevada Gaming Commission and employees associated with gaming must obtain work permits which are subject to immediate suspension under certain circumstances. An application for suitability may be denied for any cause deemed reasonable by the Nevada Gaming Commission. Changes in specified key positions must be reported to the Nevada Gaming Commission. In addition to its authority to deny an application for a license, the Nevada Gaming Commission has jurisdiction to disapprove a change in position by an officer, director or key employee. The Nevada Gaming Commission has the power to require licensed gaming companies to suspend or dismiss officers, directors or other key employees and to sever relationships with other persons who refuse to file appropriate applications or whom the authorities find unsuitable to act in such capacities.

The Nevada Gaming Commission may also require anyone having a material relationship or involvement with us to be found suitable or licensed, in which case those persons are required to pay the costs and fees of the Nevada State Gaming Control Board in connection with the investigation. Any person who acquires more than 5% of any class of our voting securities must report the acquisition to the Nevada Gaming Commission; any person who becomes a beneficial owner of 10% or more of our voting securities is required to apply for a finding of suitability. Under certain circumstances, an "institutional investor," as such term is defined in the regulations of the Nevada Gaming Commission, which acquires more than 10% but not more than 25% of our voting securities, may apply to the Nevada Gaming Commission for a waiver of such finding of suitability requirements, provided the institutional investor holds the voting securities for investment purposes only. The Nevada Gaming Commission has amended its regulations pertaining to institutional investors to temporarily allow an institutional investor to beneficially own more than 15%, but not more than 19%, if the ownership percentage results from a stock repurchase program. These institutional investors may not acquire any additional shares and must reduce their holdings within one year from constructive notice of exceeding 15%, or must file a suitability application. An institutional investor will be deemed to hold voting securities for investment purposes only if the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of our board of directors, any change in our corporate charter, bylaws, management, policies or operations, or any of our gaming affiliates, or any other action which the Nevada Gaming Commission finds to be inconsistent with holding our voting securities for investment purposes only.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Nevada Gaming Commission may be found unsuitable based solely on such failure or refusal. The same restrictions apply to a record owner if the record owner, when requested, fails to identify the beneficial owner. Any security holder found unsuitable and who holds, directly or indirectly, any beneficial ownership of the common stock beyond such period of time as may be prescribed by the Nevada Gaming Commission may be guilty of a gross misdemeanor. We are subject to disciplinary action if, after we receive notice that a person is unsuitable to be a security holder or to have any other relationship with us, we:

- pay that person any dividend or interest upon our voting securities;
- allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person; or
- give remuneration in any form to that person.

If a security holder is found unsuitable, then we may be found unsuitable if we fail to pursue all lawful efforts to require such unsuitable person to relinquish his or her voting securities for cash at fair market value.

The Nevada Gaming Commission may also, in its discretion, require any other holders of our debt or equity securities to file applications, be investigated and be found suitable to own the debt or equity securities. The applicant security holder is required to pay all costs of such investigation. If the Nevada Gaming Commission determines that a person is unsuitable to own such security, then pursuant to the regulations of the Nevada Gaming Commission, we may be sanctioned, including the loss of our approvals, if, without the prior approval of the Nevada Gaming Commission, we:

- pay to the unsuitable person any dividends, interest or any distribution whatsoever;
- recognize any voting right by such unsuitable person in connection with such securities;
- pay the unsuitable person remuneration in any form; or
- make any payment to the unsuitable person by way of principal, redemption, conversion; exchange, liquidation or similar transaction.

We are required to maintain a current stock ledger in Nevada which may be examined by the Nevada Gaming Commission at any time, and to file with the Nevada Gaming Commission, at least annually, a list of our stockholders. The Nevada Gaming Commission has the power to require our stock certificates to bear a legend indicating that the securities are subject to the Nevada Gaming Control Act and the regulations of the Nevada Gaming Commission.

As a licensee or registrant, we may not make certain public offerings of our securities without the prior approval of the Nevada Gaming Commission. Also, changes in control through merger, consolidation, acquisition of assets, management or consulting agreements or any form of takeover cannot occur without prior investigation by the Nevada State Gaming Control Board and approval by the Nevada Gaming Commission.



The Nevada legislature has declared that some repurchases of voting securities, corporate acquisitions opposed by management, and corporate defense tactics affecting Nevada gaming licensees, and registered companies that are affiliated with those operations, may be harmful to stable and productive corporate gaming. The Nevada Gaming Commission has established a regulatory scheme to reduce the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to:

- assure the financial stability of corporate gaming licensees and their affiliates;
- preserve the beneficial aspects of conducting business in the corporate form; and
- promote a neutral environment for the orderly governance of corporate affairs.

Because we are a registered company, approvals may be required from the Nevada Gaming Commission before we can make exceptional repurchases of voting securities above their current market price and before a corporate acquisition opposed by management can be consummated. The Nevada Gaming Control Act also requires prior approval of a plan of recapitalization proposed by a registered company's board of directors in response to a tender offer made directly to its stockholders for the purpose of acquiring control.

Any person who is licensed, required to be licensed, registered, required to be registered, or who is under common control with those persons, collectively, "licensees," and who proposes to become involved in a gaming venture outside of Nevada, is required to deposit with the Nevada Gaming Control Board, and thereafter maintain, a revolving fund in the amount of \$0.03 million to pay the expenses of investigation by the Nevada Gaming Control Board of the licensee's participation in foreign gaming. We currently comply with this requirement. The revolving fund is subject to increase or decrease at the discretion of the Nevada Gaming Commission. Licensees are required to comply with the reporting requirements imposed by the Nevada Gaming Control Act. A licensee is also subject to disciplinary action by the Nevada Gaming Commission if it:

- knowingly violates any laws of the foreign jurisdiction pertaining to the foreign gaming operation;
- fails to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations;
- engages in any activity or enters into any association that is unsuitable because it poses an unreasonable threat to the control of gaming in Nevada, reflects or tends to reflect, discredit or disrepute upon the State of Nevada or gaming in Nevada, or is contrary to the gaming policies of Nevada;
- engages in activities or enters into associations that are harmful to the State of Nevada or its ability to collect gaming taxes and fees; or
- employs, contracts with or associates with a person in the foreign operation who has been denied a license or a finding of suitability in Nevada on the ground of unsuitability.

In May 2006, we adopted a compliance plan and appointed a compliance committee which currently consists of Company directors and officers, Kenneth Adams (Chair and Independent Director), Carl Braunlich (Independent Director), Kathleen Marshall (Independent Director) and Mark J. Miller (COO and Director), in accordance with Nevada Gaming Commission requirements. Our compliance committee meets quarterly and is responsible for implementing and monitoring our compliance with Nevada regulatory matters. This committee will also review information and reports regarding the suitability of potential key employees or other parties who may be involved in material transactions or relationships with us.

#### *Indiana Regulatory Matters*

We own and operate a wholly-owned subsidiary, Gaming Entertainment (Indiana) LLC (“GEP”), which acquired and operates the Rising Star Casino Resort in Rising Sun, Indiana. The ownership and operation of casino facilities in Indiana are subject to extensive state and local regulation, including primarily the licensing and regulatory control of the Indiana Gaming Commission (“Indiana Commission”). The Indiana Commission is given extensive powers and duties for administering, regulating and enforcing riverboat gaming in Indiana.

Pursuant to the Indiana Riverboat Gaming Act, as amended (the “Indiana Act”), the Commission is authorized to award up to 11 gaming licenses to operate riverboat casinos in the State of Indiana, including five to counties contiguous to Lake Michigan in northern Indiana, five to counties contiguous to the Ohio River in southern Indiana and one to a county contiguous to Patoka Lake in southern Indiana, which was subsequently relocated to French Lick, Indiana. In April 2007, the Indiana General Assembly enacted legislation that authorized the two horse tracks located in Anderson and Shelbyville, Indiana to install 2,000 slot machines at each facility (“racinos”). The Indiana Commission granted each horse track a five-year gaming license authorizing the use of such slot machines. Installation of slot machines beyond the statutorily authorized number requires further approval by the Indiana Commission. The slot operations at the race tracks opened in the second quarter of 2008. In November 2011, the Indiana Commission authorized Indiana Live! Casino (now known as Indiana Grand), located in Shelbyville to install up to 2,200 slot machines at its facility. In November 2012, the Indiana Commission authorized Hoosier Park to install up to 2,200 slot machines at its facility.

The Indiana Act strictly regulates the facilities, persons, associations and practices related to gaming operations pursuant to the police powers of Indiana, including comprehensive law enforcement provisions. The Indiana Act vests the Commission with the power and duties of administering, regulating and enforcing the system of riverboat gaming in Indiana. The Indiana Commission’s jurisdiction extends to every person, association, corporation, partnership and trust involved in riverboat gaming operations in Indiana.

The Indiana Act requires the owner of a riverboat gaming operation to hold an owner’s license issued by the Commission. To obtain an owner’s license, the Indiana Act requires extensive disclosure of records and other information concerning an applicant. Applicants for licensure must submit a comprehensive application and personal disclosure forms and undergo an exhaustive background investigation prior to the issuance of a license. The applicant must also disclose the identity of every person holding an ownership interest in the applicant. Any person holding an interest of 5% or more in the applicant must undergo a background investigation and be licensed. The Indiana Commission has the authority to request specific information on or license anyone holding an ownership interest.

Each license entitles the licensee to own and operate one riverboat and gaming equipment as part of a gaming operation. The Indiana Act allows a person to hold up to 100% of up to two individual licenses. Each initial owner's license runs for a period of five years. Thereafter, the license is subject to renewal on an annual basis upon a determination by the Indiana Commission that the licensee continues to be eligible for an owner's license pursuant to the Indiana Act and the rules and regulations adopted thereunder. GEI applied for and, on March 15, 2011, was granted the transfer of a riverboat owner's license. Thereafter, GEI has renewed its license annually on September 15, 2012.

The Indiana Act requires that a licensed owner undergo a complete investigation every three years. If for any reason the license is terminated, the assets of the riverboat gaming operation cannot be disposed of without the approval of the Commission. Furthermore, the Indiana Act requires that officers, directors and employees of a gaming operation be licensed. In 2009, the Indiana General Assembly enacted legislation requiring all casino operators to submit for approval by the Commission a written power of attorney identifying a person who would serve as a trustee to temporarily operate the casino in certain rare circumstances, such as the revocation or non-renewal of any owner's license. GEI most recently had its power of attorney approval renewed on November 15, 2012.

The Commission has a rule mandating that licensees maintain a cash reserve to protect patrons against defaults in gaming debts. The cash reserve is to be equal to a licensee's average payout for a three-day period based on the riverboat's performance during the prior calendar quarter. The cash reserve can consist of cash on hand, cash maintained in Indiana bank accounts and cash equivalents not otherwise committed or obligated.

The Indiana Act does not limit the maximum bet or loss per patron. Each licensee sets minimum and maximum wagers on its own games. Players must use chips or tokens as, according to the Indiana Act, wagering may not be conducted with money or other negotiable currency. No person under the age of 21 is permitted to wager, and wagers may only be taken from persons present at a licensed riverboat.

The Indiana Commission places special emphasis on the participation of minority business enterprises ("MBEs") and women business enterprises ("WBEs") in the riverboat industry. Each licensee is required to submit annually to the Commission a report that includes the total dollar value of contracts awarded for goods and services and the percentage awarded to MBEs and WBEs, respectively. Prior to 2008, the Indiana Commission required licensees to establish goals of expending 10% of the total dollars spent on the majority of goods and services with MBEs and 5% with WBEs. Following a disparity study in 2007 (the "2007 Disparity Study") to determine whether there existed a gap between the capacity of MBEs and WBEs and the utilization thereof by riverboat casinos in Indiana, the Indiana Commission mandated that, effective as of January 1, 2008, annual goals for expenditures to WBEs for the purchase of construction goods and services shall be set at 10.9%. In November 2010, relying on two years of expenditure data, that indicated a statistically significant disparity, the Commission issued Resolution 2010-217 to mandate that, effective January 1, 2011, the annual goal for expenditures to MBEs for the purchase of construction goods and services shall be set at 23.2%. The Indiana Act requires that the Indiana Commission update the disparity study every five years. Accordingly, a disparity study was conducted in 2012, reviewing Indiana riverboat and racino expenditures between January 1, 2009 and December 31, 2011 (the "2012 Disparity Study").

The 2012 Disparity Study showed that there were no expenditure disparities by riverboat casinos or racinos. On November 15, 2012, the Indiana Commission adopted the 2012 Disparity Study. For expenditures in all areas, the Indiana Commission has taken the position that the capacity percentages set forth in the 2012 Disparity Study for MBEs and WBEs, respectively, are goals and targets for which best faith efforts of each licensee are expected. Failure to meet these goals will be scrutinized heavily by the Indiana Commission and the Indiana Act authorizes the Commission to suspend, limit or revoke an owner's gaming license or impose a fine for failure to comply with these guidelines. However, if a determination is made that a licensee has failed to demonstrate compliance with these guidelines, the licensee has 90 days from the date of the determination to comply.

A licensee may not lease, hypothecate, borrow money against or lend money against an owner's riverboat gaming license. An ownership interest in an owner's riverboat gaming license may only be transferred in accordance with the regulations promulgated under the Indiana Act.

Indiana state law stipulates a graduated wagering tax with a starting tax rate of 15% and a top rate of 40% for adjusted gross receipts in excess of \$600.0 million. In addition to the wagering tax, an admissions tax of \$3 per admission is assessed. The Indiana Act provides for the suspension or revocation of a license if the wagering and admissions taxes are not timely submitted.

A licensee may enter into debt transactions that total \$1.0 million or more only with the prior approval of the Commission. Such approval is subject to compliance with requisite procedures and a showing that each person with whom the licensee enters into a debt transaction would be suitable for licensure under the Indiana Act. Unless waived, approval of debt transactions requires consideration by the Commission at two business meetings. The Commission, by resolution, has authorized its executive director, subject to subsequent ratification by the Commission, to approve debt transactions after a review of the transaction documents and consultation with the Commission chair and the Commission's financial consultant.

The Commission may subject a licensee to fines, suspension or revocation of its license for any act that is in violation of the Indiana Act or the regulations of the Commission or for any other fraudulent act. In addition, the Commission may revoke an owner's license if the Commission determines that the revocation of the license is in the best interests of the State of Indiana. Limitation, conditioning, or suspension of any gaming license or approval or the directive to utilize its power of attorney could (and revocation of any gaming license or approval would) materially adversely affect us, our gaming operations and our results of operations.

The Indiana Act provides that the sale of alcoholic beverages at riverboat casinos is subject to licensing, control and regulation pursuant to Title 7.1 of the Indiana Code and the rules adopted by the Indiana Alcohol and Tobacco Commission.

#### *Mississippi Regulatory Matters*

In order to acquire and own Silver Slipper or any other gaming operation in Mississippi, we are subject to the Mississippi Gaming Control Act ("Mississippi Act") and to the licensing and regulatory control of the Mississippi Gaming Commission, and various local, city and county regulatory agencies. The Mississippi Act is similar to the Nevada Gaming Control Act. The Mississippi Gaming Commission has adopted regulations that are also similar in many respects to the Nevada gaming regulations.

The laws, regulations and supervisory procedures of the Mississippi gaming authorities are based upon declarations of public policy which are concerned with, among other things:

- the character of persons having any direct or indirect involvement with gaming to prevent unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- the establishment and application of responsible accounting practices and procedures;
- maintenance of effective control over the financial practices and financial stability of licensees, including procedures for internal controls and the safeguarding of assets and revenues, including recordkeeping and requiring the filing of periodic reports to the Mississippi Gaming Commission;
- the prevention of cheating and fraudulent practices;
- providing a source of state and local revenues through taxation and licensing fees; and
- ensuring that gaming licensees, to the extent practicable, employ Mississippi residents.

The Mississippi Act provides for legalized gaming in each of the 14 counties that border the Gulf Coast or the Mississippi River; however, gaming is legalized only if the voters in the county have not voted to prohibit gaming in that county. Currently, gaming is permissible in nine of the fourteen counties and occurs in nine counties. Historically, the Mississippi Act required gaming vessels to be located on the Mississippi River or on navigable waterways in eligible counties along the Mississippi River or in waters along the Gulf Coast shore of the eligible counties. However, more recently, the Mississippi Act has been amended to permit licensees in the three counties along the Gulf Coast to establish land based casino operations. Due to another change to the Mississippi Act, the Mississippi Gaming Commission has also permitted licensees in approved river counties to conduct gaming operations on permanent structures, provided that the majority of any such structure is located on the river side of the “bank full” line of the Mississippi River.

We and any subsidiary we own that operates a casino in Mississippi are subject to the licensing and regulatory control of the Mississippi Gaming Commission. As the sole member of Silver Slipper Casino Venture LLC, a licensee of the Mississippi Gaming Commission, we applied for registration with the Mississippi Gaming Commission as a publicly traded corporation, which was granted on September 20, 2012. As a registered corporation, we are required periodically to submit financial and operating reports, and any other information that the Mississippi Gaming Commission may require. If we fail to satisfy the registration requirements of the Mississippi Act, we and our Mississippi subsidiary, Silver Slipper Casino Venture LLC, cannot own or operate gaming facilities in Mississippi. No person may become a stockholder of or receive any percentage of profits from a Mississippi gaming subsidiary without first obtaining the necessary licensing and approvals from the Mississippi Gaming Commission. A Mississippi gaming subsidiary must maintain a gaming license from the Mississippi Gaming Commission, subject to certain conditions, including continued compliance with all applicable state laws and regulations.

There are no limitations on the number of gaming licenses that may be granted. Further, the Mississippi Act provides for 24 hour gaming operations and does not limit the maximum bet or loss per patron or the percentage of space that may be utilized for gaming. Gaming licenses are issued for a three year period and must be renewed periodically thereafter. Silver Slipper was most recently granted a renewal of its license by the Mississippi Gaming Commission on June 21, 2012, effective July 20, 2012. This license expires on July 15, 2015.

The Mississippi gaming authorities may limit, condition, suspend or revoke a license, registration, approval or finding of suitability for any cause deemed reasonable by the Mississippi Gaming Commission. If a Mississippi Gaming Commission determines that we violated gaming laws, then the approvals and licenses we hold could be limited, conditioned, suspended or revoked, and we, and the individuals involved, could be subject to substantial fines for each separate violation of the gaming laws at the discretion of the Mississippi Gaming Commission. Because of such a violation, the Mississippi Gaming Commission may attempt to appoint a supervisor to operate the casino facilities. Limitation, conditioning, or suspension of any gaming license or approval or the appointment of a supervisor could (and revocation of any gaming license or approval would) materially adversely affect us, our gaming operations and our results of operations.

Certain of our officers, directors and key employees are required to be, and have been, found suitable by the Mississippi Gaming Commission and employees associated with gaming must obtain work permits which are subject to immediate suspension under certain circumstances. An application for suitability may be denied for any cause deemed reasonable by the Mississippi Gaming Commission. Changes in specified key positions must be reported to the Mississippi Gaming Commission. In addition to its authority to deny an application for a license, the Mississippi Gaming Commission has jurisdiction to disapprove a change in position by an officer, director or key employee. The Mississippi Gaming Commission has the power to require licensed gaming companies to suspend or dismiss officers, directors or other key employees and to sever relationships with other persons who refuse to file appropriate applications or whom the authorities find unsuitable to act in such capacities. Determinations of suitability or questions pertaining to licensing are not subject to judicial review in Mississippi. We believe that we have obtained, applied for or are in the process of applying for all necessary findings of suitability with respect to such persons affiliated with us or Silver Slipper Casino Venture LLC, although the Mississippi Gaming Commission, in its discretion, may require additional persons to file applications for findings of suitability.

The Mississippi Gaming Commission may also require anyone having a material relationship or involvement with us to be found suitable or licensed, in which case those persons are required to pay the costs and fees in connection with the investigation. At any time, the Mississippi Gaming Commission has the power to investigate and require the finding of suitability of any record of our beneficial stockholders. The Mississippi Act requires that any person who acquires more than 5% of any class of our voting securities, as reported to the Securities and Exchange Commission, must report the acquisition to the Mississippi Gaming Commission and such person may be required to be found suitable. Also, any person who becomes a beneficial owner of 10% or more of any class of our voting securities, as reported to the Securities and Exchange Commission, is required to apply for a finding of suitability by the Mississippi Gaming Commission and must pay the costs and fees that the Mississippi Gaming Commission incurs in conducting its investigation. If a stockholder who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information, including a list of beneficial owners.

The Mississippi Gaming Commission generally has exercised its discretion to require a finding of suitability of any beneficial owner of 5% of any class of voting securities of a registered corporation. However, under certain circumstances, an “institutional investor”, as defined in the Mississippi gaming regulations, which acquires more than 10%, but not more than 15%, of the voting securities of a registered corporation, as reported to the Securities and Exchange Commission, may apply for a waiver of such finding of suitability if such investor holds the securities for investment purposes only. An institutional investor will be deemed to hold voting securities for investment purposes only if the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of our board of directors, any change in our corporate charter, bylaws, management, policies or operations, or any of our gaming affiliates, or any other action which the Mississippi Gaming Commission finds to be inconsistent with holding our voting securities for investment purposes only. Activities that are not deemed to be inconsistent with holding voting securities for investment purposes include (1) voting on all matters voted on by stockholders ; (2) making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in the registered corporation’s management, policies or operations’ and (3) such other activities as the Mississippi Gaming Commission may determine to be consistent with such investment intent.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Mississippi Gaming Commission may be found unsuitable based solely on such failure or refusal. The same restrictions apply to a record owner if the record owner, when requested, fails to identify the beneficial owner. Any security holder found unsuitable and who holds, directly or indirectly, any beneficial ownership of the common stock beyond such period of time as may be prescribed by the Mississippi Gaming Commission may be guilty of a misdemeanor. We are subject to disciplinary action if, after we receive notice that a person is unsuitable to be a security holder or to have any other relationship with us, we:

- pay that person any dividend or interest upon our voting securities;
- recognize the exercise, directly or indirectly of any voting right conferred through securities held by that person;
- Pay the unsuitable person any remuneration in any form for services rendered or otherwise, except in certain limited and specific circumstances; or
- Fail to pursue all lawful efforts to require the unsuitable person to divest himself of the securities including, if necessary, the immediate purchase of the securities for cash at fair market value.

The Mississippi Gaming Commission may also, in its discretion, require identities of the holders of our debt or other securities to file applications, be investigated and be found suitable to own any debt security of a registered corporation if the Mississippi Commission has reason to believe that the holder’s ownership of such debt securities would be inconsistent with the declared policies of the State of Mississippi. Although the Mississippi Gaming Commission generally does not require the individual holders of such notes to be investigated and found suitable, it retains the right to do so for any reason deemed necessary by the Mississippi Gaming Commission. The applicant holder of any debt securities is required to pay all costs of such investigation.

If the Mississippi Gaming Commission determines that a person is unsuitable to own such debt security, we may be sanctioned, including the loss of our approvals, if, without the prior approval of the Mississippi Gaming Commission, we:

- pay to the unsuitable person any dividends, interest or any distribution whatsoever;

- recognize any voting right by such unsuitable person in connection with such securities;
- pay the unsuitable person remuneration in any form; or
- make any payment to the unsuitable person by way of principal, redemption, conversion; exchange, liquidation or similar transaction.

Each Mississippi gaming subsidiary must maintain in Mississippi a current stock ledger with respect to the ownership of its equity securities. We also must maintain a current list of our shareholders, which must reflect the record ownership of each outstanding share of any class of our equity securities. The ledger and stockholder lists must be available for inspection by the Mississippi Gaming Commission at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Mississippi Commission. A failure to make such disclosure may be grounds for finding the record holder unsuitable. We must also render maximum assistance in determining the identity of the beneficial owner. The Mississippi Act requires that certificates representing securities of a registered corporation bear a legend indicating that the securities are subject to the Mississippi Act and the regulations of the Mississippi Gaming Commission. On September 20, 2012, we received a waiver of this legend requirement from the Mississippi Gaming Commission. The Mississippi Gaming Commission has the power to impose additional restrictions on the holders of our securities at any time.

Substantially all material loans, leases, sales of securities and similar financing transactions by a registered corporation or a Mississippi gaming subsidiary must be reported to and approved by the Mississippi Gaming Commission. A Mississippi gaming subsidiary may not make a public offering of its securities, but may pledge or mortgage casino facilities. A registered corporation may not make a public offering of its securities without the prior approval of the Mississippi Gaming Commission if any part of the proceeds of the offering is to be used to finance the construction, acquisition, or operation of gaming facilities in Mississippi or to retire or extend obligations incurred for those purposes. Such approval, if given, does not constitute a recommendation or approval of the investment merits of the securities subject to the offering. We have received a waiver of the prior approval requirement with respect to public offerings and private placements of securities, subject to certain conditions.

A Mississippi gaming subsidiary may not guarantee a security issued by an affiliated company pursuant to a public offering, or pledge its assets to secure payment or performance of the obligations evidenced by a security issued by an affiliated company, without the prior approval of the Mississippi Gaming Commission. A pledge of the stock of a Mississippi gaming subsidiary and the foreclosure of such a pledge are ineffective without the prior approval of the Mississippi Gaming Commission. We have obtained approvals from the Mississippi Gaming Commission for such guarantees, pledges and restrictions in connection with offerings of securities, subject to certain restrictions.

Also, changes in control through merger, consolidation, acquisition of assets, management or consulting agreements or any form of takeover cannot occur without prior investigation and approval by the Mississippi Gaming Commission.



The Mississippi legislature has declared that some repurchases of voting securities, corporate acquisitions opposed by management, and corporate defense tactics affecting Mississippi gaming licensees and registered corporations that are affiliated with those operations, may be harmful to stable and productive corporate gaming. The Mississippi Gaming Commission has established a regulatory scheme to reduce the potentially adverse effects of these business practices upon Mississippi's gaming industry and to further Mississippi's policy to:

- assure the financial stability of corporate gaming licensees and their affiliates;
- preserve the beneficial aspects of conducting business in the corporate form; and
- promote a neutral environment for the orderly governance of corporate affairs.

Because we are a registered corporation, approvals may be required from the Mississippi Gaming Commission before we can make exceptional repurchases of voting securities above their current market price and before a corporate acquisition opposed by management can be consummated. Mississippi gaming regulations also require prior approval of a plan of recapitalization proposed by a registered corporation's board of directors in response to a tender offer made directly to its stockholders for the purpose of acquiring control of the registered corporation.

Neither we nor Silver Slipper Casino Venture LLC may engage in gaming activities in Mississippi while also conducting operations outside of Mississippi without approval of, or a waiver of such approval by, the Mississippi Gaming Commission. The Mississippi Gaming Commission may require determinations that there are means for the Mississippi Gaming Commission to have access to information concerning us and our affiliates' out-of-state gaming operations. We have approval from the Mississippi Gaming Commission for foreign gaming operations in that such approval for foreign gaming operations is automatically granted under the Mississippi regulations in connection with foreign operations (except for internet gaming activities) conducted within the 50 states or any territory of the United States, or on board any cruise ship embarking from a port located therein. The Mississippi Gaming Commission requires a formal foreign gaming waiver for involvement in internet gaming.

License, fees and taxes are payable to the State of Mississippi, the Mississippi Gaming Commission, and the county and city in which our Mississippi subsidiary, Silver Slipper Casino Venture LLC's gaming operations are conducted. Depending on the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually. Gaming fees and tax calculations are generally based upon (1) a percentage of the gross gaming revenues received by the subsidiary operation; (2) the number of gaming devices operated by the casino; or (3) the number of table games operated by the casino. The license fee payable to the State of Mississippi is based upon gaming receipts and the current maximum tax rate imposed is 8% of all gaming receipts in excess of \$134,000 per month.

The sale of alcoholic beverages at our Mississippi gaming operation is subject to the licensing, control and regulation by the Alcoholic Beverage Control Division of the Mississippi State Tax Commission ("ABC") as well as local ordinances. If alcohol regulations are violated, the ABC may limit, condition, suspend or revoke any license for the serving of alcoholic beverages or place such licensee on probation with or without conditions.

In November 2004, Silver Slipper Casino Venture LLC entered into a thirty-year public trust tidelands lease agreement with the State of Mississippi for the marsh lands. Prior to Hurricane Katrina, all Gulf Coast casinos had this type of tidelands lease with the State of Mississippi for lease of the water bottom under the casino when casinos were required to be over water. Subsequent to Hurricane Katrina, the law changed to allow casinos to be built on land no further than 800 feet from the approved gaming site, therefore the tidelands lease expired and the Gulf Coast casinos hold an "In Lieu" agreement with the State of Mississippi. The "In Lieu" agreements are in the form of a property tax assessment with the State of Mississippi and the properties are taxed as long as they occupy the land and continue gaming operations.

#### *Indian Gaming*

Gaming on Indian lands (lands over which Indian tribes have jurisdiction and which meet the definition of Indian lands under the Indian Gaming Regulatory Act of 1988, (the "Regulatory Act") is regulated by federal, state and tribal governments. The regulatory environment regarding Indian gaming is always changing. Changes in federal, state or tribal law or regulations may limit or otherwise affect Indian gaming or may be applied retroactively and could then have a negative effect on our operations.

The terms and conditions of management agreements or other agreements and the operation of casinos on Indian land, are subject to the Regulatory Act, which is implemented by the NIGC. The contracts also are subject to the provisions of statutes relating to contracts with Indian tribes, which are supervised by the Department of the Interior. The Regulatory Act is interpreted by the Department of the Interior and the NIGC and may be clarified or amended by the judiciary or legislature.

Under the Regulatory Act, the NIGC has the power to:

- inspect and examine certain Indian gaming facilities;
- perform background checks on persons associated with Indian gaming;
- inspect, copy and audit all records of Indian gaming facilities;
- hold hearings, issue subpoenas, take depositions, and adopt regulations; and
- penalize violators of the Regulatory Act.

Penalties for violations of the Regulatory Act include fines, and possible temporary or permanent closing of gaming facilities. The Department of Justice may also impose federal criminal sanctions for illegal gaming on Indian lands and for theft from Indian gaming facilities.

The Regulatory Act also requires that the NIGC review tribal gaming ordinances. Such ordinances are approved only if they meet certain requirements relating to:

- ownership;
- security;
- personnel background;
- recordkeeping and auditing of the tribe's gaming enterprises;
- use of the revenues from gaming; and
- protection of the environment and the public health and safety.

The Regulatory Act also regulates Indian gaming and management agreements. The NIGC must approve management agreements and collateral agreements, including agreements like promissory notes, loan agreements and security agreements. A management agreement can be approved only after determining that the contract provides for:

- adequate accounting procedures and verifiable financial reports, copies of which must be furnished to the tribe;

- tribal access to the daily operations of the gaming enterprise, including the right to verify gross revenues and income;
- minimum guaranteed payments to the tribe, which must have priority over the retirement of development and construction costs;
- a ceiling on the repayment of such development and construction costs; and
- a contract term not exceeding five years and a management fee not exceeding 30% of net revenues as defined by the agency and a determination by the chairman of the NIGC that the fee is reasonable considering the circumstances; provided that the NIGC may approve up to a seven year term and a management fee not to exceed 40% of net revenues if the NIGC is satisfied that the capital investment required or the income projections for the particular gaming activity justify the larger profit allocation and longer term.

Under the Regulatory Act, we must provide the NIGC with background information, including financial statements and gaming experience, on:

- each person with management responsibility for a management agreement;
- each of our directors; and
- the ten persons who have the greatest direct or indirect financial interest in a management agreement to which we are a party, or
- in the case of a publicly traded company, the holders of 5% or more of the ownership interest in the company.

The NIGC will not approve a management company and may void an existing management agreement if a director, key employee or an interested person of the management company:

- is an elected member of the Indian tribal government that owns the facility being managed;
- has been or is convicted of a felony or misdemeanor gaming offense;
- has knowingly and willfully provided materially false information to the NIGC or a tribe;
- has refused to respond to questions from the NIGC;
- is a person whose prior history, reputation and associations pose a threat to the public interest or to effective gaming regulation and control, or create or enhance the chance of unsuitable, unfair or illegal activities in gaming or the business and financial arrangements incidental thereto; or
- has tried to influence any decision or process of tribal government relating to gaming.

Contracts may also be voided if:

- the management company has materially breached the terms of the management agreement, or the tribe’s gaming ordinance; or
- a trustee, exercising the skill and diligence to which a trustee is commonly held, would not approve such management agreement.

The Regulatory Act divides games that may be played on Indian land into three categories. Class I Gaming includes traditional Indian games and private social games and is not regulated under the Regulatory Act. Class II Gaming includes bingo, pull tabs, lotto, punch boards, tip jars, instant bingo, and other games similar to bingo, if those games are played at a location where bingo is played. Class III Gaming includes all other commercial forms of gaming, such as video casino games (e.g., video slots, video blackjack), so-called “table games” (e.g., blackjack, craps, roulette), and other commercial gaming (e.g., sports betting and pari-mutuel wagering).

Class II Gaming is allowed on Indian land if performed according to a tribal ordinance which has been approved by the NIGC and if the state in which the Indian land is located allows such gaming for any purpose. Class II Gaming also must comply with several other requirements, including a requirement that key management officials and employees be licensed by the tribe.

Class III Gaming is permitted on Indian land if the same conditions that apply to Class II Gaming are met and if the gaming is performed according to the terms of a written gaming compact between the tribe and the host state. The Regulatory Act requires states to negotiate in good faith with Indian tribes that seek to enter into tribal-state compacts. Should the state not negotiate in good faith, regulations of the Department of Interior allow the Secretary of the Interior to impose the terms of a gaming compact on the state.

The negotiation and adoption of tribal-state compacts is vulnerable to legal and political changes that may affect our future revenues and securities prices. Accordingly, we cannot predict:

- which additional states, if any, will approve casino gaming on Indian land;
- the timing of any such approval;
- the types of gaming permitted by each tribal-state compact;
- any limits on the number of gaming machines allowed per facility; or
- whether states will attempt to renegotiate or take other steps that may affect existing compacts.

Under the Regulatory Act, Indian tribal governments have primary regulatory authority over gaming on Indian land within the tribe’s jurisdiction unless a tribal-state compact has delegated this authority. Therefore, persons engaged in gaming activities, including us, are subject to the provisions of tribal ordinances and regulations on gaming.

Tribal-state compacts have been litigated in several states, including Michigan. In addition, many bills have been introduced in Congress that would amend the Regulatory Act, including bills introduced in 2005 that seek to limit “off reservation” gaming by Indian tribes. Although this legislative attempt was rejected, the Department of the Interior under the Bush administration in January 2008 issued a “guidance memorandum” immediately followed by a series of decisions which gave effect to the defeated legislation, placing limitations on the distance a tribal casino could be from the tribe’s reservation. Although under the Obama administration, the strictures of the “guidance memorandum” have been reduced, there continues to be a policy of restricting the ability of Indian tribes from operating gaming facilities that are remote from the tribe’s reservation or core geographic area of operation. If the Regulatory Act were amended or this department policy remain in effect, then the governmental structure and requirements by which Indian tribes may conduct gaming could be significantly changed, which could have an impact on our future operations and development of tribal gaming opportunities. Furthermore, in 2009, the United States Supreme Court issued a decision which interpreted the Indian Reorganization Act, enacted in 1934, and found that the Secretary of the Interior was only authorized to take land into trust for Indian tribes recognized as of the date of that Act. Thus, an Indian tribe receiving federal recognition after 1934 was not allowed to have land taken into trust for its benefit.

#### *Pueblo of Pojoaque Gaming Commission*

On September 23, 2011, a management contract between us and Buffalo Thunder, Inc. and Pojoaque Gaming, Inc. became effective. Those entities are the operating arms of the Pueblo of Pojoaque in Santa Fe, New Mexico (“the Pueblo”). The management contract and two ancillary employment agreements had been approved by the NIGC pursuant to the Regulatory Act. Gaming on the Pueblo is subject to regulation and control by the NIGC as detailed above and the Pueblo of Pojoaque Gaming Commission (“Gaming Commission”). The Gaming Commission is authorized under the Pueblo Gaming Ordinance to regulate gaming. Regulations of the Gaming Commission require the licensing of managers, employees and gaming vendors. The Gaming Commission has the authority to require any persons or entities with an interest in the gaming operations or seeking to conduct business with the gaming operations to submit applications for licensing or approval, submit to background and financial investigations and criminal checks to determine that such persons or entities have the requisite honesty, integrity and experience to not adversely affect gaming operations or pose a threat to the integrity of the gaming operations or the Pueblo.

The Gaming Commission is empowered to conduct investigations, issue Notices of Violation, conduct hearings and impose penalties including fines, suspension, termination or revocation of gaming licenses or deny the issuance of gaming licenses for violations of the gaming ordinance or the Gaming Commission’s regulations.

The Gaming Commission maintains a presence at the gaming facilities to ensure the fairness of the games, protection of the public and Pueblo and security of the Pueblo’s assets.

The two Company executives who are responsible for the management of the gaming operations have been granted gaming licenses by the Gaming Commission.

#### *Costs and Effects of Compliance with Environmental Laws*

Indiana riverboat casinos are subject to regulation by the Indiana Department of Environmental Management (IDEM). That department has regulations similar to the federal Department of Environmental Protection and maintains enforcement programs in the areas of air pollution, water and wastewater pollution and hazardous waste handling. As a riverboat and land-based golf club, we are subject to the regulation of the IDEM in our operations. The IDEM has reporting requirements and can impose fines and other penalties for violations of its regulations. While there can be criminal sanctions for serious and intentional violations of the regulations, the general penalty is a fine of up to \$0.03 million for each day of a violation and injunctions against continued violations and corrective orders. Rising Star Casino Resort has not been the subject of any fine or other enforcement proceeding by the IDEM.

In order to have land taken into trust or otherwise be approved for use by an Indian tribe for gaming purposes by the federal Bureau of Indian Affairs (BIA), as a federal agency, the BIA is required to comply with the National Environmental Policy Act (NEPA). Likewise, in order for the NIGC to approve a management agreement for us to manage an Indian gaming casino as required by the Indian Gaming Regulatory Act, the NIGC, as a federal agency, is required to comply with NEPA. For these purposes NEPA requires a federal agency to consider the effect on the physical and natural environment of a development project as part of its approval process. Compliance with NEPA begins with conducting an environmental assessment, which considers the factors identified in NEPA, as implemented by the Council on Environmental Quality, and determines whether the development will cause a significant impact on the environment. If not, the federal agency may issue a finding of no significant impact ("FONSI"). If the federal agency determines the development project may cause a significant impact on the environment, then it will conduct a further study resulting in an environmental impact statement, which considers all impacts on the environment and what can be done to mitigate those impacts. Since this constitutes action by a federal agency, any of these determinations can be the subject of litigation.

## **COMPETITION**

The gaming industry is highly competitive. Gaming activities include traditional land-based casinos, riverboat and dockside gaming, casino gaming on Indian land, state-sponsored lotteries, video poker in restaurants, bars and hotels, pari-mutuel betting on horse racing, dog racing and jai alai, sports bookmaking, card rooms, and casinos at racetracks. The Silver Slipper, Rising Star, Grand Lodge, Stockman's and the Indian-owned and other casinos that we may be developing and plan to manage or own compete with all these forms of gaming, and will compete with any new forms of gaming that may be legalized in additional jurisdictions, as well as with other types of entertainment. Some of our competitors have more personnel and greater financial or other resources.

The Silver Slipper is one of eleven casinos located on the Gulf Coast. Its closest competitor is the Hollywood Casino, approximately a fifteen minute drive to the northwest in Bay St. Louis, which is larger with 42,500 square feet of casino space, approximately 1,200 slot machines, 23 table games, poker room, 290 hotel rooms and four dining options. Further to the east is the Island View Casino, approximately thirty minutes away in Gulfport, with 83,000 square feet of casino space, 2,000 slot machines, over 40 table games, approximately 560 hotel rooms and four dining options. There are eight casinos in the Biloxi area, approximately an hour away on US I-10 East. The largest Biloxi casinos include the Beau Rivage Casino & Hotel and IP Casino, Resort & Spa. The IP Casino, Resort & Spa includes approximately 70,000 square feet of gaming space, 1,900 slots, 60 table games and a poker room. The Beau Rivage Casino & Hotel includes approximately 50,000 square feet of casino space, 1,300 slot machines, 50 table games and a poker room. Approximately a one and a half hour drive on I-10W from the Silver Slipper are three casinos located in and near New Orleans, which include the Harrah's New Orleans Casino, Boomtown Casino New Orleans and the Treasure Chest Casino. The largest of these casinos is the Harrah's New Orleans Casino, the only land casino in downtown New Orleans which features 115,000 square feet of gaming space, 2,200 gaming machines, 127 table and poker games and ten restaurants. Each of these facilities is within the general market of Silver Slipper and is expected to provide competition to our Silver Slipper operation in 2013.

The Rising Star is one of three riverboat casinos located on the Ohio River in southeastern Indiana. Its closest competitor is the Hollywood Casino, approximately a twenty minute drive, which is larger with 150,000 square feet of casino space, over 2,800 slot machines, 80 table games, poker room and five dining options. To the south is the Belterra Casino, approximately thirty minutes away, with 50,000 square feet of casino space, 1,350 slot machines and 47 table games. Ohio has recently authorized legalized gambling and the new Scioto Downs Racino and Hollywood Casino opened in Columbus, Ohio in June and October 2012, respectively. The Scioto Downs Racino includes over 2,100 slots and live horse racing. The Ohio Hollywood Casino includes over 3,000 slots, 70 table games and a poker room. The Horseshoe Casino Cincinnati opened on March 4, 2013 and features approximately 100,000 square feet of casino space, 2,000 slot machines, 85 table games and a poker room. There are also two proposed racinos nearby in the Cincinnati area. Each of these facilities is within the general market of Rising Star and is expected to provide competition to our Rising Star operation in 2013. While Kentucky has limited legal gaming, the cities of Lexington and Louisville are within the market of the Rising Star and there is a possibility that Kentucky will expand legalized gaming in the near future.

The Grand Lodge is one of five casinos located within a five mile radius of each other in the north Lake Tahoe area. The closest and largest competitor is the Tahoe Biltmore Lodge & Casino which is approximately 4.5 miles away and has more than 240 slot machines, 7 table games and a sports book. In South Lake Tahoe, approximately a 45 minutes driving distance from Incline Village, there are four gaming properties, which do not directly compete with the North Lake Tahoe area.

Stockman's is located on the west side of Fallon on Highway 50, approximately 60 miles east of Reno, Nevada, and is the largest of several casinos in the Churchill County area. The county's population is roughly 25,000 with a nearby naval air base which has a significant economic impact on our business. Of the nine casinos currently operating in the Fallon, Nevada market, our major competitors are three other casinos that are smaller than Stockman's both in size and the number of gaming machines. While we are not aware of any significant planned expansion to gaming capacity in the Churchill County area, additional competition may adversely affect our financial condition or results of operations.

The Buffalo Thunder and the Cities of Gold and Sports Bar Casino facilities are two of four casinos located in the Santa Fe, New Mexico area. The closest competitor is the Camel Rock Casino in Santa Fe, New Mexico, approximately a ten minute drive, which is smaller with approximately 500 slot machines, 2 table games and two dining options. To the southwest, approximately an hour away, is the San Felipe Casino Hollywood, located in Algodones, New Mexico. The San Felipe Casino Hollywood includes 600 slot machines and an RV park. The San Felipe Travel Center, which is adjacent to the San Felipe Casino Hollywood, includes a 24-hour convenience store, restaurant and service station. Approximately an hour and a half hour drive away is three casinos, located in Albuquerque, New Mexico. The largest of these casinos is the Hard Rock Hotel & Casino, Albuquerque, with 300,000 square feet of casino space, over 1,600 slot machines, 30 table games, poker room, bingo and five dining options. Each of these facilities is within the general market of the Buffalo Thunder and the Cities of Gold and Sports Bar Casino facilities and is expected to provide competition in 2013.

## **EMPLOYEES**

As of March 1, 2013 we had fifteen full-time corporate employees, four of whom are executive officers and an additional three are senior management. Our Silver Slipper property has approximately 430 full-time and 100 part-time employees, Rising Star has approximately 550 full-time and 140 part-time employees, Grand Lodge has approximately 100 full-time and 30 part-time employees and Stockman's has approximately 80 full-time and 20 part-time employees. The Buffalo Thunder management contract oversees approximately 520 full-time employees, none of which are our direct employees. We believe that our relationship with our employees is good. None of our employees are currently represented by a labor union, although such representation could occur in the future.

**Item 1A. Risk Factors.**

As a smaller reporting company, we are not required to provide the information required by this item.

**Item 1B. Unresolved Staff Comments.**

Not applicable.

**Item 2. Properties.**

The following describes our principal real estate properties. All properties listed below and substantially all other assets secure our indebtedness in connection with our First Lien Credit Agreement (“First Lien Credit Agreement”) with Capital One Bank, N.A. (“Capital One”) and our Second Lien Credit Agreement (“Second Lien Credit Agreement”) with ABC Funding, LLC, as discussed in Note 8 to the consolidated financial statements set forth in Item 8. Financial Statements and Supplementary Data.

*Silver Slipper Casino.* We own the Silver Slipper, which leases 38 acres of land pursuant to a Lease with Option to Purchase, as amended, which expires on April 30, 2058. The leased land includes approximately 31 acres of protected marsh land as well as a seven acre casino parcel. The Silver Slipper is located in Bay St. Louis, Mississippi and includes 37,000 square feet of gaming space and an adjacent surface lot. We also lease approximately five acres of land occupied by the Silver Slipper gaming office and warehouse space, as well as a small parcel of land with a building which will be occupied by the Silver Slipper welcome center, which will offer incentives and present promotions to guests.

*Rising Star Casino and Resort.* We own the Rising Star. The Rising Star is located in Rising Sun, Indiana on the Ohio river and consists of a dockside barge structure with 40,000 square feet of gaming space, a land-based pavilion, a 190-room hotel, surface parking and an 18-hole golf course on 380 acres.

*Stockman’s Casino.* We own Stockman’s in Fallon, Nevada. Stockman’s is located on approximately five acres and includes 8,400 square feet of gaming space, a fine dining restaurant, coffee shop and adjacent surface parking.

*Grand Lodge Casino.* We lease the Grand Lodge pursuant to a five-year lease commencing June 28, 2011 at the Hyatt Regency Lake Tahoe Resort, Spa and Casino in Incline Village, Nevada on the north shore of Lake Tahoe. We pay a fixed monthly rent of \$0.1 million over the initial term of the lease. We may elect to extend the term for an additional five year term. The Grand Lodge has 18,900 square feet of gaming area and the casino is integrated into the Hyatt Regency Lake Tahoe Resort, Spa and Casino.

We lease corporate office space in Las Vegas, Nevada pursuant to the amended lease agreement dated December 1, 2012. We occupy approximately 2,569 square feet of office space in the same location we have occupied for the past several years. The lease agreement expires May 31, 2018.



**Item 3. Legal Proceedings.**

We are subject to various legal and administrative proceedings relating to personal injuries, employment matters, commercial transactions and other matters arising in the normal course of business. We do not believe that the final outcome of these matters will have a material adverse effect on our consolidated financial position or results of operations. We maintain what we believe is adequate insurance coverage to further mitigate the risks of such proceedings.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

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

Our stock traded on the NYSE Amex under the symbol "FLL" until February 12, 2013. On February 13, 2013, our stock commenced trading on the NASDAQ Capital Market under the symbol "FLL". Set forth below are the high and low sales prices of our common stock as reported on the NYSE Amex for the periods indicated.

	High	Low
<u>Year Ended December 31, 2012</u>		
First Quarter	\$ 3.59	\$ 2.45
Second Quarter	3.15	2.76
Third Quarter	4.00	2.60
Fourth Quarter	3.82	2.73
<u>Year Ended December 31, 2011</u>		
First Quarter	\$ 5.00	\$ 3.29
Second Quarter	4.28	2.85
Third Quarter	3.45	2.25
Fourth Quarter	3.10	2.51

On March 1, 2013, the last sale price of our common stock as reported by the NASDAQ Capital Market was \$3.40.

As of March 1, 2013, we had 115 holders of record of our common stock. We believe that there are over 2,900 beneficial owners.

We intend to retain future earnings, if any, to provide funds for the operation of our business, retirement of our debt and pursue acquisitions and, accordingly, do not expect to pay any cash dividends on our common stock in the foreseeable future.

### Item 6. Selected Financial Data.

As a smaller reporting company, we are not required to provide the information required by this item.

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

#### Forward Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, relating to our financial condition, profitability, liquidity, resources, business outlook, market forces, corporate strategies, contractual commitments, legal matters, capital requirements and other matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. We note that many factors could cause our actual results and experience to change significantly from the anticipated results or expectations expressed in our forward-looking statements. When words and expressions such as: "believes," "expects," "anticipates," "estimates," "plans," "intends," "objectives," "goals," "aims," "projects," "forecasts," "possible," "seeks," "may," "could," "should," "might," "likely," "enable," or similar words or expressions are used in this Form 10-K, as well as statements containing phrases such as "in our view," "there can be no assurance," "although no assurance can be given," or "there is no way to anticipate with certainty," forward-looking statements are being made.

Various risks and uncertainties may affect the operation, performance, development and results of our business and could cause future outcomes to change significantly from those set forth in our forward-looking statements, including the following factors:

- our growth strategies;
- our development and potential acquisition of new facilities;
- successful integration of acquisitions;
- risks related to development and construction activities;
- anticipated trends in the gaming industries;
- patron demographics;
- general market and economic conditions, including but not limited to, the effects of local and national economic, housing and energy conditions on the economy in general and on the gaming and lodging industries in particular;
- access to capital and credit, including our ability to finance future business requirements;
- our dependence on key personnel;
- the availability of adequate levels of insurance;
- changes in federal, state, and local laws and regulations, including environmental and gaming license or legislation and regulations;
- ability to obtain and maintain gaming and other governmental licenses;
- regulatory approvals;
- impact of weather;
- competitive environment, including increased competition in our target market areas;
- increases in the effective rate of taxation at any of our properties or at the corporate level; and
- risks, uncertainties and other factors described from time to time in this and our other SEC filings and reports.

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

#### **Overview**

We own, develop, manage, and/or invest in gaming-related enterprises. We continue to actively investigate, individually and with partners, new business opportunities and our long-term strategy is to continue deriving revenues primarily from owned operations, as well as management fees. In furtherance of that strategy we made significant acquisitions of the Rising Star in 2011 and the Silver Slipper in 2012. With the sale of the management agreement for the FireKeepers Casino in Michigan also in 2012, we have transitioned the primary source of our revenues to owned entities.

We own and operate the Silver Slipper in Bay St. Louis, Mississippi, the Rising Star in Rising Sun, Indiana, Stockman's in Fallon, Nevada and we lease and operate the Grand Lodge in Incline Village, Nevada. We receive management fees from our management agreement with the Pueblo of Pojoaque for the management of the Buffalo Thunder in Santa Fe, New Mexico along with the Pueblo's Cities of Gold and Sports Bar casino facilities.

On March 30, 2012, we entered into a Membership Interest Purchase Agreement with Silver Slipper Casino Venture LLC to acquire all of the outstanding membership interest of the entity operating the Silver Slipper in Bay St. Louis, Mississippi. The purchase was closed on October 1, 2012, for a price of approximately \$69.3 million and \$6.7 million in cash, exclusive of net working capital balances, fees and expenses and other adjustments. We entered into the First Lien Credit Agreement on June 29, 2012 and the Second Lien Credit Agreement on October 1, 2012, as discussed in Note 8 to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, and we used the debt to fund the Silver Slipper purchase price. A \$5.0 million revolving loan under the First Lien Credit Agreement remains undrawn and available. We also acquired \$2.9 million in working capital.

The Silver Slipper, which opened in November 2006, is on the far west end of the Mississippi Gulf Coast (22 miles west of Gulfport, 34 miles west of Biloxi) and is approximately one hour (56 miles) from New Orleans (versus 90mi/1.5hrs to the Beau Rivage). The property has over 37,000 square feet of gaming space, approximately 1,000 slot and video poker machines, 26 table games, a poker room and the only live keno game on the Gulf Coast. The property includes a fine dining restaurant, buffet, quick service restaurant and two casino bars.

On April 1, 2011, we acquired all of the operating assets of Grand Victoria Casino & Resort, L.P. through Gaming Entertainment (Indiana) LLC, our wholly-owned subsidiary. In August 2011, the property was renamed Rising Star Casino Resort. In May 2011, we entered into a three-year agreement with the Pueblo of Pojoaque, which has been approved by the NIGC as a management contract, to advise on the operations of the Buffalo Thunder in Santa Fe, New Mexico along with the Pueblo's Cities of Gold and Sports Bar casino facilities. Our management and related agreements with the Buffalo Thunder became effective on September 23, 2011. As of September 1, 2011, we own the operating assets of the Grand Lodge, and have a 5-year lease with Hyatt Equities LLC for the casino space in the Hyatt Regency Resort, Spa and Casino in Incline Village, Nevada on the north shore of Lake Tahoe.

Until August 31, 2011, we were a non-controlling 50%-investor in GED, a joint venture with HRI. GED had a 15-year management contract through August 2011 with Harrington Casino at the Delaware State Fairgrounds in Harrington, Delaware.

Until March 30, 2012, we owned 50% of GEM, a joint venture with RAM, where we were the primary beneficiary and, therefore, consolidated GEM in our consolidated financial statements. On February 17, 2012, GEM signed a letter of intent with the FDA to propose terms of a potential sale of GEM's management rights and responsibilities under the current management agreement and allow the FireKeepers casino to become self-managed by the FDA, in return for \$97.5 million. The sale closed March 30, 2012 and effectively terminated the existing management agreement, which was scheduled to run through August 2016. We used a portion of the proceeds to pay-off our then remaining outstanding debt. We received a \$1.2 million wind-up fee equivalent to what our management fee would have been for the month of April 2012.

## Critical Accounting Estimates and Policies

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States. Certain of our accounting policies, including the determination of player loyalty program liability, the estimated useful lives assigned to our assets, asset impairment, bad debt expense, derivative instrument, purchase price allocations made in connection with our acquisitions and the calculation of our income tax liabilities, require that we apply significant judgment in defining the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. Our judgments are based on our historical experience, terms of existing contracts, observance of trends in the gaming industry and information available from other outside sources. There can be no assurance that actual results will not differ from our estimates.

Our significant accounting policies and basis of presentation are discussed below, as well as where appropriate in this discussion and analysis and in the notes to our consolidated financial statements. Although our financial statements necessarily make use of certain accounting estimates by management, except as discussed in the following paragraphs, we believe that no matters that are the subject of such estimates are so highly uncertain or susceptible to change as to present a significant risk of a material impact on our financial condition or operating performance.

The significant accounting estimates inherent in the preparation of our financial statements primarily include management's evaluation of the valuation of goodwill and purchase price allocations made in connection with our acquisitions. Other accounting estimates include management's opinion of collectability of receivables and fair value estimates related to valuation of receivables, as well as estimates related to lives of depreciable and amortizable assets and proper calculation of payroll liabilities such as paid time off, medical benefits, bonus accruals and other liabilities including slot club points and tax liabilities. Various assumptions, principally affecting the timing and other factors, underlie the determination of some of these significant estimates. The process of determining significant estimates is fact-and project-specific and takes into account factors such as historical experience and current and expected legal, regulatory and economic conditions. We regularly evaluate these estimates and assumptions, particularly in areas, if any, where changes in such estimates and assumptions could have a material impact on our results of operations, financial position and, generally to a lesser extent, cash flows. Where recoverability of these assets or planned investments are contingent upon the successful development and management of a project, we evaluate the likelihood that the project will be completed, the prospective market dynamics and how the proposed facilities should compete in that setting in order to forecast future cash flows necessary to recover the recorded value of the assets or planned investment. We review our conclusions as warranted by changing conditions.

The majority of our casino accounts receivable consist of returned checks and markers. We review the receivables and related aging to determine a factor for estimating the allowance for our receivables.

Property and equipment are initially recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or the term of the capitalized lease, whichever is less. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred. We must make estimates and assumptions when accounting for capital expenditures. Whether an expenditure is considered a maintenance expense or a capital asset is a matter of judgment. Our depreciation expense is highly dependent on the assumptions we make about our assets' estimated useful lives. We determine the estimated useful lives based on our experience with similar assets and our estimate of the usage of the asset. Whenever events or circumstances occur which change the estimated useful life of an asset, we account for the change prospectively. We evaluate our property and equipment and other long-lived assets for impairment in accordance with the accounting guidance in the Impairment or Disposal of Long-Lived Assets Subsections of Financial Accounting Standards Board ("FASB") Accounting Standards Codification™ ("ASC") Topic 360-10.

Our goodwill represents the excess of the purchase price over fair market value of net assets acquired in connection with Stockman's, Rising Star and Silver Slipper operations. Our review of goodwill as of September 30, 2011, resulted in a \$4.5 million goodwill impairment for Stockman's and related assets using a market approach as discussed in Note 6 to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data. These calculations, which are subject to change as a result of future economic uncertainty, contemplate changes for both current year and future year estimates in earnings and the impact of these changes to the fair value of Stockman's, Rising Star and Silver Slipper, although there is always some uncertainty in key assumptions including projected future earnings growth. On October 1, 2012, we closed on the acquisition of all of the equity membership interests in Silver Slipper Casino Venture LLC dba Silver Slipper Casino located in Bay St. Louis, Mississippi. The purchase price was approximately \$69.3 million, exclusive of cash and working capital in the amount \$6.7 million and \$2.9 million, respectively. The goodwill of \$14.7 million is the excess purchase price over the assets purchased as discussed in Note 6 and Note 13 to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data. We purchased Rising Star on April 1, 2011 for approximately \$19.0 million in cash and \$33.0 million drawn from our then credit agreement with Wells Fargo Bank as discussed in Note 8 to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data. The goodwill of \$1.6 million is the excess purchase price over the assets purchased.

Our indefinite-lived intangible assets include trademarks and certain license rights. The fair value of which is estimated using a derivation of the income approach to valuation. Indefinite-lived intangible assets are not amortized unless it is determined that their useful life is no longer indefinite. We periodically review our indefinite-lived assets to determine whether events and circumstances continue to support an indefinite useful life. If it is determined that an indefinite-lived intangible asset has a finite useful life, then the asset is tested for impairment and is subsequently accounted for as a finite-lived intangible asset.

Our finite-lived intangible assets include customer relationship player loyalty programs, land leases, water rights and bank loan fee intangibles. Finite-lived intangible assets are amortized over their estimated useful lives, and we periodically evaluate the remaining useful lives of these intangible assets to determine whether events and circumstances warrant a revision to the remaining period of amortization. We review our finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

We had two variable interest entities, GED and GEM. Our investment in an unconsolidated joint venture was a 50% ownership interest in GED, a joint venture between HRI and us. Until August 31, 2011, GED had a management agreement with Harrington Raceway and Casino, which is located in Harrington, Delaware. GED was a variable interest entity due to the fact that we had limited our exposure to the risk of loss. Therefore, we did not consolidate but accounted for our investment using the equity method. GED was sold in 2011 so there is no exposure to loss as of the date of the latest balance sheet.

Due to our financing arrangement for the development and management of the FireKeepers project through a 50%-owned joint venture, GEM, we were exposed to the majority of risk of economic loss from the joint venture's activities. Until March 30, 2012, the date we sold our interest in the partnership, we directed the day to day operational activities of GEM that significantly impacted GEM's economic performance and therefore, we considered ourselves to be the primary beneficiary. Therefore, the joint venture was a variable interest entity that required consolidation in our financial statements. Due to the sale of our interest in GEM, there is no exposure to loss as of the date of the latest balance sheet.

*Long-term assets related to Indian casino projects*

We account for the advances made to tribes as in-substance structured notes at estimated fair value in accordance with the guidance contained in FASB ASC Topic 320, "Investments-Debt and Equity Securities" and Topic 820, "Fair Value Measurements and Disclosures".

Because our right to recover our advances and development costs with respect to Indian gaming projects is limited to, and contingent upon, the future net revenues of the proposed gaming facilities, we evaluate the financial opportunity of each potential service arrangement before entering into an agreement to provide financial support for the development of an Indian project. This process includes (1) determining the financial feasibility of the project assuming the project is built, (2) assessing the likelihood that the project will receive the necessary regulatory approvals and funding for construction and operations to commence, and (3) estimating the expected timing of the various elements of the project including commencement of operations. When we enter into a service or lending arrangement, management has concluded, based on feasibility analyses and legal reviews, that there is a high probability that the project will be completed and that the probable future economic benefit is sufficient to compensate us for our efforts in relation to the perceived financial risks. In arriving at our initial conclusion of probability, we consider both positive and negative evidence. Positive evidence ordinarily consists not only of project-specific advancement or progress, but the advancement of similar projects in the same and other jurisdictions, while negative evidence ordinarily consists primarily of unexpected, unfavorable legal, regulatory or political developments such as adverse actions by legislators, regulators or courts. Such positive and negative evidence is reconsidered at least quarterly. No asset, including notes receivable or contract rights, related to an Indian casino project is recorded on our books unless it is considered probable that the project will be built and will result in an economic benefit sufficient for us to recover the asset.

In initially determining the financial feasibility of the project, we analyze the proposed facilities and their location in relation to market conditions, including customer demographics and existing and proposed competition for the project. Typically, independent consultants are also hired to prepare market and financial feasibility reports. These reports are reviewed by management and updated periodically as conditions change.

In assessing the probability of completing the project, we also consider the status of the regulatory approval process including whether:

- the Federal Bureau of Indian Affairs, or BIA, recognizes the tribe;
- the tribe has the right to acquire land to be used as a casino site;
- the Department of the Interior has put the land into trust as a casino site;
- the tribe has a gaming compact with the state government;
- the NIGC has approved a proposed management agreement; and
- other legal or political obstacles exist or are likely to occur.

The development phase of each relationship commences with the signing of the respective agreements and continues until the casino is open for business. Thereafter, the management phase of the relationship, governed by the management contract, typically continues for a period of between five to seven years. Seven years is the maximum allowed under federal law. We make advances to the tribes, recorded as notes receivable, primarily to fund certain portions of the projects, which bear no interest or below market interest until operations commence. Repayment of the notes receivable and accrued interest is only required if the casino is successfully opened and distributable profits are available from the casino operations. Under the management agreement, we typically earn a management fee calculated as a percentage of the net income of the gaming facility. In addition, repayment of the loans and our management fees are subordinated to certain other financial obligations of the respective operations. Generally, the order of priority of payments from the casino's cash flows is as follows:

- a certain minimum monthly priority payment to the tribe;
- repayment of various senior debt associated with construction and equipping of the casino with interest accrued thereon;
- repayment of various debt with interest accrued thereon due to us;
- management fee to us;
- other obligations; and
- the remaining funds distributed to the tribe.

#### *Notes receivable*

We account for and present our notes receivable from and management agreements with the tribes as separate assets. Under the contractual terms, the notes do not become due and payable unless and until the projects are completed and operational. However, if our development activity is terminated prior to completion, we generally would retain the right to collect on our notes receivable in the event a casino project is completed by another developer. Because we ordinarily do not consider the stated rate of interest on the notes receivable to be commensurate with the risk inherent in these projects (prior to commencement of operations), the estimated fair value of the notes receivable is generally less than the amount advanced. At the date of each advance, the difference between the estimated fair value of the note receivable and the actual amount advanced is recorded as either an intangible asset (contract rights) or if the rights were acquired in a separate, unbundled transaction, expensed as period costs of retaining such rights.

During the third quarter of 2011, the estimated fair value of the \$0.7 million face amount Nambé notes receivable was written down to zero value as we believed that the project assets were impaired and collectability was doubtful. As of September 30, 2012, the Nambé Pueblo note receivable was written off, due to the probability that the project would not be completed and collection was unlikely.

#### *Contract rights*

Contract rights are recognized as intangible assets related to the acquisition of the management agreements and periodically evaluated for impairment based on the estimated cash flows from the management contract on an undiscounted basis and amortized using the straight-line method over the lesser of seven years or contractual lives of the agreements, typically beginning upon commencement of casino operations. In the event the carrying value of the intangible assets were to exceed the undiscounted cash flow, the difference between the estimated fair value and carrying value of the assets would be charged to operations.



The cash flow estimates for each project were developed based upon published and other information gathered pertaining to the applicable markets. The cash flow estimates are initially prepared (and periodically updated) primarily for business planning purposes with the tribes and are secondarily used in connection with our impairment analysis of the carrying value of contract rights, land held for development, and other capitalized costs, if any, associated with our tribal casino projects. The primary assumptions used in estimating the undiscounted cash flow from the projects include the expected number of Class III gaming devices, table games, and poker tables, and the related estimated win per unit per day. Generally, within reasonably possible operating ranges, our impairment decisions are not particularly sensitive to changes in these assumptions because estimated cash flows greatly exceed the carrying value of the related intangibles and other capitalized costs.

*Summary of assets related to Indian casino projects*

At December 31, 2012 and 2011, assets associated with tribal casino projects are summarized as follows, with notes receivable presented at their estimated fair value (in thousands):

	<u>2012</u>	<u>2011</u>
FireKeepers Casino:		
Contract rights, net	\$ --	\$ 10,873
Nambé project:		
Notes receivable, tribal governments	--	--
	<u>\$ --</u>	<u>\$ 10,873</u>

Due to the absence of observable market quotes on our notes receivable from tribal governments, management develops inputs based on the best information available, including internally-developed data, such as estimates of future interest rates, discount rates and casino opening dates as discussed below.

For the portion of the notes not repaid prior to the commencement of operations, management estimates that the stated interest rates during the loan repayment terms will be commensurate with the inherent risk at that time. The estimated probability rates have been re-evaluated and modified accordingly, based on project-specific risks such as delays of regulatory approvals for the projects and review of the financing environment. The estimated casino opening dates used in the valuations take into account project-specific circumstances such as ongoing litigation, the status of required regulatory approvals, construction periods and other factors.

Factors that we consider in arriving at a discount rate include discount rates typically used by gaming industry investors and appraisers to value individual casino properties outside of Nevada and discount rates produced by the widely accepted Capital Asset Pricing Model, or CAPM, using the following key assumptions:

S&P 500, 10 and 15-year average benchmark investment returns (medium-term horizon risk premiums); Risk-free investment return equal to the trailing 10-year average for 90-day Treasury Bills; Investment beta factor equal to the unlevered five-year average for the hotel/gaming industry; and project-specific adjustments based on typical size premiums for “micro-cap” and “low-cap” companies using 10 and 15-year averages, and the status of outstanding required regulatory approvals and/or litigation, if any.

Management believes that under the circumstances, essentially three critical dates and events that impact the project specific discount rate adjustment when using CAPM are: (1) the date that management completes its feasibility assessment and decides to invest in the opportunity; (2) the date that construction financing has been obtained after all legal obstacles have been removed; and (3) the date that operations commence.

Amortizations of contract rights are on a straight-line basis over the contractual lives of the assets. The contractual lives may include, or not begin until after, a development period and/or the term of the subsequent management agreement.

#### **Derivative instruments and hedging activities**

We adopted the accounting guidance for derivative instruments and hedging activities (ASC Topic 815, "Derivatives and Hedging"), as amended, to account for our interest rate Swap, prior to the payoff of the interest rate Swap on March 30, 2012. The accounting guidance required us to recognize our derivative instruments as either assets or liabilities in our consolidated balance sheet at fair value. The accounting for changes in fair value (i.e. gains or losses) of a derivative instrument agreement depended on whether it had been designated and qualified as part of a hedging relationship and further, on the type of hedging relationship. The derivative instrument was not designated as a hedge for accounting purposes. The change in fair value was recorded in the consolidated statement of operations in the period of change. Additionally, the difference between amounts received and paid under such agreements, as well as any costs or fees, were recorded as a reduction of, or an addition to, interest expense as incurred over the life of the agreement. Fluctuations in interest rates caused the fair value of our derivative instrument to change each reporting period.

#### **Recently Issued Accounting Pronouncements**

None.

#### **Results of Operations**

Historically, a significant portion of our operating income in 2012 and prior years was generated from our management agreements, including agreements with the FireKeepers Casino in Michigan and the Harrington Casino in Delaware. The Delaware agreement expired on August 31, 2011. The FireKeepers management agreement ended March 30, 2012, with the sale of our interest in GEM. The Buffalo Thunder management agreement is in effect through September 2014. There can be no assurance that the Buffalo Thunder management agreement will be extended. We have owned Stockman's Casino since 2007. Consistent with our long-term strategy, we have been acquiring gaming properties and have transitioned to a company that primarily derives revenues from owned operations rather than management fees. With the acquisition of the Rising Star and the leasing of the casino at Grand Lodge in 2011 and the acquisition of the Silver Slipper in 2012, our results of continuing operations have been significantly impacted and our revenues are currently primarily derived from owned operations.

For the years ended December 31, 2012 and 2011, our revenues from the FireKeepers management agreement were \$5.3 million and \$23.3 million, respectively. For the years ended December 31, 2012 and 2011, our equity in net income of unconsolidated joint venture related to GED was \$0.0 million and \$3.3 million, respectively. Management fees and equity in net income of unconsolidated joint venture represented 9% and 124% of our total operating income for the years ended December 31, 2012 and 2011, respectively, as we have executed our strategy to transition to primarily an operating company that derives revenue from owned operations rather than management fees. We funded the acquisition of the Silver Slipper with the First and Second Lien Credit Agreements totaling \$69.3 million on October 1, 2012. We believe the impact of the lost revenues from the sale of our interest in GEM and the FireKeepers management agreement will be diminished with the acquisition of the Silver Slipper, as well as a full year of operations at the Rising Star and Grand Lodge.

## Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

**Revenues.** For the twelve months ended December 31, 2012, total revenues increased \$23.3 million (22%) as compared to 2011, primarily due to a \$17.3 million (25%) and \$10.0 million (81%) increase in our casino operations Midwest and Nevada segments' revenues, respectively, and \$12.9 million of revenues in our Gulf Coast segment, offset by a \$16.9 million decrease (70%) in our development / management segment revenues. The \$17.3 million increase in revenues in our casino operations Midwest segment was largely due to the acquisition of the Rising Star on April 1, 2011. The \$10.0 million increase in revenues in our casino operations Nevada segment is related to the commencement of our Grand Lodge lease, effective September 1, 2011. Our Gulf Coast segment includes the operations of the Silver Slipper, which was purchased October 1, 2012.

The \$16.9 million decrease in our development / management segment revenues was predominantly attributable to the \$18.0 million (77%) decrease in FireKeepers management fees, offset by a \$0.8 million (87%) increase in Buffalo Thunder management fees. FireKeepers management fees were lower due to the sale of our interest in GEM and the FireKeepers management agreement which closed March 30, 2012. Our management agreement with the Buffalo Thunder became effective September 2011 and will end in September 2014.

**Operating costs and expenses.** For the twelve months ended December 31, 2012, total operating costs and expenses increased \$35.6 million (42%), as compared to 2011, primarily due to a \$15.8 million (24%) and \$7.2 million (64%) increase in our casino operations Midwest and Nevada segments' operating costs, respectively, a \$1.6 million (31%) increase in our corporate segment operating costs, as well as \$12.2 million in our Gulf Coast segment operating costs, offset by an \$1.2 million decrease (35%) in our development / management segment operating costs.

The \$15.8, \$7.2 and \$12.2 million increases in our casino operations Midwest, Nevada and Gulf Coast segments' operating expenses, respectively, were largely due to the 2012 full-year operation of the Rising Star and the Grand Lodge casinos (both of which were acquired in 2011) and the 2012 acquisition of the Silver Slipper. The \$1.6 million increase in our corporate segment operating costs was due to a \$1.6 million (33%) increase in selling, general and administrative expenses, as explained below. The \$1.2 million decrease in our development / management segment's operating costs was attributable to the sale of our interest in GEM and the FireKeepers management agreement which closed March 30, 2012.

**Project development and acquisition costs.** For the twelve months ended December 31, 2012, project development costs increased \$1.1 million (135%), as compared to 2011, primarily due to \$1.6 million of Silver Slipper acquisition costs, offset by \$0.5 million of acquisition costs for the Rising Star and Grand Lodge in the prior year. Project development and acquisition costs are allocated to our development / management operations segment.

**Selling, general and administrative expense.** For the twelve months ended December 31, 2012, selling, general and administrative expenses increased \$11.6 million (46%) as compared to 2011 primarily due to a \$3.0 million (18%) increase in our casino operations Midwest segment and a \$2.8 million (78%) increase in our casino operations Nevada segment expenses, as well as \$4.7 million of selling, general and administrative expenses for our Gulf Coast segment. These increases were due to the full-year operation of the Rising Star and the Grand Lodge casinos (both of which were acquired in 2011) and the 2012 acquisition of the Silver Slipper. We also had a \$1.6 million (33%) increase in our corporate operations segment selling, general and administrative expenses, offset by a \$0.5 million (78%) decrease in our development / management segment expenses. For the twelve months ended December 31, 2012, the Rising Star's and Grand Lodge's selling, general and administrative expenses increased \$3.0 million (18%) and \$2.9 million (175%), respectively, over those incurred in 2011. Both properties were acquired in 2011.

Selling, general and administrative expenses increased at the corporate level by \$1.6 million, mostly related to a \$1.4 million increase in payroll and related costs, comprised principally of a \$0.5 million increase in stock compensation expense as a result of the issuance of 660,000 shares of restricted stock in June 2011. Stock compensation expense was \$1.2 million in 2012 and \$0.7 million in 2011. Selling, general and administrative expenses also increased at the corporate level related to \$0.3 million of severance pay as discussed in Note 11 to the consolidated financial statements, set forth in Item 8. Financial Statements and Supplementary Data, and a \$0.4 million increase, related primarily to the sale of our interest in GEM. Selling, general and administrative expenses also increased at the corporate level due to a \$0.2 million increase in Delaware franchise taxes related to an increase in the number of common shares authorized.

**Operating gains (losses).** For the twelve months ended December 31, 2012, operating gains increased by \$42.8 million as compared to 2011 consisting primarily of the gain on sale of the joint venture of \$41.2 million, related to the sale of our interest in GEM. In the prior year we incurred a \$4.9 million impairment loss, related to a \$4.5 million goodwill impairment in the Nevada segment and \$0.4 million Nambé Pueblo note receivable impairment, offset by \$3.3 million equity in the net income of GED, an unconsolidated joint venture relating to GED. The GED management contract was terminated August 2011, as discussed in Note 3 to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data.

**Other income (expense).** For the twelve months ended December 31, 2012, other expense increased by \$1.1 million (33%) as compared to 2011 primarily due to a \$1.7 million loss on extinguishment of debt related to the write-off of the Wells Fargo loan costs. The debt was paid off with the proceeds of the GEM sale as discussed in Note 8 to the consolidated financial statements, set forth in Item 8. Financial Statements and Supplementary Data, offset by a \$0.1 million (4%) decrease in interest expense. In addition, in the prior year, we incurred a \$0.5 million loss on a derivative instrument related to long term debt which was funded March 31, 2011, when we borrowed \$33.0 million on the term loan to fund our acquisition of the Rising Star. These other income (expense) items are allocated to our corporate operations segment.

**Income taxes.** For the twelve months ended December 31, 2012, the estimated effective annual income tax rate applied for the current year is approximately 35%, compared to 58% for the same period in 2011. The lower tax rate in the current year was primarily due to the \$41.2 million gain on sale of joint venture, related to the sale of our interest in GEM, which is only subject to federal tax. There is no allowance on the current deferred tax asset of \$2.1 million and the long-term deferred tax asset of \$1.0 million as of December 31, 2012, and we believe the deferred tax assets are fully realizable.

**Noncontrolling interest.** For the twelve months ended December 31, 2012, the net income attributable to non-controlling interest in consolidated joint venture decreased by \$8.1 million (79%) as compared to 2011, as the current year non-controlling interest only represents the first quarter's 50% interest in GEM. Our interest in GEM was sold on March 30, 2012.

## Liquidity and Capital Resources

### *Economic conditions and related risks and uncertainties*

The United States and the world has experienced a widespread and severe economic slowdown accompanied by, among other things, weakness in consumer spending including gaming activity and reduced credit and capital financing availability, all of which have far-reaching effects on economic conditions in the country for an indeterminate period. Our operations are currently concentrated in Indiana, Northern Nevada, New Mexico and the Gulf Coast. Accordingly, future operations could be affected by adverse economic conditions and increased competition particularly in those areas and their key feeder markets in neighboring states. The effects and duration of these conditions and related risks and uncertainties on our future operations and cash flows, including our access to capital or credit financing, cannot be estimated at this time, but may be significant.

The Silver Slipper, Rising Star, Grand Lodge, and Stockman's operations, along with the Buffalo Thunder management agreement, are currently our primary sources of recurring income and significant positive cash flow. There can be no assurance that the Buffalo Thunder management agreement ending in September 2014, will be extended beyond its term.

On a consolidated basis, cash provided by operations during the twelve months ended December 31, 2012 decreased \$31.3 million over the same prior year period, partially attributable to the approximately \$14.4 million in taxes paid related to the gain on sale of our interest in GEM. The decrease in cash provided by operations was also attributable to a \$15.7 million decrease in net income, exclusive of the \$41.2 million gain on sale of our interest in GEM in the current year, primarily due to the sale of our interest in FireKeepers, offset by Rising Star and Grand Lodge operations. Cash provided by investing activities increased \$68.0 million from the prior year period primarily due to the \$49.7 million of proceeds from the sale of our interest in GEM and the \$19.5 million of deposits and other costs of the Rising Star acquisition in the prior year. Cash used in financing activities increased \$32.2 million from the prior year mostly due to the \$28.2 million repayment of long term debt and the Swap liability and the payment of \$3.6 million in loan fees, offset by a reduction in distributions to non-controlling interest in consolidated joint venture.

As of December 31, 2012, we had approximately \$20.6 million in cash. Management estimates that approximately \$15.0 million of cash is required for day to day operations.

Our future cash requirements include selling, general and administrative expenses, project development costs, capital expenditures, taxes and possibly funding any negative cash flow of our casino operations as well as potential acquisitions.

In October 2011, the Rising Sun/Ohio County First, Inc. ("RSOCF") and the Rising Sun Regional Foundation, Inc. teamed up to develop a new 104-room hotel on land adjacent to our property. On June 13, 2012, the City of Rising Sun Advisory Plan Commission ("Plan Commission") provided a favorable recommendation to the City Council of Rising Sun, Indiana, regarding a revised amendment to the plan of development, which was adopted by the City Council on July 5, 2012. On August 13, 2012, the Plan Commission approved the detailed plan of development. The parties entered into a real estate sale agreement dated May 2, 2012, for RSOCF to purchase approximately 3.0 acres of land on which the hotel will be developed for \$30,000 per acre which closed in November 2012. Construction commenced in December of 2012, and the hotel is expected to open in late 2013. We believe that the added hotel room inventory in proximity to the casino facility will favorably impact revenues and visitor counts.

Subject to the effects of the economic uncertainties discussed above, we believe that adequate financial resources will be available to execute our current growth plan from a combination of operating cash flows and external debt and equity financing. However, continued downward pressure on cash flow from operations due to, among other reasons, the adverse effects on gaming activity of the current economic environment, increased competition and a generally tight credit environment, increases the uncertainty with respect to our development and growth plans.

#### *Banking Relationships*

On October 29, 2010, we, as borrower, entered into a credit agreement with the financial institutions listed therein and Wells Fargo Bank, National Association (the "Wells Fargo Credit Agreement"). On December 17, 2010, we entered into a Commitment Increase of the Wells Fargo Credit Agreement and a related Assignment Agreement increasing the loan commitment from \$36.0 million to \$38.0 million, consisting of a \$33.0 million term loan and a revolving line of credit of \$5.0 million.

The initial funding date of the Wells Fargo Credit Agreement occurred March 31, 2011 when we borrowed \$33.0 million on the term loan which was used to fund our acquisition of the Rising Star. The purchase occurred on April 1, 2011. The Wells Fargo Credit Agreement was secured by substantially all of our assets. We paid off the remaining \$25.3 million debt related to the Wells Fargo Credit Agreement and extinguished the facility on March 30, 2012, which consisted of \$24.8 million of our existing long term debt and \$0.5 million due on the interest rate swap agreement related to the Wells Fargo Credit Agreement, from proceeds from the sale of our interest in GEM and the FireKeepers management agreement.

On October 1, 2012, we closed on the acquisition of all of the equity membership interests in Silver Slipper Casino Venture LLC dba Silver Slipper Casino located in Bay St. Louis, Mississippi. The purchase price of approximately \$69.3 million, exclusive of cash and working capital in the amount \$6.7 million and \$2.9 million, respectively, was funded by the First Lien Credit Agreement and the Second Lien Credit Agreement. The \$5.0 million revolving loan under the First Lien Credit Agreement remains undrawn and available. The First and Second Lien Credit Agreements are secured by substantially all of our assets and therefore, our wholly-owned subsidiaries guarantee our obligation under the agreements. The Second Lien Credit Agreement is subject to the lien of the First Lien Credit agreement.

We have elected to pay interest on the First Lien Credit Agreement based on a LIBOR rate as set forth in the agreement. LIBOR rate means a rate per annum equal to the quotient (rounded upward if necessary to the nearest 1/16 of one percent) of (a) the greater of (1) 1.00% and (2) the rate per annum referenced to as the BBA (British Bankers Association) LIBOR divided by (b) one minus the reserve requirement set forth in the First Lien Credit Agreement for such loan in effect from time to time. We will pay interest on the Second Lien Credit Agreement at the rate of 13.25% per annum.

The First and Second Lien Credit Agreements contain customary negative covenants for transactions of this type, including, but not limited to, restrictions on our and our subsidiaries' ability to: incur indebtedness; grant liens; pay dividends and make other restricted payments; make investments; make fundamental changes; dispose of assets; and change the nature of their business. The First and Second Lien Credit Agreements require that we maintain specified financial covenants, including a total leverage ratio, a first lien leverage ratio, a fixed charge coverage ratio and a capital expenditures ratio each as set forth in the agreements. We measure compliance with our covenants on a quarterly basis and we are currently in compliance, however, there can be no assurances that we will remain in compliance with all covenants in the future, particularly in light of the current difficult economic conditions and related uncertainties. The First and Second Lien Credit Agreements also include customary events of default, including, among other things: non-payment; breach of covenant; breach of representation or warranty; cross-default under certain other indebtedness or guarantees; commencement of insolvency proceedings; inability to pay debts; entry of certain material judgments against us or our subsidiaries; occurrence of certain ERISA events; re-purchase of our own stock and certain changes of control.

As of December 31, 2012, we elected, at our discretion, to prepay the \$1.3 million principal payment due April 1, 2013 on the First Lien Credit Agreement, in order to reduce interest costs. We are required to make prepayments under the First Lien Credit Agreement, under certain conditions defined in the agreement, in addition to the scheduled principal installments for any fiscal year ending December 31, 2012 and thereafter. Prepayment penalties will be assessed in the event that prepayments are made on the Second Lien Credit Agreement prior to the discharge of the First Lien Credit Agreement.

In September 2012, we opened Federal Deposit Insurance Corporation ("FDIC") insured noninterest bearing accounts with Capital One Bank (USA), N.A. As of December 31, 2012, we had \$5.7 million in these insured noninterest bearing accounts. Bankrate.com's Safe & Sound® service rated Capital One Bank (USA), N.A. in Virginia a "4 Star" as of September 30, 2012, which is defined as a "sound" ranking of relative financial strength and stability.

In March 2011, we opened FDIC insured noninterest bearing accounts with Wells Fargo Bank. As of December 31, 2012, we had \$0.2 million in these insured noninterest bearing accounts. As of December 31, 2012, we held \$2.9 million in an FDIC insured noninterest bearing account with Nevada State Bank, a subsidiary of Zion's Bancorporation.

In November 2010, the FDIC issued a Final Rule implementing section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") that provides for unlimited insurance coverage of noninterest-bearing transaction accounts. From December 31, 2010, through December 31, 2012, all noninterest-bearing transaction accounts were fully insured, regardless of the balance of the account, at all FDIC-insured institutions. As scheduled, the unlimited insurance coverage for noninterest-bearing transaction accounts provided under the Dodd-Frank Act expired on December 31, 2012. Deposits held in noninterest-bearing transaction accounts are now aggregated with any interest-bearing deposits the owner may hold in the same ownership category, and the combined total insured up to at least \$250,000.

#### *Other projects*

Additional projects are considered based on their forecasted profitability, development period, regulatory and political environment and the ability to secure the funding necessary to complete the development or acquisition, among other considerations. No assurance can be given that any additional projects will be pursued or completed or that any completed projects will be successful.

**Off-balance sheet arrangements**

We have no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

As a smaller reporting company, we are not required to provide the information required by this item.



**Item 8. Financial Statements and Supplementary Data.**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors  
Full House Resorts, Inc.  
Las Vegas, NV

We have audited the accompanying consolidated balance sheets of Full House Resorts, Inc. and Subsidiaries (collectively, the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity 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 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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

/s/ Piercy Bowler Taylor & Kem

Piercy Bowler Taylor & Kem  
Certified Public Accountants  
Las Vegas, Nevada

March 5, 2013

**FULL HOUSE RESORTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)

	December 31, 2012	December 31, 2011
<b>Revenues</b>		
Casino	\$ 112,649	\$ 74,708
Food and beverage	6,223	4,517
Management fees	7,180	24,186
Other operations	2,708	2,050
	<u>128,760</u>	<u>105,461</u>
<b>Operating costs and expenses</b>		
Casino	62,976	42,509
Food and beverage	5,973	4,469
Other operations	5,614	4,465
Project development and acquisition costs	1,861	793
Selling, general and administrative	37,003	25,429
Depreciation and amortization	6,884	7,001
	<u>120,311</u>	<u>84,666</u>
<b>Operating gains (losses)</b>		
Gain on sale of joint venture	41,189	--
Equity in net income of unconsolidated joint venture, and related guaranteed payments	--	3,306
Impairment losses	--	(4,920)
Unrealized losses on notes receivable, tribal governments	--	(8)
	<u>41,189</u>	<u>(1,622)</u>
<b>Operating income</b>	<u>49,638</u>	<u>19,173</u>
<b>Other income (expense)</b>		
Interest expense	(2,731)	(2,838)
Gain (loss) on derivative instruments	8	(513)
Other income (expense)	(6)	8
Loss on extinguishment of debt	(1,719)	--
	<u>(4,448)</u>	<u>(3,343)</u>
<b>Income before income taxes</b>	45,190	15,830
Income tax expense	15,175	3,240
<b>Net income</b>	30,015	12,590
Income attributable to noncontrolling interest in consolidated joint venture	(2,181)	(10,247)
<b>Net income attributable to the Company</b>	<u>\$ 27,834</u>	<u>\$ 2,343</u>
<b>Net income attributable to the Company per common share</b>	<u>\$ 1.49</u>	<u>\$ 0.13</u>
<b>Weighted-average number of common shares outstanding</b>	<u>18,677,544</u>	<u>18,397,599</u>

See notes to consolidated financial statements.

**FULL HOUSE RESORTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except shares)

	<b>December 31,</b> <b>2012</b>	<b>December 31,</b> <b>2011</b>
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 20,603	\$ 14,707
Accounts receivable, net of allowance for doubtful accounts of \$959 and \$1,158	2,657	4,865
Prepaid expenses	5,744	2,487
Deferred tax asset	2,110	751
Other	1,225	404
	<u>32,339</u>	<u>23,214</u>
Property and equipment, net of accumulated depreciation	<u>83,673</u>	<u>38,668</u>
Long-term assets related to tribal casino projects		
Notes receivable, net of allowance of \$662 in 2011	--	--
Contract rights, net of accumulated amortization of \$0 and \$6,493	--	10,873
	<u>--</u>	<u>10,873</u>
Other assets		
Goodwill	22,127	7,456
Intangible assets, net of accumulated amortization of \$1,506 and \$425	18,106	11,721
Long term deposits	301	142
Loan fees, net of accumulated amortization of \$496 and \$934	5,159	1,898
Deferred tax asset	1,020	646
	<u>46,713</u>	<u>21,863</u>
	<u>\$ 162,725</u>	<u>\$ 94,618</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 2,532	\$ 1,614
Income taxes payable	7	2,410
Accrued player club points and progressive jackpots	2,378	1,751
Accrued payroll and related	4,107	4,034
Other accrued expenses	3,808	2,427
Current portion of long-term debt	2,500	4,950
	<u>15,332</u>	<u>17,186</u>
Long-term debt, net of current portion	66,250	21,987
Deferred tax liability	10	--
	<u>81,592</u>	<u>39,173</u>
Stockholders' equity		
Common stock, \$.0001 par value, 100,000,000 shares authorized; 20,036,276 and 20,030,276 shares issued	2	2
Additional paid-in capital	44,707	43,448
Treasury stock, 1,356,595 common shares	(1,654)	(1,654)
Retained earnings	38,078	8,508
	<u>81,133</u>	<u>50,304</u>
Noncontrolling interest in consolidated joint venture	--	5,141
	<u>81,133</u>	<u>55,445</u>
	<u>\$ 162,725</u>	<u>\$ 94,618</u>

See notes to consolidated financial statements.

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(In thousands)

<b>December 31, 2012</b>	<b>Common stock</b>		<b>Additional</b>	<b>Treasury stock</b>		<b>Retained</b>	<b>Noncontrolling</b>	<b>Total</b>
	<b>Shares</b>	<b>Dollars</b>	<b>paid-in</b>	<b>Shares</b>	<b>Dollars</b>	<b>Earnings</b>	<b>interest</b>	<b>Stockholders'</b>
			<b>capital</b>					<b>Equity</b>
<b>Beginning balances</b>	20,030	\$ 2	\$ 43,448	1,357	\$ (1,654)	\$ 8,508	\$ 5,141	\$ 55,445
Previously deferred share-based compensation recognized	--	--	1,242	--	--	--	--	1,242
Issuances of common stock	6	--	17	--	--	--	--	17
Distributions to non-controlling interest in consolidated joint venture	--	--	--	--	--	--	(3,586)	(3,586)
Sale of interest in joint venture	--	--	--	--	--	1,736	(3,736)	(2,000)
Net income	--	--	--	--	--	27,834	2,181	30,015
<b>Ending balances</b>	<b>20,036</b>	<b>\$ 2</b>	<b>\$ 44,707</b>	<b>1,357</b>	<b>\$ (1,654)</b>	<b>\$ 38,078</b>	<b>\$ --</b>	<b>\$ 81,133</b>

  

<b>December 31, 2011</b>	<b>Common stock</b>		<b>Additional</b>	<b>Treasury stock</b>		<b>Retained</b>	<b>Noncontrolling</b>	<b>Total</b>
	<b>Shares</b>	<b>Dollars</b>	<b>paid-in</b>	<b>Shares</b>	<b>Dollars</b>	<b>Earnings</b>	<b>interest</b>	<b>Stockholders'</b>
			<b>capital</b>					<b>Equity</b>
<b>Beginning balances</b>	19,364	\$ 2	\$ 42,700	1,357	\$ (1,654)	\$ 6,165	\$ 5,582	\$ 52,795
Issuance of share based compensation	660	--	--	--	--	--	--	--
Previously deferred share-based compensation recognized	--	--	724	--	--	--	--	724
Issuances of common stock	6	--	24	--	--	--	--	24
Distributions to non-controlling interest in consolidated joint venture	--	--	--	--	--	--	(10,688)	(10,688)
Net income	--	--	--	--	--	2,343	10,247	12,590
<b>Ending balances</b>	<b>20,030</b>	<b>\$ 2</b>	<b>\$ 43,448</b>	<b>1,357</b>	<b>\$ (1,654)</b>	<b>\$ 8,508</b>	<b>\$ 5,141</b>	<b>\$ 55,445</b>

See notes to consolidated financial statements

**FULL HOUSE RESORTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities:</b>		
Net income attributable to the Company	\$ 27,834	\$ 2,343
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net income of unconsolidated investee	--	(1,754)
Distributions from unconsolidated investee	--	1,946
Non-controlling interest in consolidated joint venture	2,181	10,247
Gain on sale of joint venture	(41,189)	--
Depreciation	5,270	4,205
Amortization of gaming and other rights	593	2,372
Nambé notes receivable impairment loss adjustment	--	420
Stockman's goodwill impairment loss adjustment	--	4,500
Loss on derivative	--	513
Amortization of loan fees	2,395	838
Amortization of player loyalty program, land lease and water rights	1,021	425
Other	90	57
Deferred and share-based compensation	1,259	748
Increases and decreases in operating assets and liabilities:		
Accounts receivable, net	2,840	(702)
Prepaid expenses	(1,460)	(785)
Deferred tax	(1,724)	(1,295)
Other assets	(442)	52
Accounts payable and accrued expenses	(567)	2,962
Income taxes payable	(2,402)	2,025
Deferred tax liability	--	(2,110)
<b>Net cash (used in) provided by operating activities</b>	<b>(4,301)</b>	<b>27,007</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of joint venture	49,658	--
Purchase of property and equipment	(2,986)	(3,234)
Proceeds from sale of assets	96	10
Silver Slipper deposits and other capitalized acquisition costs	(1,286)	--
Rising Star deposits and other capitalized acquisition costs	--	(19,514)
Grand Lodge acquisition	--	75
Trademark	(7)	(17)
Other	(204)	(45)
<b>Net cash provided by (used in) investing activities</b>	<b>45,271</b>	<b>(22,725)</b>
<b>Cash flows from financing activities:</b>		
Repayment of long-term debt	(28,187)	(6,600)
Distributions to non-controlling interest in consolidated joint venture	(3,323)	(10,688)
Proceeds from borrowings	--	15,104
Loan fees	(3,564)	(649)
Deferred offering costs	--	(36)
<b>Net cash used in financing activities</b>	<b>(35,074)</b>	<b>(2,869)</b>
<b>Net increase in cash and equivalents</b>	<b>5,896</b>	<b>1,413</b>
Cash and equivalents, beginning of year	14,707	13,294
<b>Cash and equivalents, end of year</b>	<b>\$ 20,603</b>	<b>\$ 14,707</b>
	<b>2012</b>	<b>2011</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 1,877	\$ 2,010
Cash paid for income taxes	\$ 21,876	\$ 4,706
Purchases of property and equipment financed with prior year deposit		\$ 5,000
Borrowings paid directly to sellers and vendors at closing	\$ 70,000	

See notes to consolidated financial statements.

**FULL HOUSE RESORTS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. ORGANIZATION, NATURE AND HISTORY OF OPERATIONS**

**Nature of operations and key relationships.** Full House Resorts, Inc. (“we,” “us,” “our,” “Full House” or the “Company”), develops, manages, operates, and/or invests in gaming related enterprises. We continue to actively investigate, individually and with partners, new business opportunities, and our long-term strategy is to continue deriving revenues primarily from owned operations as well as management fees. In furtherance of that strategy we made significant acquisitions of the Rising Star Casino Resort (“Rising Star”) in 2011 and the Silver Slipper Casino (“Silver Slipper”) in 2012. With the sale of the management agreement for the FireKeepers Casino in Michigan also in 2012, we have transitioned the primary source of our revenues to owned entities.

We currently own three properties, the Rising Star located in Rising Sun, Indiana, the Silver Slipper located in Bay St. Louis, Mississippi and Stockman’s Casino (“Stockman’s”) located in Fallon, Nevada. We lease one property, the Grand Lodge Casino (“Grand Lodge”) at the Hyatt Regency Lake Tahoe Resort, Spa and Casino located in Incline Village, Nevada on the North Shore of Lake Tahoe. We manage the Buffalo Thunder Casino and Resort (“Buffalo Thunder”) and the Cities of Gold and Sports Bar casino facilities, both located in Santa Fe, New Mexico, for the Pueblo of Pojoaque pursuant to an agreement with a three year term expiring May 2014.

Previously we managed, through a 50% joint venture, the FireKeepers Casino near Battle Creek, Michigan for the Nottawaseppi Huron Band of Potawatomi (“the Michigan Tribe”) pursuant to a 7-year management agreement with the Michigan Tribe. On March 30, 2012, the joint venture sold the equity of the joint venture and the management agreement to the FireKeepers Development Authority (“FDA”), a tribal entity formed by the Michigan Tribe, for \$97.5 million.

On October 1, 2012, we acquired all of the outstanding membership interest of the entity operating the Silver Slipper for \$69.3 million, exclusive of net working capital balances, fees and expenses. The sale of the equity interests of the joint venture managing FireKeepers Casino and the related management agreement to the FDA and the subsequent purchase of the Silver Slipper in 2012 significantly transitioned us from an operating company that principally managed gaming properties to an operating company that principally derives revenues from owned operations.

**Silver Slipper.** The Silver Slipper is on the far west end of the Mississippi Gulf Coast (22 miles west of Gulfport, 34 miles from Biloxi) in Bay St. Louis, Mississippi and is approximately one hour (56 miles) from New Orleans, Louisiana. The property has over 37,000 square feet of gaming space containing approximately 1,000 slot and video poker machines, 26 table games, a poker room and the only live keno game on the Gulf Coast. The property includes a fine dining restaurant, buffet, quick service restaurant and two casino bars. The property draws heavily from the New Orleans metropolitan area and other communities in southern Louisiana and southwestern Mississippi.

We acquired all of the outstanding membership interests in Silver Slipper Casino Venture LLC, the owner of the Silver Slipper, on October 1, 2012, for \$69.3 million, exclusive of net working capital balances, fees and expenses.

**Rising Star.** On April 1, 2011, we acquired all of the operating assets of Grand Victoria Casino & Resort, L.P. through Gaming Entertainment (Indiana) LLC, our wholly-owned subsidiary. We renamed the property as the Rising Star Casino Resort in August 2011. The property has 40,000 square feet of casino space and includes over 1,300 slot and video poker machines, 37 table games, a 190-room hotel, five dining outlets and an 18-hole Scottish links golf course.

**Grand Lodge.** On September 1, 2011, we purchased the operating assets of the Grand Lodge and entered into a 5-year lease with Hyatt Equities LLC for the casino space in the Hyatt Regency Resort, Spa and Casino in Incline Village, Nevada on the north shore of Lake Tahoe. The lease has an option, subject to mutual agreement, to renew for an additional 5-year term. The Grand Lodge has 18,900 square feet of casino space featuring approximately 257 slot machines, 16 table games and 4 poker tables.

**Stockman's.** We acquired Stockman's Casino in Fallon, Nevada ("Stockman's") on January 31, 2007. Stockman's has approximately 8,400 square feet of gaming space with approximately 265 slot machines, four table games and keno. The facility also has a bar, a fine dining restaurant and a coffee shop.

Stockman's is located on the west side of Fallon on Highway 50, approximately 60 miles east of Reno, Nevada. It is the largest of several casinos in the Churchill County area. Churchill County's population is approximately 25,000, and includes a nearby naval air base which has a significant economic impact on our business. Of the nine casinos currently operating in the Fallon, Nevada market, our major competitors are three other casinos that are smaller than Stockman's both in size and in number of gaming machines.

**Buffalo Thunder.** In May 2011, we entered into a three-year agreement with the Pueblo of Pojoaque, which has been approved by the National Indian Gaming Commission ("NIGC") as a management contract, to advise on the operations of the Buffalo Thunder Casino and Resort ("Buffalo Thunder") in Santa Fe, New Mexico along with the Pueblo's Cities of Gold and Sports Bar casino facilities. We receive a base consulting fee of \$0.1 million per month plus quarterly success fee based on achieving certain financial targets and incur only minimal incremental operating costs related to the contract. Our management and related agreements with the Buffalo Thunder became effective on September 23, 2011. The Buffalo Thunder features approximately 1,200 slot machines, 18 table games and a poker room and the property's gaming space covers approximately 61,000 square feet. The Cities of Gold and Sports Bar casino facilities include a simulcast area.

**GEM.** Until March 30, 2012, we owned 50% of Gaming Entertainment (Michigan), LLC ("GEM"), a joint venture with RAM Entertainment, LLC, a privately-held investment company. GEM had the exclusive right to provide casino management services at the FireKeepers Casino for the Michigan Tribe for seven years commencing on August 5, 2009. On December 2, 2010, the FDA entered into a hotel consulting services agreement with GEM, as the consultant, related to the FireKeepers Casino phase II development project, which included development of a hotel, multi-purpose/ballroom facility, surface parking and related ancillary support spaces and improvements. GEM was to perform hotel consulting services for a fixed fee of \$12,500 per month, continuing through to the opening of the project, provided the total fee for services did not exceed, in the aggregate, \$0.2 million. On May 22, 2012, we signed an amendment to the hotel consulting services agreement extending the terms of the agreement through November 2012.

In addition to the \$97.5 million sale price, the FDA paid RAM and us \$1.2 million each, equal to the management fee that would have been earned under the management agreement for April 2012.

**GED.** Until August 31, 2011, we were a noncontrolling 50% investor in Gaming Entertainment (Delaware), LLC ("GED"), a joint venture with Harrington Raceway, Inc. ("HRI"). GED had a 15 year management contract through August 2011 with Harrington Casino at the Delaware State Fairgrounds in Harrington, Delaware.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation and accounting.** The consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries, including the Silver Slipper, Rising Star, Grand Lodge and Stockman's. GEM, a 50%-owned investee that was jointly owned by RAM Entertainment, LLC ("RAM"), until March 30, 2012, was consolidated pursuant to the relevant portions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification™ ("ASC") Topic 810, "Consolidation." We accounted for our investment in GED (Note 3) using the equity method of accounting. All material intercompany accounts and transactions have been eliminated.

We have elected to not adopt the option available under ASC Topic 825, "Financial Instruments", to measure any of our eligible financial instruments or other items. Accordingly, except where carried at estimated fair value under other generally accepted accounting principles and disclosed herein (Note 4), we continue to measure all of our assets and liabilities on the historical cost basis of accounting.

**Use of estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts. Certain of the accounting policies, including the determination of player loyalty program liability, the estimated useful lives assigned to assets, asset impairment, collectability of receivables, valuation of derivative instruments, purchase price allocations made in connection with acquisitions and the calculation of income tax liabilities, require application of significant judgment in defining the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. Judgments are based on our historical experience, terms of existing contracts, observance of trends in the gaming industry and information available from other outside sources. There can be no assurance that actual results will not differ from our estimates.

The significant accounting estimates inherent in the preparation of our financial statements primarily include management's valuation of Stockman's and Rising Star's goodwill and purchase price allocations made in connection with our acquisitions. Other accounting estimates include management's opinion of collectability of receivables and fair value estimates related to valuation of receivables, as well as estimates related to lives of depreciable and amortizable assets and proper calculation of payroll liabilities such as paid time off, medical benefits, bonus accruals and other liabilities including slot club points and tax liabilities. Various assumptions, principally affecting the timing and other factors, underlie the determination of some of these significant estimates. The process of determining significant estimates is fact-and project-specific and takes into account factors such as historical experience and current and expected legal, regulatory and economic conditions. Estimates and assumptions are regularly evaluated, particularly in areas, if any, where changes in such estimates and assumptions could have a material impact on the results of operations, financial position and, generally to a lesser extent, cash flows. Where recoverability of these assets or planned investments are contingent upon the successful development and management of a project, the following items are evaluated: likelihood that the project will be completed, prospective market dynamics and how the proposed facilities should compete in that setting in order to forecast future cash flows necessary to recover the recorded value of the assets or planned investment. Conclusions are reviewed as warranted by changing conditions.

**Cash equivalents.** Cash in excess of daily requirements is invested in highly liquid short-term investments with initial maturities of three months or less when purchased and are reported as cash equivalents in the consolidated financial statements.

**Fair value of financial instruments.** The carrying value of our cash and equivalents, accounts receivable and accounts payable approximate fair value because of the short maturity of those instruments. The estimated fair values of our debt approximates their recorded values as of the balance sheet dates presented, based on level 2 inputs consisting of interest rates offered to us for loans of the same or similar remaining maturities and bearing similar risks.

**Concentrations and economic risks and uncertainties.** The United States and the world has experienced a widespread and severe economic slowdown accompanied by, among other things, weakness in consumer spending including gaming activity and reduced credit and capital financing availability, all of which have far-reaching effects on economic conditions in the country for an indeterminate period. Our operations are currently concentrated in the Gulf Coast, Indiana, northern Nevada, and New Mexico. Accordingly, future operations could be affected by adverse economic conditions and increased competition particularly in those areas and their key feeder markets in neighboring states. The effects and duration of these conditions and related risks and uncertainties on our future operations and cash flows, including our access to capital or credit financing, cannot be estimated at this time, but may be significant.

Accounts receivable are uncollateralized and carried, net of an appropriate allowance, at their estimated collectible value based on customers' past credit history and current financial condition and on current general economic conditions. Since credit is extended on a short-term basis, accounts receivables do not normally bear interest. The allowances for doubtful accounts are estimated by management for accounts that are partially or entirely uncollectible. We record uncollectible allowances over 90 days old as a charge to selling, general and administrative expenses. Accounts receivable consists primarily of returned checks and markers. We review the receivables and related aging to estimate a factor for estimating the allowance for our receivables.

**Property and equipment.** Property and equipment (Note 7) is stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or the term of the capitalized lease, whichever is less. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred. Estimates and assumptions are made when accounting for capital expenditures. Whether an expenditure is considered a maintenance expense or a capital asset is a matter of judgment. Depreciation expense is highly dependent on the assumptions made about our assets' estimated useful lives. The estimated useful lives are determined based on experience with similar assets and estimate of the usage of the asset. Whenever events or circumstances occur which change the estimated useful life of an asset, the change is accounted for prospectively. Property and equipment and other long-lived assets are evaluated for impairment in accordance with the accounting guidance in the Impairment or Disposal of Long-Lived Assets Subsections of ASC 360-10.

**Intangible Assets.** Our finite-lived intangible assets include customer relationship player loyalty programs, land leases, water rights and bank loan fees. Finite-lived intangible assets are amortized over their estimated useful lives, and we periodically evaluate the remaining useful lives of these intangible assets to determine whether events and circumstances warrant a revision to the remaining period of amortization. We review our finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

The player loyalty programs represent the value of repeat business associated with Silver Slipper's and Rising Star's loyalty programs. The value of the loyalty programs were determined using a multi-period excess earning method of the income approach, which examines the economic returns contributed by the identified tangible and intangible assets of a company, and then isolates the excess return, which is attributable to the asset being valued, based on cash flows attributable to the player loyalty program. The valuation analysis for the active rated player was based on projected revenues and attrition rates.

Costs incurred in obtaining long-term financing are included in loan fees, net of amortization over the life of the related debt. As of December 31, 2011, we had incurred \$2.6 million in loan fees related to a Credit Agreement with Wells Fargo (the "Wells Fargo Credit Agreement"), and amortization was begun using the effective interest method beginning March 31, 2011, when the debt was drawn. Upon the early \$24.8 million repayment and termination of our existing long term debt on March 30, 2012, we recorded a non-cash charge to expense, loss on extinguishment of debt, for the remaining unamortized loan fees of \$1.7 million and loan administrative fees. As of December 31, 2012, we had incurred \$5.7 million in loan fees related to the First and Second Lien Credit Agreements, and amortization began using the effective interest method on October 1, 2012, when the debt was drawn.

The amount of expected amortization over each of the next five years will be approximately \$4.5 million in 2013, \$4.0 million in 2014, \$2.8 million in 2015, \$0.3 million in 2016 and \$0.1 million in 2017.

Indefinite-lived intangible assets include goodwill, trademarks and certain license rights. Gaming licenses represent the value of the license to conduct gaming in certain jurisdictions, which are subject to highly extensive regulatory oversight and, in some cases, a limitation on the number of licenses available for issuance. The value of the Rising Star gaming license was determined using a multi-period excess earning method of the income approach, which examines the economic returns contributed by the identified tangible and intangible assets of a company, and then isolates the excess return, which is attributable to the asset being valued, based on cash flows attributable to the gaming license. The other gaming license values are based on actual costs. Indefinite-lived intangible assets are not amortized unless it is determined that their useful life is no longer indefinite. We periodically review our indefinite-lived assets to determine whether events and circumstances continue to support an indefinite useful life. If it is determined that an indefinite-lived intangible asset has a finite useful life, then the asset is tested for impairment and is subsequently accounted for as a finite-lived intangible asset.

Amortizations of contract rights are on a straight-line basis over the contractual lives of the assets. The contractual lives may include, or not begin until after, a development period and/or the term of the subsequent management agreement.

**Goodwill.** Goodwill represents the excess of the purchase price over fair market value of net assets acquired in connection with the Silver Slipper, Rising Star and Stockman's operations. We perform a quarterly review of goodwill and whenever there might be an impairment "triggering" event as described in ASC Topic 360.

The review of goodwill as of September 30, 2011, resulted in a \$4.5 million goodwill impairment for Stockman's and the related assets using a market approach (Note 6). The calculation, which is subject to change as a result of future economic uncertainty, contemplates changes for both current year and future year estimates in earnings and the impact of these changes to the fair value of Stockman's, although there is always some uncertainty in key assumptions including projected future earnings growth.

**Revenue recognition and promotional allowances.** Casino revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs (commonly called “casino front money”) and for chips and tokens in the customers’ possession (outstanding chip and token liability). Hotel, food and beverage, entertainment and other operating revenues are recognized as services are performed, net of revenue-based taxes. Advance ticket sales are recorded as deferred revenue until services are provided to the customer. Revenues are recognized net of certain sales incentives, and accordingly, cash incentives to customers for gambling activity, including the cash value of points redeemed by Players Club members, totaling \$6.7 million and \$5.0 million have been recognized as a direct reduction of casino revenue in 2012 and 2011, respectively, as noted in the table below. Sales and similar revenue-linked taxes collected from customers are excluded from revenue and recorded as a liability payable to the appropriate taxing authority and included in accrued expenses. Revenue also does not include the retail value of accommodations, food and beverage, and other services gratuitously furnished to customers totaling \$15.4 million in 2012 and \$9.8 million in 2011. The estimated cost of providing room, food and beverage and other incentives is included primarily in casino expenses, as noted in the table below (in thousands):

	<u>2012</u>	<u>2011</u>
Rooms	\$ 3,588	\$ 2,388
Food and beverage	9,249	5,478
Other incentives	1,120	863
	<u>\$ 13,957</u>	<u>\$ 8,729</u>

**Derivative instruments and hedging activities.** We had adopted the accounting guidance for derivative instruments and hedging activities (ASC Topic 815, “Derivatives and Hedging”), as amended, to account for our interest rate swap (“Swap”), until the pay-off of the related debt on March 30, 2012. The accounting guidance required us to recognize our derivative instruments as either assets or liabilities in our consolidated balance sheet at fair value. The accounting for changes in fair value (i.e. gains or losses) of a derivative instrument agreement depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. The derivative instrument was not designated as a hedge for accounting purposes. The change in fair value was recorded in the consolidated statement of operations in the period of change. Additionally, the difference between amounts received and paid under such agreements, as well as any costs or fees, were recorded as a reduction of, or an addition to, interest expense as incurred over the life of the agreement. Fluctuations in interest rates caused the fair value of our derivative instrument to change each reporting period.

**Share-based compensation.** On June 1, 2011, our compensation committee approved the issuance of 660,000 shares of restricted stock, then valued at the closing price of our stock (\$3.88), with no discount. For 2012 and 2011, share-based compensation expense of approximately \$1.2 million and \$0.07 million respectively, from stock awards (Note 12) is included in general and administrative expense. Unvested stock grants made in connection with our incentive compensation plan were viewed as a series of individual awards and the related share-based compensation expense was deferred and recorded as unearned stock-based compensation, shown as a reduction of stockholders’ equity, and will be amortized into operations as compensation expense as services are provided on a straight-line basis over the vesting period. The value of the restricted stock at the date of grant is amortized through expense over the requisite service period using the straight-line method. We grant shares of restricted stock, rather than options, to key members of management and the board of directors. There have been no forfeitures of such restricted shares granted and there are currently 639,999 shares of unvested stock grants. The majority of the shares (600,000) will fully vest on June 1, 2013. The remaining shares have a three year vesting schedule as follows: 20,001 on June 1, 2012, 20,001 on June 1, 2013, and 19,998 on June 1, 2014. Vesting is contingent upon certain conditions, including continuous service of the individual recipients.

**Legal defense costs.** We do not accrue for estimated future legal and related defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters but rather, record such as period costs when the related services are rendered.

**Income taxes.** Income tax-related interest and penalties, if any, are treated as part of income tax expense.

**Income per common share.** Basic income or earnings per share (“EPS”) is computed based upon the weighted-average number of common shares outstanding during the year. Diluted EPS is computed based upon the weighted average number of common and common equivalent shares if their effect upon exercise would have been dilutive using the treasury stock method. As of December 31, 2012 and 2011, there were no common equivalent shares that would have been dilutive and, therefore, the calculations for basic and diluted EPS are equal.

**Reclassifications.** Certain minor reclassifications in prior year balances have been made to conform to the current presentation, which had no effect on previously reported net income.

#### Recently Issued Accounting Pronouncements

None.

### 3. VARIABLE INTEREST ENTITIES

**GED.** Our investment in unconsolidated joint venture was comprised of a 50% ownership interest in GED, a joint venture between us and HRI. GED had a management agreement through August 31, 2011 with HRI for the management of Harrington Raceway and Casino (“Harrington”) (formerly known as Midway Slots and Simulcast), which is located in Harrington, Delaware. Under the terms of the joint venture agreement, as restructured in 2007, we received the greater of 50% of GED’s member distribution as prescribed under the joint venture agreement, or a 5% growth rate in its 50% share of GED’s prior year member distribution through the expiration of the GED management contract on August 31, 2011. GED was a variable interest entity due to the fact that we had limited exposure to risk of loss. Therefore, we did not consolidate, but accounted for its investment using the equity method.

We sold our interest in GED to HRI during the fourth quarter of 2011 and we therefore had no investment in GED as of December 31, 2011.

GED had no non-operating income or expenses, was treated as a partnership for income tax reporting purposes and consequently recognized no federal or state income tax provision. As a result, income from operations for GED is equal to its net income for each period presented, and there were no material differences between GED’s income for financial and tax reporting purposes.

#### GED CONDENSED STATEMENT OF INCOME INFORMATION (In thousands)

	Twelve Months Ended:	
	December 31, 2012	December 31, 2011
Revenues	\$ --	\$ 21,292
Net income	--	3,507

**GEM.** We directed the day-to-day operational activities of GEM which significantly impacted GEM’s economic performance, prior to the sale of our interest on March 30, 2012, and therefore, we were the primary beneficiary pursuant to the relevant portions of FASB ASC Topic 810 “Consolidation” [ASC 810-10-25 Recognition of Variable Interest Entities, paragraphs 38-39]. As such, the joint venture was a variable interest entity that was consolidated in our financial statements.

As of December 31, 2011 GEM's current assets were \$2.5 million and included the FireKeepers management fee receivable.

An unaudited summary of GEM's operations follows (In thousands):

**GEM CONDENSED BALANCE SHEET INFORMATION**

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Current assets	\$ --	\$ 2,457
Long-term assets	--	7,916
Current liabilities	--	90

**GEM CONDENSED STATEMENT OF INCOME INFORMATION**

	<b>Twelve Months Ended:</b>	
	<b>December 31, 2012</b>	<b>December 30, 2011</b>
Revenues	\$ 5,340	\$ 23,256
Net income	4,362	20,494

**4. NOTES RECEIVABLE, TRIBAL GOVERNMENTS**

We had a note receivable related to advances made to, or on behalf of, Nambé Pueblo to fund tribal operations and development expenses related to a potential casino project. Repayment of this note was conditioned upon the development of the project, and ultimately, the successful operation of the casino. Subject to such condition, our agreements with the Nambé Pueblo tribe provided for the reimbursement of these advances plus applicable interest, if any, either from the proceeds of any outside financing of the development and the actual operation itself.

Management fully reserved the value of the note receivable from the Nambé Pueblo to \$0.0 million and recognized the impairment of the note receivable during the third quarter of 2011. As of September 30, 2012, the Nambé Pueblo note receivable was written off, due to the probability that the project will not be completed and collection is unlikely.

## 5. CONTRACT RIGHTS

Contract rights were comprised of the following as of December 31, 2012 and December 31, 2011 (in thousands):

<b>2012</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Disposal</b>	<b>Net</b>
FireKeepers project, initial cost	\$ 4,155	\$ (1,583)	\$ (2,572)	\$ --
FireKeepers project, additional	13,210	(5,503)	(7,707)	--
	<u>\$ 17,365</u>	<u>\$ (7,086)</u>	<u>\$ (10,279)</u>	<u>\$ --</u>

  

<b>2011</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Disposal</b>	<b>Net</b>
FireKeepers project, initial cost	\$ 4,155	\$ (1,434)	--	\$ 2,721
FireKeepers project, additional	13,210	(5,058)	--	8,152
	<u>\$ 17,365</u>	<u>\$ (6,492)</u>	<u>\$ --</u>	<u>\$ 10,873</u>

Amortization over the management contract period (seven years) commenced on the additional contract rights at the opening date of the FireKeepers Casino on August 5, 2009. Of the remaining contract rights, \$7.5 million were sold with our interest in GEM, to the FDA on March 30, 2012, and the remaining \$2.8 million were expensed.

## 6. GOODWILL & OTHER INTANGIBLES

Goodwill represents the excess of the purchase price over fair market value of net assets acquired in connection with Silver Slipper, Rising Star and Stockman's operations. Goodwill was \$14.7 million for Silver Slipper, \$1.6 million for Rising Star and \$5.8 million for Stockman's as of December 31, 2012. Goodwill was \$1.6 million for Rising Star and \$5.8 million for Stockman's as of December 31, 2011. Our review of Stockman's and Rising Star goodwill as of December 31, 2012, resulted in approximately a 1% and 19% excess, respectively, of estimated fair value over the carrying value of goodwill and related assets using a market approach considering an earnings multiple of 6.25 times. These calculations, which are subject to change as a result of future economic uncertainty, contemplate changes for both current year and future year estimates in earnings and the impact of these changes to the fair value of Stockman's and the Rising Star, although there is always some uncertainty in key assumptions including projected future earnings growth.

We acquired the Rising Star on April 1, 2011 for approximately \$52.0 million. The goodwill of \$1.6 million is the excess purchase price over the assets purchased. We acquired the Silver Slipper on October 1, 2012 for approximately \$69.3 million, exclusive of cash and working capital in the amount \$6.7 million and \$2.9 million, respectively. The goodwill of \$14.7 million is the excess purchase price over the assets purchased.

	<b>Year ended December 31, 2012</b>		
	<b>(in thousands)</b>		
	<b>Balance at beginning of the year</b>	<b>Changes during the year</b>	<b>Balance at end of the year</b>
Stockman's Goodwill	\$ 5,809	\$ --	\$ 5,809
Rising Star Goodwill	1,647	--	1,647
Silver Slipper Goodwill	--	14,671	14,671
Goodwill, net of accumulated impairment losses	<u>\$ 7,456</u>	<u>\$ 14,671</u>	<u>\$ 22,127</u>

**Year ended December 31, 2011**  
(in thousands)

	<b>Balance at beginning of the year</b>	<b>Changes during the year</b>	<b>Balance at end of the year</b>
Stockman's Goodwill	\$ 10,309	\$ (4,500)	\$ 5,809
Rising Star Goodwill	--	1,647	1,647
Goodwill, net of accumulated impairment losses	<u>\$ 10,309</u>	<u>\$ (2,853)</u>	<u>\$ 7,456</u>

*Other Intangible Assets:*

Other intangible assets, net consist of the following (in thousands):

	<b>December 31, 2012</b>				
	<b>Estimated Life (years)</b>	<b>Gross Carrying Value</b>	<b>Accumulated Amortization</b>	<b>Cumulative Expense / (Disposals)</b>	<b>Intangible Asset, Net</b>
<i>Amortizing Intangible assets:</i>					
Player Loyalty Program - Rising Star	3	\$ 1,700	\$ (992)	\$ --	\$ 708
Player Loyalty Program - Silver Slipper	3	5,900	(492)	--	5,408
Land Lease and Water Rights - Silver Slipper	46	1,420	(23)	--	1,397
Wells Fargo Bank Loan Fees	5	2,614	(924)	(1,690)	-
Capital One Bank Loan Fees	3	4,671	(434)	--	4,237
ABC Funding, LLC Loan Fees	4	984	(62)	--	922
<i>Non-amortizing intangible assets:</i>					
Gaming License-Indiana	Indefinite	9,900	--	--	9,900
Gaming License-Mississippi	Indefinite	115	--	--	115
Gaming License-Nevada	Indefinite	542	--	--	542
Trademarks	Indefinite	36	--	--	36
		<u>\$ 27,882</u>	<u>\$ (2,927)</u>	<u>\$ (1,690)</u>	<u>\$ 23,265</u>



	<b>December 31, 2011</b>				
	<b>Estimated Life (years)</b>	<b>Gross Carrying Value</b>	<b>Accumulated Amortization</b>	<b>Cumulative Expense / (Disposals)</b>	<b>Intangible Asset, Net</b>
<i>Amortizing Intangible assets:</i>					
Player Loyalty Program-Rising Star	3	\$ 1,700	\$ (425)	\$ --	\$ 1,275
Nevada State Bank Loan Fees	15	219	(219)	--	--
Wells Fargo Bank Loan Fees	5	2,614	(716)	--	1,898
<i>Non-amortizing intangible assets:</i>					
Gaming License-Indiana	Indefinite	9,900	--	--	9,900
Gaming License- Nevada	Indefinite	485	--	32	517
Trademarks	Indefinite	27	--	2	29
		<u>\$ 14,945</u>	<u>\$ (1,360)</u>	<u>\$ 34</u>	<u>\$ 13,619</u>

#### ***Player Loyalty Program***

The player loyalty programs represent the value of repeat business associated with Silver Slipper's and Rising Star's loyalty programs. The value of \$5.9 million and \$1.7 million of the Silver Slipper and Rising Star player loyalty programs, respectively, were determined using a multi-period excess earning method of the income approach, which examines the economic returns contributed by the identified tangible and intangible assets of a company, and then isolates the excess return, which is attributable to the asset being valued, based on cash flows attributable to the player loyalty program. The valuation analysis for the active rated player was based on projected revenues and attrition rates. Silver Slipper and Rising Star maintain historical information for the proportion of revenues attributable to the rated players for gross gaming revenue.

#### ***Land Lease and Water Rights***

In November 2004, Silver Slipper entered into a lease agreement with Cure Land Company, LLC for approximately 38 acres of land ("Land Lease"), which includes approximately 31 acres of protected marsh land as well as a seven acre casino parcel, on which the Silver Slipper was subsequently built, as discussed in Note 11. The \$1.0 million land lease represents the excess fair value of the land over the estimated net present value of the land lease payments. The \$0.4 million of water rights represents the fair value of the water rights based upon the current market rate in Hancock County, Mississippi.

#### ***Loan Fees***

Loan fees incurred and paid as a result of debt instruments were accumulated and amortized over the term of the related debt, based on an effective interest method. Loan fees incurred for Nevada State Bank resulted from the credit facility to purchase Stockman's in 2007. In March 2011, the credit facility with Nevada State Bank was terminated and the amortization of the loan fees was accelerated. We recognized amortization expense of \$0.2 million during the first quarter of 2011 as a result of the termination. On October 29, 2010 we entered into the Wells Fargo Credit Agreement. In December 2010, we entered into a Commitment Increase Agreement to increase the funds available under the Wells Fargo Credit Agreement. Loan fees related to the Wells Fargo debt were \$2.6 million and were to be amortized over the five-year term of the loan. We paid off the remaining \$25.3 million in debt, which consisted of \$24.8 million of our existing long term debt and \$0.5 million due on the interest rate swap agreement related to the Wells Fargo Credit Agreement as of March 30, 2012 and therefore expensed the net remaining loan fees of \$1.7 million, after the necessary amortization expense in the first quarter of 2012. We incurred \$4.7 million related to obtaining the First Lien Credit Agreement with Capital One, as administrative agent and \$1.0 million related to obtaining the Second Lien Credit Agreement with ABC Funding, LLC as administrative agent as discussed in Note 8, which are being amortized over the terms of the agreements beginning October, 2012. The aggregate amortization was \$0.7 million and \$0.8 million for the twelve months ended December 31, 2012 and December 31, 2011, respectively.

### ***Gaming Licenses***

Gaming licenses represent the value of the license to conduct gaming in certain jurisdictions, which are subject to highly extensive regulatory oversight and, in some cases, a limitation on the number of licenses available for issuance. The value of \$9.9 million of the Rising Star gaming license was determined using a multi-period excess earning method of the income approach, which examines the economic returns contributed by the identified tangible and intangible assets of a company, and then isolates the excess return, which is attributable to the asset being valued, based on cash flows attributable to the gaming license. The other gaming license values are based on actual costs. Gaming licenses are not subject to amortization as they have indefinite useful lives and are evaluated for potential impairment on an annual basis unless events or changes in circumstances indicate the carrying amount of the gaming licenses may not be recoverable. We reviewed existing gaming licenses as of December 31, 2011 and recognized a write down of \$0.03 million related to gaming licensing costs pertaining to a former director, who is no longer affiliated with the organization and \$0.02 million related to costs for a new license to be obtained. We incurred \$0.1 million in costs related to obtaining a Mississippi gaming license for the purchase of all of the outstanding membership interest of Silver Slipper Casino Venture LLC which owns and operates the Silver Slipper.

### ***Trademark***

Trademarks are based on the legal fees and recording fees related to the trademark of the “Rising Star Casino Resort” name, and variations of such name. Trademarks are not subject to amortization, as they have an indefinite useful life and are evaluated for potential impairment on an annual basis unless events or changes in circumstances indicate the carrying amount of the trademark may not be recoverable.

### ***Current & Future Amortization***

We amortize our definite-lived intangible assets, including our player loyalty programs, loan fees, land leases and water rights over their estimated useful lives. The aggregate amortization expense was \$1.7 million and \$1.3 million for the twelve months ended December 31, 2012 and December 31, 2011, respectively.

Total amortization expense for intangible assets for the years ending December 31, 2013, 2014, 2015, 2016 and 2017 is anticipated to be approximately \$4.5 million, \$4.0 million, \$2.8 million, \$0.3 million, and \$0.1 million, respectively.

## 7. PROPERTY AND EQUIPMENT

At December 31, 2012 and 2011, property and equipment consists of the following (in thousands):

	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 9,907	\$ 10,568
Buildings and improvements	70,401	25,805
Furniture and equipment	19,649	13,376
	<u>99,957</u>	<u>49,749</u>
Less accumulated depreciation	<u>(16,284)</u>	<u>(11,081)</u>
	<u>\$ 83,673</u>	<u>\$ 38,668</u>

## 8. LONG-TERM DEBT

At December 31, 2012 and 2011, long-term debt consists of the following (in thousands):

	<u>2012</u>	<u>2011</u>
<b>Long-term debt, net of current portion:</b>		
Term loan agreement, \$50.0 million on June 29, 2012, funding on October 1, 2012, maturing October 1, 2015, interest greater of elected LIBOR, or 1.0%, plus margin [4.00%-4.75%], LIBOR rate elections can be made based on a 30 day, 60 day, 90 day or six-month LIBOR and margins are adjusted quarterly. (4.75% during the quarter and year ended December 31, 2012)	\$ 48,750	\$ --
Term loan agreement, \$20.0 million on October 1, 2012, maturing October 1, 2016, interest rate is fixed at 13.25% per annum. (13.25% during the quarter and year ended December 31, 2012)	20,000	--
Term loan agreement, \$33.0 million on October 29, 2010, scheduled maturity June 30, 2016, interest greater of 1 month LIBOR, or 1.5%, plus margin [4.5%-5.5%], LIBOR rates and margins are adjusted quarterly. (7.0% during the quarter and year ended December 31, 2011)	--	26,400
Swap agreement, \$20.0 million on January 7, 2011, effective April 1, 2011, scheduled maturity April 1, 2016, interest received based on 1 month LIBOR, and paid at a fixed rate of 1.9% through August 31, 2011. The Swap was re-designated in September 2011 with interest to be received at the greater of 1.5% or 1 month LIBOR, and paid at a fixed rate of 3.06% until maturity. (average net settlement rates during the quarter and year ended December 31, 2011 were 1.56% and 1.62%, respectively)	--	537
Less current portion	<u>(2,500)</u>	<u>(4,950)</u>
	<u>\$ 66,250</u>	<u>\$ 21,987</u>

**Credit Agreement with Wells Fargo.** In 2010, we, as borrower, entered into the Wells Fargo Credit Agreement with the financial institutions listed therein (the "Lenders") and Wells Fargo Bank, National Association as administrative agent for the Lenders, as collateral agent for the Secured Parties (as defined in the Wells Fargo Credit Agreement), as security trustee for the Lenders, as Letters of Credit Issuer and as Swing Line Lender. The funds available under the original Wells Fargo Credit Agreement as of March 31, 2011 were \$38.0 million, consisting of a \$33.0 million term loan and a revolving line of credit of \$5.0 million.

The initial funding date of the Wells Fargo Credit Agreement occurred March 31, 2011, when we borrowed \$33.0 million on the term loan which was used to fund our acquisition of Grand Victoria Casino & Resort in Rising Sun, Indiana on April 1, 2011. In August 2011, the property was renamed the Rising Star Casino Resort. On March 30, 2012, we used a portion of the proceeds from the sale of our interest in GEM to pay off our remaining outstanding debt of \$25.3 million, which consisted of \$24.8 million of our existing long term debt and \$0.5 million due on the Swap, and to extinguish the credit facility and related interest-rate hedge.

**Loss on Extinguishment of Wells Fargo Debt.** Upon the early \$24.8 million repayment and termination of our existing long term debt on March 30, 2012, we recorded a non-cash charge to expense for the remaining unamortized loan fees of \$1.7 million and loan administrative fees.

**First and Second Lien Credit Agreements.** On June 29, 2012, we entered into the First Lien Credit Agreement with Capital One, which provides for a term loan in an amount up to \$50.0 million and a revolving loan in an amount up to \$5.0 million. On October 1, 2012, we entered into a Second Lien Credit Agreement with ABC Funding, LLC as administrative agent which provides for a term loan in an amount up to \$20.0 million. We funded the purchase of Silver Slipper with the full amount of the \$50.0 million term loan under the First Lien Credit Agreement and the full amount of the Second Lien Credit Agreement. The \$5.0 million revolving loan under the First Lien Credit Agreement remains undrawn and available. The First and Second Lien Credit Agreements are secured by substantially all of our assets and therefore, our wholly-owned subsidiaries guarantee our obligation under the agreements. The Second Lien Credit Agreement is subject to the lien of the First Lien Credit Agreement.

We have elected to pay interest on the First Lien Credit Agreement based on a LIBOR rate as set forth in the agreement. LIBOR rate elections can be made based on 30 day, 60 day, 90 day or six-month LIBOR. The LIBOR rate is a rate per annum equal to the quotient (rounded upward if necessary to the nearest 1/16 of one percent) of (a) the greater of (1) 1.00% and (2) the rate per annum referenced to as the BBA (British Bankers Association) LIBOR divided by (b) one minus the reserve requirement set forth in the First Lien Credit Agreement for such loan in effect from time to time. We will pay interest on the Second Lien Credit Agreement at the rate of 13.25% per annum.

The First and Second Lien Credit Agreements contain customary negative covenants for transactions of this type, including, but not limited to, restrictions on our and our subsidiaries' ability to: incur indebtedness; grant liens; pay dividends and make other restricted payments; make investments; make fundamental changes; dispose of assets; and change the nature of their business. The First and Second Lien Credit Agreements require that we maintain specified financial covenants, including a total leverage ratio, a first lien leverage ratio, a fixed charge coverage ratio and a capital expenditures ratio each as set forth in the agreements. We measure compliance with our covenants on a quarterly basis and we are currently in compliance, however, there can be no assurances that we will remain in compliance with all covenants in the future, particularly in light of the current difficult economic conditions and related uncertainties. The First and Second Lien Credit Agreements also include customary events of default, including, among other things: non-payment; breach of covenant; breach of representation or warranty; cross-default under certain other indebtedness or guarantees; commencement of insolvency proceedings; inability to pay debts; entry of certain material judgments against us or our subsidiaries; occurrence of certain ERISA events; re-purchase of our own stock and certain changes of control.

As of December 31, 2012, we elected, at our discretion, to prepay the principal payment of \$1.3 million due April 1, 2013 on the First Lien Credit Agreement, in order to reduce interest costs. We are required to make prepayments under the First Lien Credit Agreement, under certain conditions defined in the agreement, in addition to the scheduled principal installments for any fiscal year ending December 31, 2012 and thereafter. We are required to pay the entire outstanding principal on the First and Second Lien Credit Agreements, together with all accrued and unpaid interest thereon, on the respective maturity dates. Prepayment penalties will be assessed in the event that prepayments are made on the Second Lien Credit Agreement prior to the discharge of the First Lien Credit Agreement.

Scheduled maturities of long-term debt as of the most recent balance sheet presented are as follows, for the annual periods ended December 31 (in thousands):

2013	\$ 2,500
2014	5,000
2015	41,250
2016	20,000
	<u>\$ 68,750</u>

## 9. DERIVATIVE INSTRUMENTS

We were subject to interest rate risk to the extent we borrowed against credit facilities with variable interest rates as described above. We had potential interest rate exposure with respect to the \$33.0 million original outstanding balance on our variable rate term loan under the Wells Fargo Credit Agreement. During January 2011, we reduced our exposure to changes in interest rates by entering into the Swap with Wells Fargo Bank, N.A., which became effective on April 1, 2011. The Swap exchanged a floating rate for fixed interest payments periodically over the life of the Swap without exchange of the underlying \$20.0 million notional amount. The interest payments under the Swap were settled on a net basis.

Effective March 30, 2012 the Swap was terminated and \$0.5 million was paid, which reflected the fair value on that date, therefore, we no longer recognized the derivative as a liability on the balance sheet in long-term debt. Prior to the pay-off of the Swap, the derivative was marked to fair value and the adjustment of the derivative was recognized as income during the first quarter of 2012.

For the years ended December 31, 2012 and 2011, we paid interest on the hedged portion of the debt (\$18.0 million) at an average net rate of 8.56% and 8.62%, respectively and paid interest on the non-hedged portion of the debt (\$13.0 million) at a rate of 7.0%. For the years ended December 31, 2012 and 2011, the weighted average cash interest rate paid on the debt was 8.16%, including Swap interest and loan interest.

The net effect of our floating-to-fixed interest rate Swap resulted in an increase in interest expense of \$0.7 million and \$0.02 million for the years ended December 31, 2012 and 2011, respectively, as compared to the contractual rate of the underlying hedged debt for the period.

## 10. INCOME TAXES

The income tax provision consists of the following (in thousands):

	<b>2012</b>	<b>2011</b>
Current: Federal	\$ 15,390	\$ 4,398
State	1,509	2,247
	<u>16,899</u>	<u>6,645</u>
Deferred: Federal	(1,712)	(3,131)
State	(12)	(274)
	<u>(1,724)</u>	<u>(3,405)</u>
	<u>\$ 15,175</u>	<u>\$ 3,240</u>

A reconciliation of the income tax provision relative to continuing operations with amounts determined by applying the statutory U.S. Federal income tax rate of 35% to consolidated income before income taxes is as follows (in thousands):

	<b>2012</b>	<b>2011</b>
Tax provision at U.S. statutory rate	\$ 15,053	\$ 1,898
State taxes, net of federal benefit	1,067	1,290
Other (benefit)	(945)	52
	<u>\$ 15,175</u>	<u>\$ 3,240</u>

At December 31, 2012 and 2011, our deferred tax assets (liabilities) consist of the following (in thousands):

	<b>2012</b>	<b>2011</b>
Deferred tax assets:		
Deferred compensation	\$ 1,713	\$ 1,162
Depreciation of fixed assets	595	886
Intangible assets and amortization	591	388
Acquisition fees	--	283
Notes receivable	--	258
Interest in partnerships	--	203
Accrued expenses	933	--
Chip and token liability	93	--
Allowance for doubtful accounts	150	--
Other	531	28
	<u>4,606</u>	<u>3,208</u>
Deferred tax liabilities:		
Amortization of gaming rights and unrealized gain on tribal receivables	--	(936)
Prepaid expenses	(1,310)	(667)
Interest in partnerships	(176)	--
Federal liability due to expected prepayment from amended Michigan modified business tax returns	--	(152)
Allowance for doubtful accounts	--	(56)
	<u>(1,486)</u>	<u>(1,811)</u>
	<u>\$ 3,120</u>	<u>\$ 1,397</u>

Management has made an annual analysis of its state and federal tax returns that remain subject to examination by major authorities (presently consisting of tax years 2009 through 2011) and concluded that we have no recordable liability as of December 31, 2012 or 2011, for unrecognized tax benefits as a result of uncertain tax positions taken.

In November 2010, we were notified by the Department of Treasury's Internal Revenue Service (IRS) of their initial conclusion regarding their audit of GEM for the 2009 tax year. Effective January 10, 2012 the IRS audit of GEM was completed and GEM received a 'No Adjustments Letter' from the IRS, which stated there are no proposed adjustments to the 2009 returns. As part of the IRS audit, we amended our 2010 Federal tax return to reflect an amount due related to cumulative accrued interest income. The tax liability was \$0.5 million, 50% of which was a liability of RAM. We made a payment of \$0.2 million to the IRS which reduced our deferred tax liability and had no impact on net income.

## 11. COMMITMENTS AND CONTINGENCIES

**Operating leases.** On December 1, 2012, we amended and extended our corporate office lease through May 2018. Effective December 2010, Stockman's entered into a lease agreement as lessee for its primary outdoor casino sign until November 2015. On June 28, 2011, Gaming Entertainment (Nevada) LLC (Grand Lodge) entered into a lease agreement with Hyatt Equities LLC for approximately 20,900 square feet of building space occupied by the Grand Lodge gaming operations, as well as associated gaming office space.

In November 2004, Silver Slipper entered into the Land Lease, which includes approximately 31 acres of protected marsh land as well as a seven acre casino parcel, on which the Silver Slipper was subsequently built, as discussed in Note 6. In December 2010, Silver Slipper entered into a lease agreement with Cure Land Company, LLC for approximately five acres of land occupied by the Silver Slipper gaming office and warehouse space. On January 31, 2012 Silver Slipper entered into a lease agreement with Chelsea Company, LLC for a small parcel of land with a building which may be occupied by a future proposed Silver Slipper welcome center. On January 11, 2013 Silver Slipper terminated a previous restaurant lease agreement with Diamondhead Country Club & Property Owners Association ("DCCPOA"), and entered into a contract to purchase services to be provided by DCCPOA related to its golf and country club.

**Land Lease buyout.** The Land Lease includes an exclusive option to purchase the leased land ("Purchase Option"), as well as an exclusive option to purchase a four acre portion of the leased land ("4 Acre Parcel Purchase Option"), which may be exercised at any time in conjunction with a hotel development during the term of the lease for \$2.0 million. On February 26, 2013, Silver Slipper entered into a third amendment to the Land Lease which amended the term and Purchase Option provisions of the Land Lease. The term of the Land Lease was extended to April 30, 2058, and the Purchase Option was extended through October 1, 2027 and may only be exercised after February 26, 2019. If there is no change in ownership, the purchase price will be \$15.5 million, less \$2.0 million if the 4 Acre Parcel Purchase Option has been previously exercised, plus a retained interest in Silver Slipper operations of 3% of net income. In the event that we sell or transfer substantially all of the assets of our ownership in Silver Slipper, then the purchase price will increase to \$17.0 million.

The total rent expense for all operating leases for the years ended December 31, 2012 and 2011 was \$1.9 and \$0.7 million, respectively.

Future minimum lease payments are as follows (in thousands):

2013	\$	2,814
2014		2,780
2015		2,761
2016		2,217
2017		1,217
Thereafter		37,958
	\$	<u>49,747</u>

**Employment agreements.** We are obligated under employment agreements with certain key employees that provide the employee with a base salary, bonus, restricted stock grants and other customary benefits and severance in the event the employee is terminated without cause or due to a “change of control,” as defined in the agreements. The severance amounts vary with the term of the agreement and can be up to two years’ base salary and an average bonus calculated as earned in the previous three years or as a percentage of base salary. If such termination occurs within two years of a change of control, as defined in the agreements, or by us without cause, the employee will receive a lump sum payment equal to no less than six months to one year’s annual base salary, a lump sum cash payment equal to the average bonus earned in the previous one to three years or calculated as a percentage of base salary, and the acceleration and vesting of all unvested shares and stock-based grants awarded upon the date of change of control in some instances, along with insurance costs, 401(k) matching contributions and certain other benefits total ranging from \$3.8 million to \$4.3 million, in the aggregate.

In the event the employee’s employment terminates due to illness, incapacity or death, the severance amounts vary with the term of the agreement and can be up to two years’ base salary, an amount equal to the prior year bonus on a pro-rata basis to date of termination, reimbursement of expenses incurred prior to date of termination, and applicable insurance and other group benefit proceeds, including those due under our long-term disability plan with an expected cost ranging from \$0.3 million to \$1.8 million per employee.

In December 2012, we signed a severance agreement with our general counsel which provided for a total severance distribution payment of \$0.2 million. As of December 31, 2012, we had accrued \$0.2 million related to this severance agreement.

**Defined Contribution Pension Plan.** We sponsor a defined contribution pension plan for all eligible employees providing for voluntary contributions by eligible employees and matching contributions made by us. Matching contributions made by us were \$0.6 million and \$0.4 million for 2012 and 2011, excluding nominal administrative expenses assumed.

**Legal matters.** We are subject to various legal and administrative proceedings relating to personal injuries, employment matters, commercial transactions and other matters arising in the normal course of business. We do not believe that the final outcome of these matters will have a material adverse effect on our consolidated financial position or results of operations. We maintain what we believe is adequate insurance coverage to further mitigate the risks of such proceedings.



## 12. SHARE-BASED COMPENSATION PLANS

On June 1, 2011, our compensation committee approved the issuance of 660,000 shares of restricted stock, then valued at the closing price of our stock (\$3.88), with no discount. The majority of the shares (600,000) will vest on June 1, 2013. The remaining shares have a three year vesting schedule as follows: 20,001 vested on June 1, 2012, 20,001 will vest on June 1, 2013 and 19,998 on June 1, 2014. Vesting is contingent upon certain conditions, including continuous service of the individual recipients. The unvested shares are viewed as a series of individual awards and the related share-based compensation expense will be amortized into compensation expense on a straight-line basis as services are provided over the vesting period.

We recognized stock compensation expense of \$1.2 million and \$0.7 million for the twelve months ended December 31, 2012 and December 31, 2011, respectively. Share based compensation expense related to the amortization of the restricted stock issued is included in selling, general and administrative expense. At December 31, 2012 and 2011, we had deferred share-based compensation of \$0.6 million and \$1.8 million, respectively.

The following table summarizes our restricted stock activity relative to share-based compensation for 2012 and 2011:

	2012		2011	
	Shares	Weighted average grant date value (per share)	Shares	Weighted average grant date value (per share)
Unvested at beginning of year	660,000	\$ 3.88	--	\$ --
Issued	--	--	660,000	3.88
Vested	(20,001)	3.88	--	--
Forfeited	--	--	--	--
Unvested at end of year	<u>639,999</u>	3.88	<u>660,000</u>	3.88

In the second quarter of 2012 and 2011, we issued 6,000 shares of unrestricted stock in conjunction with director compensation, which was valued at \$0.02 million in each year based on the closing price of our stock of \$2.95 and \$4.01, respectively, with no discount. Since the shares were fully vested at the date of grant, we recognized share-based compensation expense of \$0.02 million in each year related to these grants.

## 13. ACQUISITION OF SILVER SLIPPER CASINO

On March 30, 2012, we entered into a Membership Interest Purchase Agreement with Silver Slipper Casino Venture LLC to acquire all of the outstanding membership interest of the entity operating the Silver Slipper in Bay St. Louis, Mississippi. The purchase price was approximately \$69.3 million, exclusive of estimated cash, net working capital balances, fees and expenses and other adjustments as customary, as of October 1, 2012.

On October 1, 2012, we closed on the acquisition of all of the equity membership interests in Silver Slipper Casino Venture LLC dba Silver Slipper Casino located in Bay St. Louis, Hancock County, Mississippi. The purchase price of approximately \$69.3 million, exclusive of cash and working capital in the amount \$6.7 million and \$2.9 million, respectively, was funded by a \$50.0 million first lien term loan provided by Capital One as administrative agent and the lenders identified in the First Lien Credit Agreement dated June 29, 2012 and a \$20.0 million second lien term loan provided by ABC Funding, LLC as administrative agent and the lenders identified in the Second Lien Credit Agreement dated October 1, 2012, as discussed in Note 8. The \$5.0 million revolving loan under the First Lien Credit Agreement remains undrawn and available. The First and Second Lien Credit Agreements are secured by substantially all of our assets and therefore, our wholly-owned subsidiaries guarantee our obligation under the agreements. The Second Lien Credit Agreement is subject to the lien of the First Lien Credit agreement.

Through December 31, 2012 and December 31, 2011, we had incurred \$1.6 million and \$0.0 million in Silver Slipper acquisition related expenses, respectively, which are included in project development and acquisition expense. In conjunction with closing on the First and Second Lien Credit Agreements, we incurred \$5.7 million in financing related fees, which are located on the balance sheet under loan fees.

The purchase price was allocated in the fourth quarter of 2012 as follows (in millions):

Building	\$	42.2
Land improvements		0.5
Equipment		4.6
Intangibles		1.4
Player loyalty program		5.9
Goodwill (excess purchase price over the assets purchased)		14.7
Working capital		2.9
	<u>\$</u>	<u>72.2</u>

The goodwill is the excess purchase price over the assets purchased and is primarily attributable to the assembled workforce and the synergies expected to arise due to our acquisition of the Silver Slipper. The valuation above includes a net working capital amount of \$2.9 million.

The following unaudited, condensed consolidated pro forma data summarizes our results of operations for the periods indicated as if the acquisitions had occurred as of January 1, 2011. This unaudited pro forma consolidated financial information is not necessarily indicative of what our actual results would have been had the acquisition been completed on that date, or of future financial results. The estimated net income attributable to the Company and the net income per share have been adjusted for Silver Slipper's effective tax rate in the State of Mississippi.

	<b>Twelve months ended December</b>	
	<b>31,</b>	
	<b>(In thousands)</b>	
	<b>2012</b>	<b>2011</b>
Net revenues	\$ 171,495	\$ 162,721
Depreciation and amortization	12,647	13,795
Operating income	51,368	23,293
Net income (loss) attributable to the Company	21,999	(103)
Net income (loss) per share	\$ 1.18	\$ (0.01)

## 14. SEGMENT REPORTING

The following tables reflect selected information for our reporting segments for the twelve months ended December 31, 2012 and 2011. The casino operation segments include the Silver Slipper's operation in Bay St. Louis, Mississippi, Rising Star's operation in Rising Sun, Indiana, the Grand Lodge's operation in Lake Tahoe, Nevada and Stockman's operation in Fallon, Nevada. We have included regional information for segment reporting and aggregated casino operations in the same region. The development / management segment includes costs associated with casino development and management projects, including the management agreement with the Pueblo of Pojoaque to advise on the operations of the Buffalo Thunder in Santa Fe, New Mexico, and the Michigan and Delaware joint ventures. The Corporate segment includes our general and administrative expenses.

Selected statement of operations data as of and for 2012 and 2011 is as follows (in thousands):

2012	Casino Operations			Development/ Management	Corporate	Consolidated
	Nevada	Midwest	Gulf Coast			
Revenues	\$ 22,313	\$ 86,291	\$ 12,861	\$ 7,295	\$ --	\$ 128,760
Selling, general and administrative expense	6,292	19,398	4,670	136	6,507	37,003
Depreciation and amortization	909	4,163	1,211	592	9	6,884
Operating gains (losses)	--	--	--	41,189	--	41,189
Operating income (loss)	3,851	5,746	663	46,196	(6,818)	49,638
Income (loss) attributable to Company	2,539	2,158	456	30,108	(7,427)	27,834

2011	Casino Operations			Development/ Management	Corporate	Consolidated
	Nevada	Midwest	Gulf Coast			
Revenues	\$ 12,313	\$ 68,957	\$ --	\$ 24,186	\$ 5	\$ 105,461
Selling, general and administrative expense	3,541	16,378	--	610	4,900	25,429
Depreciation and amortization	1,051	3,550	--	2,372	28	7,001
Operating gains (losses)*	(4,500)	--	--	2,878	--	(1,622)
Operating income (loss)	(3,433)	4,240	--	23,556	(5,190)	19,173
Income (loss) attributable to Company	(2,266)	1,250	--	9,079	(5,720)	2,343

\*Operating gains (losses) include impairment losses.

Selected balance sheet data as of December 31, 2012 and 2011 is as follows (in thousands):

2012	Casino Operations			Development/ Management	Corporate	Consolidated
	Nevada	Midwest	Gulf Coast			
Total assets	\$ 16,964	\$ 51,054	\$ 72,911	\$ 96	\$ 21,700	\$ 162,725
Property and equipment, net	6,988	29,632	47,024	--	29	83,673
Goodwill	5,809	1,647	14,671	--	--	22,127
Liabilities	2,281	5,817	3,020	--	70,474	81,592

<b>2011</b>	<b>Casino Operations</b>			<b>Development/ Management</b>	<b>Corporate</b>	<b>Consolidated</b>
	<b>Nevada</b>	<b>Midwest</b>	<b>Gulf Coast</b>			
Total assets	\$ 18,489	\$ 54,923	\$ --	\$ 13,193	\$ 8,013	\$ 94,618
Property and equipment, net	7,351	31,296	--	--	21	38,668
Goodwill	5,809	1,647	--	--	--	7,456
Liabilities	4,604	9,649	--	103	24,817	39,173

#### 15. SUBSEQUENT EVENTS

On February 26, 2013, Silver Slipper entered into a third amendment to the Land Lease which amended the term and Purchase Option provisions of the Land Lease. The term of the Land Lease was extended to April 30, 2058, and the Purchase Option was extended through October 1, 2027 and may only be exercised after February 26, 2019. If there is no change in ownership, the purchase price will be \$15.5 million, less \$2.0 million if the 4 Acre Parcel Purchase Option has been previously exercised, plus a retained interest in Silver Slipper operations of 3% of net income. In the event that we sell or transfer substantially all of the assets of or ownership in Silver Slipper, then the purchase price will increase to \$17.0 million.

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

None.

**Item 9A. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures** — As of December 31, 2012, we completed an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rule 13a-15(e) and 15d-15(e)). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at a reasonable assurance level in timely alerting them to material information relating to us which is required to be included in our periodic Securities and Exchange Commission filings.

**Evaluation of Internal Control Over Financial Reporting** — Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements.

Management assessed the effectiveness of our internal control over financial reporting (as defined in the Securities Exchange Act of 1934 Rule 13a-15(f) and 15d-15(f)) as of December 31, 2012. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on our assessment we believe that, as of December 31, 2012, our internal control over financial reporting is effective based on those criteria.

**Changes in Internal Control Over Financial Reporting** — On October 1, 2012, we acquired the Silver Slipper. Management is currently continuing its assessment of the effectiveness of the newly acquired property's internal controls. We have a period of one year from the respective acquisition date to complete our assessment of effectiveness of the internal controls of newly acquired operations and to take the required actions to ensure that adequate internal controls and procedures are in place.

Upon completion of our assessment of the effectiveness of the internal controls, as well as implementation of certain controls and procedures, we will provide a conclusion in our quarterly report on Form 10-Q for the fiscal quarter ending September 30, 2013 about whether or not our internal control over financial reporting related to the respective acquisitions was effective as of the corresponding reporting period, based on the criteria in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

**Item 9B. Other Information.**

None.

### PART III

#### **Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by this Item will be set forth under the captions “Proposal No. 1. Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the definitive Proxy Statement for our 2013 Annual Meeting of Stockholders (our “Proxy Statement”) to be filed with the Securities and Exchange Commission on or before April 30, 2013 and is incorporated herein by this reference.

#### **Item 11. Executive Compensation.**

The information required by this Item will be set forth under the caption “Executive Compensation” in our Proxy Statement and is incorporated herein by this reference.

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

The information required by this Item will be set forth under the captions “Proposal No. 1. Election of Directors - Security Ownership of Certain Beneficial Owners and Management” and “Executive Compensation - Equity Compensation Plan Information” in our Proxy Statement and is incorporated herein by this reference.

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

The information required by this Item will be set forth under the caption “Certain Transactions” in our Proxy Statement and is incorporated herein by this reference.

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

The information required by this Item will be set forth under the caption “Independent Registered Public Accounting Firm” in our Proxy Statement and is incorporated herein by this reference.

**Item 15. Exhibits, Financial Statement Schedules.**

(a) Financial statements of the Company (including related notes to consolidated financial statements) filed as part of this report are listed below:

- Report of Independent Registered Public Accounting Firm;
- Consolidated Balance Sheets as of December 31, 2012 and 2011;
- Consolidated Statements of Operations for the years ended December 31, 2012 and 2011;
- Consolidated Statements of Stockholders' Equity for the years ended December 31, 2012 and 2011;
- Consolidated Statements of Cash Flows for the years ended December 31, 2012 and 2011;
- Notes to Consolidated Financial Statements.

(b) Exhibits

**Exhibit**

**Number    Exhibit Description**

- |      |  |
|------|--|
| 2.1  | Asset Purchase Agreement by and between Grand Victoria Casino & Resort, L.P. and Full House Resorts, Inc., dated as of September 10, 2010 (Incorporated by reference to Exhibit 2.1 to Full House's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 13, 2010. )  |
| 2.2  | Equity Purchase Agreement dated March 30, 2012 by and among Full House Resorts, Inc.; Firekeepers Development Authority, an unincorporated instrumentality and political subdivision of the Nottawaseppi Huron Band of Potawatomi Indians; RAM Entertainment, LLC and Robert A. Mathewson. (Incorporated by reference to Exhibit 2.1 to Full House's Quarterly Report on Form 10-Q filed on May 8, 2012) |
| 2.3  | Membership Interest Purchase Agreement by and between the Sellers named therein, Full House Resorts, Inc. and Silver Slipper Casino Venture LLC, dated as of March 30, 2012 (Incorporated by reference to Exhibit 2.01 to Full House's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 5, 2012)   |
| 3.1  | Amended and Restated Certificate of Incorporation as amended to date (Incorporated by reference to Exhibit 3.1 to Full House's Quarterly Report on Form 10-Q filed on May 9, 2011)   |
| 3.2  | Amended and Restated Bylaws of Full House Resorts Inc. (Incorporated by reference to Exhibit 3.1 to Full House's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 4, 2008)  |
| 10.1 | Amended and Restated 2006 Incentive Compensation Plan (Effective as of April 26, 2011) (Incorporated by reference to Appendix A to Full House's Definitive Proxy Statement as filed with the Securities and Exchange Commission on March 16, 2011)   |
| 10.2 | Form of Restricted Stock Agreement. (Incorporated by reference to Exhibit 10.75 to Full House's Quarterly Report on Form 10-QSB as filed with the Securities and Exchange Commission on August 14, 2006)   |

- 10.3 Employment Agreement, dated July 17, 2007, between Full House Resorts, Inc. and Andre Hilliou. (Incorporated by reference to Exhibit 10.1 to Full House's Current Report on Form 8-K as filed with the Securities and Exchange Commission on July 20, 2007) +
- 10.4 Employment Agreement, dated July 17, 2007, between Full House Resorts, Inc. and Mark J. Miller. (Incorporated by reference to Exhibit 10.2 to Full House's Current Report on Form 8-K as filed with the Securities and Exchange Commission on July 20, 2007) +
- 10.5 Letter Agreement dated November 12, 2012, between Full House Resorts, Inc. and T. Wesley Elam (Incorporated by reference to Exhibit 10.1 to Full House's Current Report on Form 8-K as filed with the Securities and Exchange Commission on November 15, 2012) +
- 10.6 Employment Agreement, dated December 7, 2012, between Full House Resorts, Inc. and Deborah J. Pierce. +\*
- 10.7 Casino Operations Lease dated June 28, 2011 by and between Hyatt Equities, L.L.C. and Gaming Entertainment (Nevada) LLC. (Incorporated by reference to Exhibit 10.1 to Full House's Current Report on Form 8-k filed with the Securities and Exchange Commission on June 30, 2011.)
- 10.8 Asset Purchase and Transition Agreement dated June 28, 2011 by and between HCC Corporation, doing business as Grand Lodge Casino, and Gaming Entertainment (Nevada) LLC. (Incorporated by reference to Exhibit 10.2 to Full House's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 30, 2011.)
- 10.9 First Lien Credit Agreement dated as of June 29th, 2012, by and among Full House Resorts, Inc. as borrower, the Lenders named therein and Capital One, National Association as Administrative Agent. (Incorporated by reference to Exhibit 10.1 to Full House's Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on August 8, 2012)
- 10.10 Second Lien Credit Agreement dated as of October 1, 2012, by and among Full House Resorts, Inc. as borrower, the Lenders named therein and ABC Funding, LLC as Administrative Agent. (Incorporated by reference to Exhibit 10.1 to Full House's Current Report on Form 8-K/A as filed with the Securities and Exchange Commission on October 5, 2012)
- 10.11 Lease Agreement with Option to Purchase dated as of November 17, 2004, by and between Cure Land Company, LLC, as landlord, and Silver Slipper Casino Venture LLC, as tenant.\*
- 10.12 First Amendment to Lease Agreement with Option to Purchase dated as of March 13, 2009, by and between Cure Land Company, LLC, as landlord, and Silver Slipper Casino Venture LLC, as tenant.\*
- 10.13 Second Amendment to Lease Agreement with Option to Purchase dated as of September 26, 2012, by and between Cure Land Company, LLC, as landlord, and Silver Slipper Casino Venture LLC, as tenant.\*
- 10.14 Third Amendment to Lease Agreement with Option to Purchase dated as of February 26, 2013, by and between Cure Land Company, LLC, as landlord, and Silver Slipper Casino Venture LLC, as tenant.\*
- 21 List of Subsidiaries of Full House Resorts, Inc. \*
- 23 Consent of Piercy Bowler Taylor & Kern Certified Public Accountants\*
- 31.1 Certification of principal executive officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \*
- 31.2 Certification of principal financial officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \*
- 31.3 Certification of principal executive officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \*
- 32.1 Certification of principal executive officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \*
- 32.2 Certification of principal financial officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \*
- 32.3 Certification of principal executive officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \*



101.INS XBRL Instance\*  
101.SCH XBRL Taxonomy Extension Schema\*  
101.CAL XBRL Taxonomy Extension Calculation\*  
101.DEF XBRL Taxonomy Extension Definition\*  
101.LAB XBRL Taxonomy Extension Labels\*  
101.PRE XBRL Taxonomy Extension Presentation\*

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\* Filed herewith.

+ Executive compensation plan or arrangement

XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is otherwise not subject to liability under these sections.

## SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

FULL HOUSE RESORTS, INC.

Date: March 5, 2013

By: /s/ ANDRE M. HILLIOU  
Andre M. Hilliou, Chief Executive Officer

In accordance with the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Name and Capacity</u>	<u>Date</u>
<u>/s/ ANDRE M. HILLIOU</u> Andre M. Hilliou, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 5, 2013
<u>/s/ DEBORAH J. PIERCE</u> Deborah J. Pierce, Chief Financial Officer (Principal Financial Officer)	March 5, 2013
<u>/s/ LEE A. IACOCCA</u> Lee A. Iacocca, Director	March 5, 2013
<u>/s/ KENNETH R. ADAMS</u> Ken Adams, Director	March 5, 2013
<u>/s/ CARL G. BRAUNLICH</u> Carl G. Braunlich, Director	March 5, 2013
<u>/s/ KATHLEEN MARSHALL</u> Kathleen Marshall, Director	March 5, 2013
<u>/s/ MARK J. MILLER</u> Mark J. Miller, Director and Chief Operating Officer	March 5, 2013

EMPLOYMENT AGREEMENT

This **Employment Agreement** ("Agreement") is made and effective this 7th day of December, 2012 (the "**Effective Date**") by and between **Full House Resorts, Inc.** a Delaware corporation the "Company", and Deborah Pierce ("**Executive**").

In consideration of the premises and of the covenants and agreements herein contained, the parties agree as follows:

**1. Employment Services.**

Employer hereby employs Executive, and Executive hereby accepts employment as the Chief Financial Officer of the Company, reporting to the Chief Executive Officer, all upon and subject to the terms and conditions herein set forth. For purposes of this Agreement, the term "Company" will be deemed to mean the Company and its subsidiaries or affiliates.

**2. Duties.**

During the term of her employment, Executive will devote her full-time best efforts and loyalty to this employment and lawfully perform duties as described in Appendix A and such other duties as are reasonably assigned or delegated to her by the Chief Executive Officer consistent with her best abilities and position hereunder. In construing the provisions of this Agreement, "Employer" will include all of Employer's subsidiary, parent and affiliated corporations and entities. While it is understood and agreed that Executive's job duties may change at the Chief Executive Officer's discretion during the Term defined below of this Agreement, her general level of responsibility will not be materially reduced.

**3. Term.**

The term of this Agreement the ("**Term**") will begin on the Effective Date stated above and will continue for a one year term. The Term will automatically renew for successive periods of one year each, an "Extended Term", unless the Company or the Executive gives written notice to the other at least ninety 90 days prior to the end of the then current Term that this Agreement will not be further extended. For purposes of this agreement, "Term" will hereafter include any Extended Term. Otherwise, this Agreement may be terminated as provided in Paragraphs 8 and 9 below.

**4. Compensation.**

A. In consideration of the services to be rendered by Executive hereunder, the Company agrees to pay to Executive the sum described in Appendix A annually (the "**Base Salary**"), pro-rated for the period beginning upon the Effective Date and ending on December 31, 2013 thereafter, the Base Salary will be increased at the discretion of the Chief Executive Officer beginning each January 1st of the Term. All Base Salary will be paid in accordance with the regular payroll practices of the Company.

B. The Executive will also be entitled to receive annual cash bonuses according to the Company's Annual Incentive Compensation Plan (the "**Annual Bonus**"), provided the Compensation Committee of the Board of Directors in its discretion determines that the Executive has met the pre-defined annual Performance Objectives and assigned management duties. The Annual Bonus will be paid in accordance with plan documents. Each year's annual Performance Objectives will be set and approved by the Board of Directors within 90 days of fiscal year beginning.

C. Executive will receive a restricted stock grant of a number of shares described in Appendix A, pursuant to a grant approved by the Compensation Committee at its first scheduled meeting following the Effective Date.

**5. Benefits.**

A. Executive will receive paid vacation annually, all of which will be in accordance with the Full House Resorts Inc. Vacation Policy.

B. Executive will be entitled to participate in all other employment benefits, including but not limited to death and retirement plans, group insurance programs for medical, hospitalization, life, and long term disability, afforded in general to all employees, or to senior executives of the Company of comparable status and tenure.

C. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies for which the Executive may qualify.

D. Existing benefit plans are included in Appendix A.

**6. Reimbursable Expenses.**

The Company will pay all reasonable expenses incurred by Executive in the performance of her responsibilities and duties for the Company. Executive will submit to the Company periodic statements-but no less than every 60 days, of all expenses so incurred in accordance with the Company's accounting policies. Subject to such audits as the Company may deem appropriate the Company will, promptly and in the ordinary course, reimburse Executive the full amount of any such business expenses advanced by Executive. Company will pay directly all costs of Executive's regulatory licensings as required by any jurisdiction in which the Company conducts business.

**7. Limitation on Outside Business Activities.** During the Term of the employment hereunder, without the prior consent of the board of directors, Executive will not:

A. Render services of a business, professional or commercial nature to any other person or entity, directly or indirectly, whether for compensation or otherwise, except that this prohibition will not be construed to prevent Executive from engaging in charitable activities or investing her assets in such form or manner as will not require her services in the operation of the affairs of the companies in which such investments are made and which are not in violation of Paragraph 7(B) below.

B. Engage in any activity competitive with or adverse to the welfare of business or related interests of the Company or any of its subsidiaries or affiliates, whether alone, as a partner, officer, director, employee or shareholder of any other corporation or other entity, or otherwise, directly or indirectly, except that the ownership of not more than one percent of the stock of any one or more publicly traded corporations will not be deemed a violation of this Paragraph 7(B)

C. Be engaged by any person or entity which conducts business with or acts as a consultant or advisor to the Company or any of its subsidiaries or affiliates, whether alone, as a partner, officer, director, employee or shareholder of any other corporation or entity, or otherwise, directly or indirectly, except that ownership of not more than one percent of the stock of any one or more publicly traded corporations will not be deemed a violation of this Paragraph 7(C).

**8. Illness, Incapacity or Death During Employment.**

A. Illness or Incapacity If Executive is incapacitated by reason of physical or mental illness or incapacity that results in a material inability to perform her duties under this Agreement, and if such incapacitation continues for a period of ninety 90 consecutive days, then upon 30 days written notice to Executive, or designated legal representative, the Company may terminate the employment of Executive under this Agreement, and upon such termination, Company will pay Executive the following:

- (1) Base Salary to the date of termination
- (2) An amount equal to her prior year's Annual Bonus on a pro-rata basis to the date of termination, subject to limitations and terms of Paragraph 4(B).
- (3) Reimbursement of all expenses reasonably incurred by Executive in performing her responsibilities and duties for the Company prior to the date of termination
- (4) Applicable insurance and other group benefits proceeds

B. Death. In the event of Executive's death, this Agreement will automatically terminate and Company will pay to the Executive's estate the following:

- (1) Base Salary to the date of death
- (2) An amount equal to her prior year's Annual Bonus on a pro-rata basis to the date of death, subject to limitations and terms of Paragraph 4(B)
- (3) Reimbursement of all expenses reasonably incurred by Executive in performing her responsibilities and duties for the Company prior to her death

**9. Termination by Company or by Executive.**

A. For Cause by the Company. Subject to Paragraph 14, the employment of Executive under this Agreement may be terminated by the Company For Cause upon thirty 30 days written notice to Executive from the Chief Executive Officer. If the Company properly terminates Executive's employment hereunder for Cause, it will be without further liability to Executive except for payment of all Base Salary and benefits accrued but unpaid to the date of such termination. For purposes of this Agreement, the term " **For Cause**" means:

- (1) Executive's material fraud, dishonesty, willful misconduct, or willful and continuing failure in the performance of her duties under this Agreement

- (2) Executive's breach of any material provision of this Agreement which has not been cured within 30 days following the notice thereof
- (3) The commission by Executive of any felony criminal act or the commission of any crime involving fraud, dishonesty or moral corruptness, including denial or removal of Executive's licensing from any governmental gaming agency or licensing authority.

Provided however, that any action or inaction that results from Executive's corporate conduct taken in furtherance of the direction of the Chief Executive Officer or his superiors in the Company will not constitute "Cause" hereunder.

B. Without Cause by the Company. The employment of Executive under this Agreement may be terminated by the Company without cause at any time upon thirty 30 days' written notice to Executive. In such event, and in addition to any other entitlements under this Agreement, the Company will pay the Executive the following:

- (1) Base Salary in accordance with the regular payroll practices of the Company for a period of six months, with an additional month for every year of full employment up to a maximum of twelve months
- (2) An Annual Bonus for the year of termination equal to the average Annual Bonus of previous 1 year in accordance with plan documents, prorated on an annual basis from the last Annual Bonus received by Executive,
- (3) Company will continue, at its expense, Executive's health, dental and other insurance benefits for the remaining portion of the otherwise applicable Term or until Executive is subsequently employed, whichever is less and

C. Termination by Executive For Good Reason. Subject to Paragraph 14, the Executive may terminate her employment under this Agreement For Good Reason and the Company's liability to Executive will be to pay the Executive in accordance with Paragraph 9(B)(1-3), as though Executive had been terminated Without Cause. "**For Good Reason**" means:

- (1) A failure by the Company to comply with any material provision of this Agreement which has not been cured within 30 days following the notice thereof
- (2) Company's direction to Executive to do, perform, or omit to perform any act, or Executive's knowledge of such acts or omissions performed by other Company employees without appropriate redress, which acts or omissions are known to be fraudulent, illegal or could otherwise materially impact negatively upon Executive's personal and professional reputation.

D. Termination by Executive Without Good Reason. If the Executive terminates her employment hereunder Without Good Reason, with a minimum notice of 30 days, Executive will receive from the Company only her Base Salary, benefits and reimbursable expenses that have accrued but remain unpaid to the date of such termination, and any earned.

E. Non-Renewal. A non-renewal of the Term under Paragraph 2 is not a "termination" under Paragraph 9 (A)-9(D).

**10. Confidential Information.**

Executive agrees that she will not, during the Term or thereafter: disclose, divulge, discuss, copy or otherwise use or suffer to be used in any manner, the proprietary and confidential plans, inventions, ideas, discoveries, marketing methods, marketing research, customer lists, product research or other data of the Company not otherwise available to the public or to Executive independent of her employment collectively, "Confidential Information". It is acknowledged by Executive that all such Confidential Information compiled, obtained by, or furnished to Executive while she is employed by the Company is confidential and proprietary information which is the exclusive property of the Company provided, however, that if at any time following the termination of this Agreement, any Confidential Information will become part of the public domain through no fault of Executive, then the restrictions and limitations of this Paragraph will not apply to such particular information.

**11. Non-Competition.**

A. Executive agrees that, for the time periods specified in 11 B below, she will not, directly or indirectly, do any of the following:

(1) Own, manage, control, or participate in the ownership, management or control of, or be employed or engaged by, or otherwise affiliated or associated with, as a consultant, independent contractor or otherwise, any other corporation, partnership, proprietorship, firm, association or other business entity, or otherwise engage in any business that is competitive with any business or enterprise in which the Company is engaged at the time Executive's employment ceases including, without limitation, any gaming venture, Indian gaming or river boat gaming facility located within 100 miles of any metropolitan area in which there is located any gaming facility owned, managed or under development to be owned or managed by the Company, including such gaming facilities not under development which the Company is pursuing, as determined by the date Executive ceases to be employed hereunder or

(2) Solicit or induce any person who is an employee, officer, consultant or agent of the Company or of any subsidiary or affiliate of the Company, to terminate such relationship.

B. The provisions of this Paragraph 11 will be operative throughout the Term. Upon termination under Paragraphs 8 and 9 or upon a Change of Control under Paragraph 12, the provisions of this Paragraph 11 will be operative for the period during which Executive continues to receive compensation or benefits, or for a period of twelve months, whichever is later

**12. Change of Control.**

A. Defined. For the purpose of this Agreement, a "**Change of Control**" will mean:

(1) The acquisition by any person, entity or "group", within the meaning of Section 13(d) (3) or 14(d) (2) of the Securities Exchange Act of 1934 (the "**Exchange Act**") excluding, for this purpose: (a) the Company or its subsidiaries or (b) any employee benefit plan of the Company or its subsidiaries which acquires beneficial ownership of voting securities of the Company, of beneficial ownership, within the meaning of Rule 13d-3 promulgated under the Exchange Act of 50% or more of either the then outstanding shares of common stock or the combined voting power of the Company's then outstanding voting securities or

(2) Individuals who, as of the date of this Agreement, constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date of this Agreement whose election or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company, as such terms are used in Rule 14 a-1 of Regulation 14A promulgated under the Exchange Act will be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board or

(3) Approval by the stockholders of the Company of:

(a) A reorganization, merger, consolidation or acquisition a “**Business Combination**”, with respect to which: (i) those persons who were the stockholders of the Company immediately prior to such Business Combination do not, immediately thereafter, beneficially own more than 50% of the combined voting power of the then outstanding voting securities of the combined business' then outstanding voting securities in substantially the same proportions as their ownership immediately prior to such Business Combination and (ii) at least a majority of the Incumbent Board comprises a majority of the new Board of Directors of the combined business or

(b) A liquidation or dissolution of the Company or

(c) The sale of all or substantially all of the assets of the Company.

B. Right of Executive to Terminate. Upon a Change of Control, Executive may terminate this Agreement only if it materially affects Executive's position and compensation herein.

C. Compensation Upon a Change of Control, and whereby the Executive elects to terminate her employment as provided in Paragraph 12(B) above, or is not retained under contract by the surviving entity, the Company will pay the Executive as follows:

(1) A lump sum cash payment of the remaining Base Salary due under this Agreement, however no less than one year's Base Salary at time of termination

(2) A lump sum cash payment equal the average of the Annual Bonuses, if any, paid to the Executive for the past 1 year.

(3) All unvested Shares or other stock-based grants awarded pursuant to the Incentive Plan or other Company benefit plan will accelerate and vest upon the date of Change of Control.



**13. Arbitration.**

The Company and the Executive mutually consent to the resolution of all claims, controversies or disputes under this Agreement, other than a claim which is primarily for injunctive or other equitable relief, by binding arbitration, in accordance with the Nevada Uniform Arbitration Act. The determination of the arbitrator will be binding. The Company will pay the fees and costs of the arbitrator and all other reasonable direct costs in connection with any arbitration, excluding any legal representation retained by Executive.

**14. Right to Cure.**

Each party agrees to give the other written notice identifying with specificity any action taken which the notifying party believes to be a material violation of this Agreement, and to give the breaching party a minimum of thirty 30 days thereafter to cure such breach prior to the notifying party commencing adverse action, terminating this Agreement, or initiating equitable relief or arbitration.

**15. Miscellaneous.**

A. Laws. This Agreement will be governed by, and construed in accordance with, the laws of the State of Nevada, without reference to principles of conflict of laws, and the parties agree that the courts of appropriate jurisdiction located in Clark County, Nevada will be the forum for disputes brought hereunder.

B. Interpretation. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement will be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, will remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

C. Taxes. Notwithstanding any other provision of this Agreement, the Company may withhold from amounts payable under this Agreement all federal, state, local and foreign taxes that are required to be withheld by applicable laws or regulations.

D. Strict Compliance. The Executive's or the Company's failure to insist upon strict compliance with any provision of, or to assert any right under this Agreement including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Paragraph 5 of this Agreement will not be deemed to be a waiver of such provision or right or of any other provision of or right under this Agreement.

E. Counterparts. This Agreement may be executed in several counterparts, each of which will be deemed original, and said counterparts will constitute but one and the same instrument. Facsimile signatures will be deemed original signatures.

F. Survival. The respective rights and obligations of the parties hereunder will survive any termination of the Executive's employment or arrangements to the extent necessary to the intended preservation of such rights and obligations.

G. Beneficiaries The Executive will be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following the Executive's death by giving the Company written notice thereof. In the event of the Executive's death or a judicial determination of her incompetence, references in this Agreement to the Executive will be deemed, where appropriate, to refer to her beneficiary, estate or other legal representative.

H. Notices. All notices and other communications under this Agreement will be in writing and will be given by hand to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows, or to such other address as either party furnishes to the other in writing in accordance with this Paragraph. Notices and communications will be effective when actually received by the addressee:

To the Executive:

Deborah Pierce  
3054 Palatine Terrace Drive  
Henderson, Nevada 89052

To the Company:

Full House Resorts, Inc.  
4670 South Fort Apache Road Suite  
190 Las Vegas, Nevada 89147  
Attn: General Counsel

I. Severability. The provisions of this Agreement are severable, and if any one or more provisions is determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions, and any partially unenforceable provision to the extent enforceable, will nevertheless be binding and enforceable.

J. Binding Agreement. The rights and obligations of the Company and Executive under this Agreement will be binding upon and inure to the benefit of, and be enforceable by and against, the parties hereto and their respective heirs, personal representations, and successors and assigns.

K. Waiver. Either party's failure to enforce any provisions of this Agreement will not in any way be construed as a waiver of any such provisions as to any future violations thereof, nor prevent that party thereafter from enforcing each and every other provision of this Agreement. The rights granted the parties herein are cumulative, and the waiver by a party of any single remedy will not constitute a waiver of such party's right to assert all other legal remedies available to her or it under the circumstances.

L. Successors. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns provided however, that this Agreement is for personal services and is not assignable by Executive.

M. Entire Agreement. This Agreement constitutes the entire agreement between the Company and Executive with respect to the subject matter hereof, and may not be modified or terminated orally. No modification, termination or attempted waiver of this Agreement will be valid unless in writing and signed by the party against whom the same is sought to be enforced.

**IN WITNESS WHEREOF**, the Executive and the Company, pursuant to the authorization of its Board of Directors, have caused this Agreement to be executed on the date first above written.

**COMPANY:**

Full House Resorts, Inc.

By: /s/ CARL G. BRAUNLICH

Its: Compensation Committee Chairman and Director

**EXECUTIVE:**

By: /s/ DEBORAH J. PIERCE

Its: Chief Financial Officer

**EXECUTIVE EMPLOYMENT  
APPENDIX "A"**

**Executive Name: Deborah Pierce**

**Position: Chief Financial Officer**

**BASE SALARY:                      \$250,000                      Annually, paid in equal installments twice per month**

**ANNUAL INCENTIVE COMPENSATION (BONUS):** The Executive will also be entitled to receive annual cash bonuses according to the Company's Annual Incentive Compensation Plan (the "**Annual Bonus**"), provided the Compensation Committee of the Board of Directors in its discretion determines that the Executive has met the pre-defined annual Performance Objectives and assigned management duties. The Annual Bonus will be paid in accordance with plan documents. Each year's annual Performance Objectives will be set and approved by the Board of Directors within 90 days of fiscal year beginning.

**STOCK COMPENSATION:** Executive will receive a restricted stock grant of 50,000 shares vesting 1/3 per year over 3 years pursuant to a grant approved by the Compensation Committee at its first scheduled meeting following the Effective Date.

**BENEFITS:**

**Medical insurance, 401k and other programs in accordance with company plan as in affect from time to time**

**LEASE AGREEMENT WITH OPTION TO PURCHASE**

THIS LEASE AGREEMENT WITH OPTION TO PURCHASE (this "Lease") is entered into as of the 17th day of November, 2004, by and between CURE LAND COMPANY, LLC, a Mississippi limited liability company ("Landlord"), and SILVER SLIPPER CASINO VENTURE LLC, a Delaware limited liability company ("Tenant"), and/or its assignee.

**RECITALS**

WHEREAS, Tenant proposes to develop a riverboat casino and related facilities (collectively, the "Casino") at the Premises (as defined below).

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Landlord and Tenant hereby agree as follows:

**AGREEMENT**

1. PREMISES.

1.1 For and in consideration of the rent described below and other good and valuable consideration, receipt of which is hereby acknowledged, Landlord hereby leases and lets to Tenant and Tenant hereby rents from Landlord the premises identified as Parcels A, B, and C and described in Exhibit "A" attached hereto and incorporated herein by reference, together with all easements, rights of way and appurtenances in connection therewith or thereunto belonging and the building and other improvements constructed or to be constructed thereon (all of which are hereinafter referred to as the "Premises"). The parties acknowledge and agree that the vessel to be docked adjoining to the Premises and all improvements and equipment therein shall not constitute part of the Premises nor shall it constitute a fixture or improvement on the Premises.

1.2 In consideration for a one-time payment to Landlord of Fifty-Thousand Dollars (\$50,000.00) payable at the time Tenant receives the approval of the Mississippi Gaming Commission to proceed with development of the Casino, for a period from the date thereof through and including the Termination Date, Landlord hereby leases and lets to Tenant and Tenant hereby rents from Landlord that certain approximately one (1) acre parcel owned by Landlord, located on State Highway 90, and identified as Parcel J and more fully described on Exhibit "C" attached hereto and incorporated herein by reference. Tenant agrees that it shall be responsible for the payment of ad valorem taxes on said one acre parcel.

2. TERM. The term of this Lease (the "Term") shall commence on the date hereof ("Commencement Date") and expire at midnight on the 30th day of April, 2028 (the "Termination Date").

3. RENT.

3.1 Tenant agrees to pay Landlord as base rent (the "Base Rent") as follows:

(a) Thirty-Two Thousand and Five Hundred Dollars (\$32,500.00) per month, due and payable on the first day of each and every month, and

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(b) Commencing on the opening of the Casino, Fifty-two Thousand and Five-Hundred Dollars (\$52,500.00), due and payable on the 1st day of each and every month.

3.2 In addition to the Base Rent, Tenant shall pay to Landlord as additional rent, the following percentage of gross gaming revenue ("Gross Gaming Revenue"), and shall furnish Landlord a copy of the Gross Receipts record sent to the Mississippi Gaming Commission and State Tax Commission:

(a) an amount equal to two and one-half percent (2.50%) of the Gross Gaming Revenue which is in excess of Two Million Seven Hundred and Fifty Thousand Dollars (\$2,750,000.00) per month up to but not including Gross Gaming Revenue equal to Three Million Six Hundred and Fifty Thousand Dollars (\$3,650,000) per month; plus

(b) an amount equal to three percent (3.0%) of the Gross Gaming Revenue which is equal to or in excess of Three Million Six Hundred and Fifty Thousand Dollars (\$3,650,000.00) per month.

Tenant shall provide Landlord with a copy of its gross gaming revenue on a monthly basis. "Gross Gaming Revenue" shall be deemed to be defined as stated in Section 75-76-5(p) of the Mississippi Code of 1972, as such statute is in force and effect as of the opening of the Casino, and does not include revenues generated from the sale of food or beverages and retail or other non-gaming revenues generated on the Premises. Landlord acknowledges that Tenant shall have no liability for any rent prior to the date hereof under any former lease; provided that, Tenant agrees as consideration for this Lease to pay \$167,800 of unpaid prior rent, which amount shall be due and payable on the date Tenant shall close and receive funding pursuant to its initial financing for the Casino.

4. DEPOSIT. Landlord hereby acknowledges receipt of Ten Thousand and No/100 Dollars (\$10,000.00) previously paid to it by Tenant.

5. OPTION TO PURCHASE.

5.1 Landlord hereby grants to Tenant:

(a) an exclusive option to purchase the Premises (the "Option") from the Commencement Date through December 31, 2014. The Option, if exercised at any time from the Commencement Date until December 31, 2010, shall allow Tenant to purchase the Premises for the principal sum of \$13,500,000 (less, to the extent exercised, the 4 Acre Option Price (defined below)), plus a retained interest of Landlord in Tenant's operations of two percent (2%) of the net income ("Net Income"). In the event the Option is exercised at any time from January 1, 2011 until December 31, 2014, the Option Purchase Price shall be the principal sum of \$15,500,000 (less, to the extent exercised, the 4 Acre Option Price), plus a retained interest of Landlord in Tenant's operations of three (3%) of Net Income. Each of the purchase prices set forth in this Section 5.1(i) are referred to herein as the "Option Purchase Price," as applicable. "Net Income" shall be defined as the excess of revenues over all ordinary and necessary expenses incurred by Tenant in its operations for any given fiscal year (including, without limitation, principal and interest and other payments on any financing in connection with the Casino), and shall be calculated in accordance with Generally Accepted Accounting Principles (GAAP). Ordinary and necessary expenses shall not exceed the ordinary and necessary expenses commonly incurred in the gaming industry. Any disputes arising out of this definition of Net Income shall be arbitrated by means of binding arbitration under the commercial arbitration rules of the American Arbitration Association, and

(b) an exclusive option to purchase a four (4) acre parcel within the Premises for a hotel site, said 4 acre parcel to be mutually agreed upon between Landlord and Tenant (the "4 Acre Parcel Option"), exercisable by Tenant at any time during the term of this Lease (unless the Option shall be exercised beforehand) for the amount of Two Million and No/100 Dollars (the "4 Acre Option Price") (with the understanding that, should the 4 Acre Parcel Option be exercised, that upon payment of said amount, the Option Purchase Price shall be reduced by said Two Million and No/100 Dollars (\$2,000,000.00)).

5.2 Exercise of the Option and/or 4 Acre parcel Option shall be by way of written notice to Landlord of Tenant's desire to exercise the Option.

5.3 Landlord's retained interest in Tenant's Net Income of either two percent (2.0%) or three percent (3.0%), as described in Section 5.1(a) above, shall cease ten (10) years from the closing date of any sale of the Premises to a third party.

6. TITLE AND CONDITION OF THE PREMISES. The Premises are leased to Tenant in their present condition without representation or warranty by Landlord, except as provided herein, and subject to (i) the existing state of title as of the Commencement Date, and (ii) all applicable Legal Requirements. "Legal Requirements" means all laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of and agreements with all governments, departments, commissions, boards, court, authorities, agencies, officials and officers, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to the Premises or any part thereof. Tenant has inspected and examined the Premises and has found the same satisfactory.

7. USE; QUIET ENJOYMENT. Tenant may use the Premises for any lawful purpose. So long as no event of default has occurred and is continuing hereunder, Landlord and anyone claiming by, through or under Landlord, warrant that they shall not interfere with the peaceful and quiet occupation and enjoyment of the Premises by Tenant.

8. TAXES AND ASSESSMENTS; COMPLIANCE WITH LAW AND AGREEMENTS.

8.1 Tenant shall pay: (i) all tax assessments (including assessments for benefits from public works or improvements, whether or not begun or completed prior to the commencement of the Term and whether or not to be completed within the Term), levies, fees, water and sewer rents and charges, and all other governmental charges, general and special, ordinary and extraordinary, foreseen or unforeseen, which are, at any time prior to or during the term hereof, imposed, levied upon or assessed against (a) the Premises, (b) the Base Rent, any additional rent or any other sums payable hereunder, (c) this Lease or the leasehold estate hereby created or which arise in respect of the operation, possession or use of the Premises; (ii) any gross receipts or similar taxes imposed or levied upon, assessed against or measured by the Base Rent or any additional rent or any other sums payable hereunder, (iii) all sales, use and similar taxes which at any time may be levied, assessed or payable on account of the acquisition, leasing or use of the Premises; and (iv) all ad valorem taxes on the real property and improvements located thereon. Tenant shall not be required to pay any franchise, corporate, estate, inheritance, succession, transfer, income, profits or similar taxes of Landlord (other than any tax referred to in clause (ii) above), unless such tax is imposed or levied upon or assessed against Landlord be paid by Tenant pursuant to this Article 8. Tenant shall furnish to Landlord, within thirty (30) days after demand therefor, proof of payment of all taxes, assessments, levies, fees, rents and charges and all utility and communications charges payable by Tenant. If any assessment levied or assessed against the Premises becomes due and payable during the Term and may be legally paid in installments, Tenant shall have the option to pay such assessment in installments and in such event, Tenant shall be liable only for those installments which become due and payable during the Term hereof. Tenant shall either post a bond to guarantee the payment of all ad valorem taxes or pay said taxes in advance.

8.2 Tenant shall comply with and cause the Premises to comply with (i) all Legal Requirements made applicable to the Premises or the use thereof and (ii) all terms, conditions, covenants, agreements and requirements of insurance policies which at any time may be in force with respect to the Premises, and all contracts, agreements, easements, reservations and restrictions existing at the commencement of the Term or thereafter consented to by Tenant affecting the Premises or the ownership, occupancy or use thereof.

9. LIENS. If, because of any act or omission of Tenant or anyone claiming through or under Tenant, any mechanic's or other lien or order for the payment of money is filed against the Premises, Tenant will, at its expense, cause the same to be canceled and discharged of record within forty (40) days after receiving notice of the filing thereof (but in any case within fifteen (15) days after receipt of notice of commencement of foreclosure proceedings), or file an appropriate bond, satisfactory to Landlord, in the exercise of commercial reasonableness, which will cause such lien to be discharged as a lien against the Premises, or deliver to Landlord adequate security, acceptable to Landlord, in the exercise of commercial reasonableness, for the discharge thereof, and will also indemnify and hold harmless Landlord from and against any and all costs expenses, claims, losses and damages (including reasonable attorneys' fees) in connection therewith. Notwithstanding the foregoing, if Tenant, in good faith, contests the filing of any lien against the Premises and diligently pursues said contest, the forty (40) day limit will not apply. Tenant shall be required to furnish Landlord proof of progress payments on all improvements constructed on the Premises. The mere existence of a lien shall not be construed as a default under this Lease. Notice is hereby given that Landlord shall not be liable for any labor or materials furnished or to be furnished to Tenant upon credit, and that no mechanic's or other lien for any such labor or materials shall attach to or affect Landlord's consent or request, express or implied, by interference or otherwise, to any contractor, subcontractor, laborer, equipment or material supplier for the performance of any labor or the furnishing of any materials or equipment for any improvement, alteration or repair of, or to the Premises, or any part of the premises, or as giving Tenant any right, power or authority to contract for, or permit the rendering of, any service to, or the furnishing of any materials that would give rise to the filing of any liens against Landlord's fee simple estate. Tenant shall indemnify Landlord against any work performed on the premises for or by Tenant.



10. UTILITIES. Tenant agrees to pay all charges for all gas, power, telephone and other utilities used on the Premises by Tenant. Landlord will allow Tenant to use the water from their well (and in accordance with the last sentence of this section, grants Tenant an easement for said use), free of charge, for the hotel/casino, and in lieu of payments for water, Tenant will maintain the well and water tower. Landlord reserves (i) the right to sell water to other users so long as Tenant has sufficient water for its hotel/casino and any other operations upon the Premises, and (ii) reserves to itself a non-exclusive access easement across the property more particularly identified as Parcel I and described on Exhibit E hereto to the water tower property (which property is identified as Parcel H and described on Exhibit F hereto) for ingress and egress to the water tower property (provided that, upon completion of the restoration of the parking area the parties agree to revise the legal description of this easement so that the access easement follows the ingress and egress routes in said parking area and causes the least practicable interference with the parking spaces in the parking lot). Should Tenant exercise the Option, the tower and water well shall be excluded from the sale; provided that, concurrent with any such purchase there shall be granted to Tenant and any successor owner of the Premises (including any transferee by foreclosure or deed-in-lieu of foreclosure of any mortgagee), and Landlord does hereby grant, an irrevocable easement and right of access and prior right to use free of charge the well, water tower and said water for its hotel/casino and other operations at the Premises (provided, that, if Tenant shall thereafter sell the Premises to a third party (which shall not be deemed to include any transfer by foreclosure or deed-in-lieu of foreclosure by any mortgagee of Tenant nor its assignee), such third party transferee shall be required to pay such water at rate which is from time to time charged in Hancock County for commercial users of water in the county) and a right of first refusal to purchase the well and water tower upon any sale or transfer, directly or indirectly, of the well and/or water tower. Such easement shall run with the land and shall otherwise be in form and substance acceptable to Tenant. (Tenant shall have the right to match any offer received by Landlord on the same terms as offered to Landlord; provided, that, should Tenant decline the offer, and the terms of the offer change in any material respects or the offer not close within 90 days thereafter, Landlord shall re-offer to Tenant the right of first refusal). Landlord shall notify Tenant of any offers and all such offers shall be bona fide third party offers. Tenant shall continue to maintain the well and the water tower following the closing of the purchase transaction in connection with the exercise of the Option. In connection with the water well and water tower, Landlord does hereby grant to Tenant, during the Term and following the exercise of the Option, a non-exclusive easement over, under, above and across the water tower parcel identified as Parcel H and described on Exhibit F so that Tenant may use the water and maintain the well and water tower in accordance with the terms hereof.

11. REPAIRS AND MAINTENANCE. Tenant agrees it will, at its expense, (i) keep and maintain the Premises, including the building and improvements thereon and outside grounds, in good repair, except for ordinary wear and tear, (ii) with reasonable promptness make all repairs of every kind and nature which may be required to be made upon or in connection with the Premises or any part thereof in order to keep and maintain the Premises in good repair, and (iii) will comply with and cause the Premises to comply with the terms and conditions of contracts, easements and restrictions existing as of the Commencement Date and affecting the Premises and the ownership, occupancy and use thereof. The Tenant shall be responsible for all repairs to the air conditioning system at its sole expense.

12. ALTERATIONS. Landlord agrees that subject to the conditions hereinafter set forth, Tenant may, at its cost, make or permit to be made such changes, replacements, alterations and additions to the Premises and the buildings and improvements thereon as Tenant may deem advisable (the "Alterations") which may include but not be limited to: (i) altering or remodeling any building, or improvements on the Premises; or (ii) constructing additions to the improvements and buildings on the Premises, with such additions being located as Tenant deems advisable. Notwithstanding the foregoing, Tenant may only make Alterations if (a) upon completion of the Alterations, the market value of the Premises and the building and improvements thereon shall not be less than immediately prior to the making of such Alterations; (b) the Alterations shall be performed in a good and workmanlike manner; and (c) the Alterations shall be expeditiously completed in compliance with all laws, ordinances, orders, rules, regulations and requirements applicable thereto.

No Alterations shall be made without Landlord's prior written consent, which shall not be unreasonably withheld. Before such consent is given, the Tenant must provide to Landlord a copy of any and all plans and specifications pertaining to the Alterations and copies of any and all construction agreements.

Alterations shall, upon the completion thereof, be deemed to be a part of the Premises and shall thereafter be the property of Landlord. Alterations shall not change the Option Purchase Price as defined in Article 5 above.

13. FIXTURES. All alterations, improvements, additions and utility installations (whether or not such utility installations constitute trade fixtures of Tenant), which may be made to the Premises by Tenant, including but not limited to, floor covering, paneling, doors, drapes, built-ins, moldings, sound attenuation, and lighting and telephone or communications systems, conduit, wiring and outlets, shall be made and done in good and workmanlike manner and of good and sufficient quality and materials and shall be the property of Landlord and remain upon and be surrendered with the Premises at the expiration of the Term, unless Landlord requires their removal. Provided Tenant is not in default, Tenant's personal property and equipment, other than that which is affixed to the Premises so that it cannot be removed without material damage to the Premises other than utility installation, shall remain the property of Tenant and may be removed without damage to the Premises.

14. INDEMNIFICATION AND INSURANCE.

14.1 Indemnification. Tenant hereby indemnifies, holds harmless and agrees to defend Landlord from and against all claims, damages, expenses (including, without limitation, attorney's fees and reasonable investigative and discovery costs), liabilities and judgments on account of injury to person, loss of life, or damage to property occurring on the Premises and on the ways immediately adjoining the Premises, caused by the active negligence of Tenant, its agents, servants or employees; provided, however, Tenant shall not indemnify Landlord against any injury, loss of life, or damage which is caused by the active negligence of Landlord, its other tenants on the Premises, if any, its or their agents, servants or employees.

Landlord hereby indemnifies, holds harmless and agrees to defend Tenant from and against all claims, damages, expenses (including, without limitation, attorney's fees and reasonable investigative and discovery costs), liabilities and judgments, on account of injury to persons, loss of life, or damage to property occurring on the Premises and on the ways immediately adjoining the Premises, caused by the active negligence of Landlord, its agents, servants or employees; provided, however, Landlord shall not indemnify Tenant against any injury, loss of life or damage which is caused by the active or passive negligence of Tenant, or Tenant's agents, servants or employees.

The Parties' obligations with respect to indemnification hereunder shall remain effective, notwithstanding the expiration or termination of this Lease, as to claims accruing prior to the expiration or termination of this Lease.

14.2 Waiver of Certain Rights. With respect to any loss or damage that may occur to the Premises (or any improvements thereon) or the respective property of the Parties therein, arising from any peril customarily insured under a fire and extended coverage insurance policy, regardless of the cause or origin, excluding willful acts but including negligence of the Parties, their agents, servants or employees, the Party carrying such insurance and suffering such loss hereby releases the other Party from all claims with respect to such loss except as specifically provided in the Articles entitled "REPAIRS" and "DAMAGE OR DESTRUCTION"; and Landlord and Tenant mutually agree that their respective insurance companies shall have no right of subrogation against the other Party on account of any such loss, and each Party shall procure from their respective insurers under all policies of fire and extended coverage insurance a waiver of all rights of subrogation against the other Party which the insurance might otherwise have under such policies.

14.3 Liability, Fire and Casualty Insurance. Tenant agrees to maintain and/or cause to be maintained, at its sole expense, liability, fire and casualty insurance insuring its and the Landlord's interests against loss by fire and other causes and claims for bodily injury, death and property damage occurring on, in or about the Premises (including, without limitation, the parking lots) and the ways immediately adjoining the Premises, in an amount or amounts which are standard in the gaming industry. The Landlord shall be named as an additional insured on the policy. Tenant shall maintain liability insurance in a minimum amount of \$5,000,000.

Any insurance required to be provided under this Article may be in the form of blanket liability coverage so long as the blanket policy does not reduce the limits nor diminish the coverage required herein. Any insurance policy required to be maintained and/or caused to be maintained by Tenant under this Article shall be written by insurance companies, reasonably satisfactory to Landlord, which are qualified to do business in the state in which the Premises are located. Tenant shall cause a certificate providing such information as reasonably requested by Landlord evidencing the existence and limits of its insurance coverage with respect to the Premises to be delivered to Landlord upon the commencement of this Lease. Thereafter, Tenant shall cause similar certificates evidencing renewal policies to be delivered to Landlord at such times as reasonably requested by Landlord. Upon request, Landlord shall cause a certificate of insurance reasonably evidencing compliance with the requirements of this Article to be delivered to Tenant.

14.4 Performance of Indemnity Agreement. All policies of insurance shall insure the performance by Landlord or Tenant, as the case may be, of the indemnity agreements contained herein and shall contain a provision that the insurance company will furnish Landlord and Tenant thirty (30) days advance written notice of any cancellation or lapse, or the effective date of any reduction in the amounts or scope of coverage. Each party shall promptly notify the other party of any asserted claim with respect to which such party is or may be indemnified against hereunder and shall deliver to such party copies of process and pleadings.

15. ASSIGNMENT AND SUBLETTING. Tenant shall only sublet or assign this Lease or a portion thereof provided the following elements are satisfied: (i) the Tenant is not in default of any of the terms and conditions of the Lease; (ii) the Tenant provides a copy of the proposed sublease or assignment to the Landlord prior to the commencement of the sublease or assignment; (iii) the use of the Premises under the sublease or assignment shall be approved by Landlord, which approval shall not be unreasonably withheld; and (iv) each such sublease or assignment shall expressly be made subject to the provisions of this Lease. If the Tenant assigns its rights and interests under this Lease, the assignee under such assignment shall be directly and personally responsible for all of the obligations of Tenant hereunder whether or not such obligations are expressly assumed. In the event of any such assignment or subletting, Tenant will remain liable to Landlord for the performance of all the terms, conditions and provisions of this Lease required to be performed by Tenant.

16. PERMITTED CONTEST. Tenant shall not be required to pay any tax referred to in Article 8, discharge or remove any lien referred to in Article 9, or comply with any law or agreement referred to in Article 8, so long as Tenant shall contest by appropriate proceedings, in good faith and at its expense, the existence, the amount or the validity thereof, the amount of the damage caused thereby or the extent of its liability thereafter. While any such proceedings are pending, Landlord shall not have the right to pay any such tax, assessment or lien or comply with any law or agreement thereby being contested. Any such contest shall be conducted, as between Landlord and Tenant, at the sole expense of Tenant.

17. DAMAGE OR DESTRUCTION. If the Premises are damaged or destroyed by fire or other casualty to the extent that Tenant is, in its reasonable opinion, unable to operate its business from the Premises, Tenant may terminate this Lease by giving notice thereof to Landlord within thirty (30) days of such damage or destruction, such termination to be effective as of the date of destruction and all rents shall abate from the date of destruction for the unexpired Term.

If the Lease is not terminated as provided for above, then this Lease shall continue in full force and effect and Tenant shall repair any damage to the Premises so as to restore such Premises (as nearly as practicable) to the condition thereof immediately prior to such occurrence. In the event that such restoration is not substantially completed within six (6) months from the date of damage or destruction, Landlord may at any time after the expiration of said six (6) month period elect to terminate the lease by giving written notice to Tenant, in which event the Lease shall terminate as of the date of such notice and all rents shall abate from the date of such notice for the unexpired Term of the Lease. In the event written notice of termination is not received by Tenant, the Lease shall continue in full force and effect without abatement of rents.

18. CONDEMNATION. If the Premises or a substantial portion of the Premises is taken under the power of eminent domain for any public or quasi-public use, then Tenant may terminate and cancel this Lease, such termination to be effective upon the earlier of the date Tenant thereafter vacates the Premises or the date that the condemning authority takes possession of the condemned property and thereupon both parties will be relieved of any further obligation under this Lease, except that the parties will fulfill all of their obligations hereunder to be performed to the date of such termination. In such event, Landlord shall be entitled to the entire condemnation proceeds. If less than a substantial portion of the Premises is so taken, or if a substantial portion is taken but this Lease is not terminated and canceled as above provided, then Landlord and Tenant shall share the condemnation proceeds equitably in accordance with their relative interests, and Base Rent and any additional rent shall continue unabated.

19. SURRENDER OF PREMISES AND REMOVAL OF PROPERTY.

19.1 No Merger. The voluntary or other surrender of this Lease by Tenant, a mutual cancellation or a termination hereof, shall not constitute a merger, and shall, at the option of Landlord, terminate all or any existing subleases or shall operate as an assignment to Landlord of any or all subleases affecting the Premises.

19.2 Surrender of Premises. Upon the expiration of the Term, or upon any earlier termination hereof, Tenant shall quit and surrender possession of the Premises to Landlord in as good order and condition as the Premises are now or hereafter may be improved by Landlord or Tenant, reasonable wear and tear and casualty which is not to be restored by Tenant pursuant to this Lease excepted, and shall, without expense to Landlord, remove or cause to be removed from the Premises, all debris and rubbish, all furniture, equipment, business and trade fixtures, free-standing cabinet work, movable partitioning and other articles of personal property owned by Tenant or installed or placed by Tenant at its expense in the Premises, and all similar articles of any other persons claiming under Tenant unless Landlord exercises its option to have any subleases or subtenancies assigned to Landlord, and Tenant shall repair all material damage to the Premises resulting from such removal. Tenant shall not remove any property that is a fixture as defined in Article 13 above.

19.3 Disposal of Property. In the event of the expiration of this Lease or other re-entry of the Premises by Landlord as provided in this Lease, any property of Tenant not removed by Tenant upon the expiration of the term of this Lease, or within fifteen (15) days after a termination by reason of Tenant's default, shall be considered abandoned and Landlord may remove any or all of such property and dispose of the same in any commercially reasonable manner or store the same in a public warehouse or elsewhere for the account of, and at the expense and risk of, Tenant. If Tenant shall fail to pay the costs of storing any such property after it has been stored for a period of thirty (30) days or more, Landlord may sell any or all of such property at public or private sale, in such manner and at such places as Landlord, in its reasonable discretion, may deem proper, with notice to Tenant. In the event of such sale, Landlord shall apply the proceeds thereof, first, to the cost and expense of sale, including reasonable attorneys' fees; second, to the repayment of the cost of removal and storage; third, to the repayment of any other sums which may then or thereafter be due to Landlord from Tenant under any of the terms of this Lease; and fourth, the balance, if any, to Tenant.

20. HOLDING OVER. In the event Tenant holds over the expiration of the Term, with or without the express or implied consent of Landlord, such tenancy shall be from month-to-month only, and not a renewal hereof or an extension for any further term, and such month-to-month tenancy shall be subject to each and every term, covenant and agreement contained herein. Nothing in this Article 20 shall be construed as a consent by Landlord to any holding over by Tenant and Landlord expressly reserves the right to require Tenant to surrender possession of the Premises upon the expiration of the Term or upon the earlier termination hereof and to assert any remedy in law or equity to evict Tenant and/or collect damages in connection with such holding over.

21. DEFAULTS AND REMEDIES.

21.1 Defaults by Tenant. The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant:

(a) The failure by Tenant to pay the rent hereunder as and when due where such failure continues for thirty (30) days after notice thereof by Landlord to Tenant; provided, however, that such notice shall be in lieu of and not in addition to any notice required under Mississippi law.

(b) The abandonment or vacation of the Premises by Tenant.

(c) The failure by Tenant to observe or perform any other provision of this Lease where such failure continues for thirty (30) days after notice thereof by Landlord to Tenant; provided, however, that if the nature of such default is such that the same cannot reasonably be cured within such thirty (30) days period, Tenant shall not be deemed to be in default if Tenant shall within such period commence such cure and thereafter diligently prosecute the same to completion.

(d) Any action taken by or against Tenant pursuant to any statute pertaining to bankruptcy or insolvency or the reorganization of Tenant (unless, in the case of a petition filed against Tenant, the same is dismissed within ninety (90) days); the making by Tenant of any general assignment for the benefit of creditors; the appointment of a trustee or receiver to take possession of all or any portion of Tenant's interest in this Lease, where possession is not restored to Tenant within ninety (90) days; or the attachment, execution, or other judicial seizure of all or any portion of Tenant's interest in this Lease, where such seizure is not discharged within ninety (90) days.

(e) Tenant's failure to vacate and surrender the Premises as required by this Lease upon the expiration of the Term or termination of this Lease.

21.2 Landlord's Remedies. In the event of any such default by Tenant, then, in addition to any other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving Tenant thirty (30) days written notice of such election to terminate. In the event Landlord shall elect to so terminate this Lease, Landlord may recover from Tenant;

(a) Terminate the Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails so to do, Landlord may, without prejudice to any other remedy which it may have, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof. Tenant agrees to pay to Landlord on demand the amount of all loss and damage which Landlord may suffer by reason of such termination, whether through inability to relet the Premises on satisfactory terms or otherwise; or

(b) Enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof and relet the Premises and receive the rent therefor. Tenant agrees to pay to Landlord on demand any deficiency that may arise by reason of such reletting; or

(c) Enter upon the Premises and do whatever Tenant is obligated to do under the terms of the Lease, except that Landlord may enter upon, and make any necessary repair to the Premises without notice to Tenant in the event of an emergency. Tenant agrees to reimburse Landlord on demand for any expenses which Landlord may incur in thus effecting compliance with Tenant's obligations under the Lease.

21.3 Re-Entry Not Termination. No re-entry or taking possession of the Premises by Landlord pursuant to this Article 21 shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any reletting without termination by Landlord because of any default of Tenant, Landlord may at any time after such reletting elect to terminate this Lease for any such default.

21.4 Definition of Tenant. As used in this Article 21, the term "Tenant" shall be deemed to include all persons or entities named as Tenant under this Lease, or each and every one of them. If this Lease has been assigned, the term "Tenant" as used in this Article 21, shall be deemed to include both the assignee and the assignor.

22. LATE CHARGES. In the event Tenant is more than ten (10) days late in paying any installment of rent due under this Lease, Tenant shall pay Landlord a late charge equal to four percent (4.00%) of the delinquent installment of rent. The parties agree that the amount of such late charge represents a reasonable estimate of the cost and expense that would be incurred by Landlord in processing each delinquent payment of rent by Tenant and that such late charge shall be paid to Landlord as liquidated damages for each delinquent payment, but the payment of such late charge shall not excuse or cure any default by Tenant under this Lease.

23. QUIET ENJOYMENT. Tenant, upon the paying of all rent hereunder and performing each of the covenants, agreements and conditions of this Lease required to be performed by Tenant, shall lawfully and quietly hold, occupy and enjoy the Premises during the Term without hindrance or molestation of anyone lawfully claiming by, through or under Landlord, subject, however, to the provisions set forth in this Lease.

24. SIGNAGE. Subject to Article 12 above, Tenant, at Tenant's sole cost and expense, shall have the right to place signage upon the Premises as Tenant deems to be appropriate.

25. REPRESENTATIONS. Landlord represents and warrants to Tenant that:

25.1 Landlord (i) is the sole owner of the Premises and (ii) has good, valid and marketable title, free and clear of all liens and mortgages other than the liens previously disclosed to Tenant and easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, do not in any case materially detract from the value of the Premises and would not interfere with the ordinary conduct of the business by Tenant ("Permitted Exceptions").

25.2 There are no leases, subleases, licenses or occupancy agreements currently in effect with respect to the Premises. To Landlord's knowledge, other than this Agreement and the Permitted Exceptions, there are no agreements, instruments or documents by which the Premises may be subject or bound.

25.3 To Landlord's knowledge, there are no known claims, actions, suits, proceedings or investigations pending or threatened before any court, governmental unit or any arbitrator, with respect to the Premises (including, but not limited to, any claim, action, suit, proceeding or investigation relating to Hazardous Substances (defined below) or alleged violation of the Environmental Laws (defined below) or Landlord's interest herein.

25.4 The Premises are currently zoned C-2. Landlord has no knowledge of the proposed adoption of any zoning laws or regulations affecting the Premises and no knowledge of any notices or orders from any governmental authority with respect to any potential adverse change in the use of or access to, or with respect to any adverse condition on the Premises. Tenant may be required under zoning laws or regulations to apply for a special use permit for the Premises.

25.5 Landlord has not received any written or oral notice for assessments for public improvements against any of the Premises which remains unpaid and, to Landlord's knowledge, no such assessment has been proposed. Landlord has not received any written or oral notice or order by any governmental or other public authority, any insurance company which has issued a policy with respect to any of such properties or any board of fire underwriters or other body exercising similar functions which (i) relates to violations of building safety, fire or other ordinances or regulations, (ii) claims any defect or deficiency with respect to any of such properties or (iii) requests the performances of any repairs, alterations or other work to or in any of such properties or in the streets bounding the same.

25.6 There is no pending condemnation, expropriation, eminent domain or similar proceeding affecting all or any portion of any of the premises and, to Landlord's knowledge, no such proceeding is contemplated.

25.7 The Premises is located along one or more dedicated public streets/highways. Curb-cut and street-opening permits or licenses for vehicular access to and from the Premises to any adjoining public street/highway, if required, have been obtained and paid for by Landlord and are in full force and affect.

25.8 All water, sewer, gas, electric, telephone, and other public utilities and all storm water drainage required by law or necessary for the operation of the Premises will (i) either enter the Premises through open public streets adjoining the premises, or, if they pass through adjoining private land, do so in accordance with valid public or private easements or rights-of-way, (ii) be installed, connected and operating, in good condition, with all installation and connection charges paid in full, including, without limitation, connection and the permanent right to discharge sanitary waste into the collector system of the appropriate sewer authority, and (iii) be adequate to service the Premises as a gaming property at planned capacity.

25.9 As of the date hereof,

(a) There are no conditions on, about, beneath, adjacent to or arising from any of the real property of the Premises which might give rise to liability, result in the imposition of a statutory lien or require any "Response," "Removal" or Removal Action", under any environmental laws, including, but not limited to the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), as amended by the Superfund Amendments and Reauthorization Act ("SARA"), the Rivers and Harbors Act of 1899 (33 USC § 403), the Clean Water Act (33 USC §§ 1251-1387), Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling Act of 1980, the Solid Waste Disposal Act Amendments of 1980, and the Hazardous and Solid Waste Amendments of 1984 (as amended) and all other applicable federal, state and local health or environmental laws and regulations (the "Environmental Laws"). As used in this Lease, the terms "Response," "Removal" and "Remedial Action" shall be defined with reference to §§ 101(25) of CERCLA and SARA, 42 USA §§ 9601(23)-9601(25).

(b) Hazardous Substances (as defined below) have never been used, handled, generated, processed, treated, stored, transported to or from, released, discharged, or disposed of on, about or beneath the Premises; there are no transformers or other equipment containing or contaminated with polychlorinated biphenyls ("PCBs") or any above or underground storage tanks on, about or beneath the Premises, there is no asbestos or asbestos containing material at the Premises; no lead-based print or lead-based paint hazards are present at the Premises. (As used in this Lease, the term "Hazardous Substance" means a hazardous substance, material or waste including, without limitation any substance which: (i) is or contains petroleum, asbestos, lead based paint or PCBs; (ii) is defined, designated or listed as a "Hazardous Substance" pursuant to Sections 397 and 311 of the Clean Water Act, 33 USC §§ 1317, 1321, Section 101(14) of CERCLA, 42 USC §9601 or similar provision of applicable state law; (iii) is listed in the United States Department of Transportation Hazardous Material Table, 49 C.F.R. § 172.101; or (iv) is defined, designated or listed as a "Hazardous Waste" under Section 1004(3) of the Resource and Conservation and Recovery Act, 42 USC 9603(5), or similar provision of applicable store law.)

(c) Landlord has not received any notice or had any actual or constructive knowledge of with respect to: (i) any claim, demand, investigation, enforcement, Response, Removal, Remedial Action or other governmental or regulatory action instituted or threatened against, the Premises pursuant to any of the Environmental Laws; (ii) any claim, demand, suit, or action made or threatened by any person or entity against the Premises relating to any form of damage, loss or injury resulting from, or claimed to result from, any Hazardous Substance on, about, beneath or arising from the Premises or any alleged violation of any Environmental Laws relating to the Premises; or (iii) any communication to or from any governmental or regulatory agency arising out of or in connection with Hazardous Substances on, about, beneath, arising from or generated at the Premises, including, without limitation, any notice of violation, citation, complaint, order, directive, request for information or response thereto, notice letter, demand letter or compliance schedule.



25.10 Landlord hereby agrees to defend, indemnify and hold Tenant and its director, officers, agents, employees and lenders harmless from and against all claims, demands, causes of action, liabilities, losses, costs and expenses (including, but not limited to, attorney's fees and costs) arising from or in connection with the presence on or under the Premises of any Hazardous Substances, or any release or discharges of any Hazardous Substances on, under or from the Premises caused by Landlord. Tenant shall have the same obligation and grant the same indemnification to Landlord should it be in violation of any applicable Environmental Laws. The foregoing indemnity shall further apply to any residual contamination on or under the Premises or affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, storage, transport or disposal of any such Hazardous Substances, and irrespective of whether any of such activities were or will be undertaken in accordance with applicable Environmental Laws.

26. TENANT'S ENVIRONMENTAL RESPONSIBILITIES.

26.1 Compliance with Laws.

(a) Tenant shall comply with and use its best efforts (including the diligent prosecution of legal proceedings seeking injunctive and other appropriate relief) to ensure compliance by Tenant and all tenants, subtenants, officers, directors employees, agents, contractors and invoices of Tenant with all applicable Environmental Laws and shall obtain and comply with any permits required thereunder.

(b) Tenant shall not (1) cause or permit the presence, use, generation, manufacture, production, processing, installation, release, discharge, storage (including storage in above ground and underground storage tanks for petroleum or petroleum products), treatment, handling, or disposal of any Hazardous Substances (excluding the safe and lawful use and storage of (i) quantities of petroleum products customarily used in the operation and maintenance of comparable casino properties and (ii) quantities of Hazardous Substances customarily used for normal casino purposes) on or under the Premises, or in any way affecting the Premises or its value or which may form the basis for any present or future claim, demand or action seeking cleanup of the Premises, or the transportation of any Hazardous Substances to or from the Premises, (2) cause or exacerbate any occurrence or condition on the Premises that is or may be in violation of the Environmental Laws [the matters described in clauses (1) and (2) above being referred to collectively below as "Prohibited Activities or Conditions"], Tenant represents and warrants that it has not at any time caused or permitted any Prohibited Activities or Conditions and that, to the best of its knowledge, no Prohibited Activities or Conditions exist or, have existed on or under the Premises. Tenant shall take all appropriate steps to prevent its employees, agents, and contractors, and all customers and invitees from causing, permitting, or exacerbating any Prohibited Activities or Conditions.

(c) Tenant shall comply in a timely manner with, and cause all employees, agents, and contractors of Tenant and any other person present on the Premises to so comply with, (1) any program of operations and maintenance ("O&M Program") relating to the Premises that is acceptable to Tenant with respect to one or more Hazardous Substances, and (2) the Environmental Laws. Any O&M Program shall be performed by qualified contractors under the supervision of a consulting engineer hired by Tenant with the prior written approval of Landlord. All costs and expenses of any O&M Program shall be paid by Tenant, including without limitation the charges of such contractors and consulting engineer and Landlord's fees and costs incurred in connection with the monitoring and review of O&M Program and Tenant's performance thereunder. If Tenant fails to commence timely or diligently continue and complete implementation of any O&M Program, then Landlord may, at Landlord's option, declare a default by Tenant in the performance of Tenant's obligations pursuant to this Lease and Landlord may invoke any remedies permitted by this Lease.

26.2 Conduct Tests. Prior to vacating the Premises, Tenant shall conduct and complete all investigations, studies, sampling and testing procedures and all remedial, removal, and other actions necessary to clean up and remove all Hazardous Substances on, from or affecting the premises in accordance with all applicable Environmental Laws to the satisfaction of the Landlord.

26.3 Reporting Requirements.

(a) Tenant shall promptly supply Landlord with copies of all notices, reports, correspondences and submissions made by Tenant to the Environmental Protection Agency, the United States Occupational Safety and Health Administration, and any other local, state or federal authority which requires submission or any information concerning environmental matters or hazardous wastes or substances pursuant to Environmental Laws.

(b) Tenant represents that Tenant has not received and has no knowledge of the issuance of any claim, citation or notice of any pending or threatened suits, proceedings, orders, or governmental inquiries or opinions involving the Premises, that allege the violation of any Environmental Law ("Governmental Actions").

(c) Tenant shall promptly notify Landlord in writing of: (1) any Governmental Actions or (2) any claim made or threatened by any third party against Tenant, Landlord, or the Premises relating to loss or injury resulting from any occurrence or condition on the Premises or any other real property that could require the removal from the Premises of any Hazardous Substances or cause any restrictions on the ownership, occupancy, transferability or use of the Premises under Environmental Laws. Tenant shall cooperate with any governmental inquiry, and shall comply with any governmental or judicial order which arises from any alleged Prohibited Activities or Conditions.

26.4 Governmental Action/Environmental Lien.

(a) Tenant shall pay promptly all costs and expenses incurred by Landlord in connection with any Governmental Action, including but not limited to costs of any environmental audits, studies, investigations or remedial activities including but not limited to the removal of any Hazardous Substances from the Premises. Tenant also shall pay promptly the costs of any environmental audits, studies, investigations or the removal of any Hazardous Substances from the Premises required by Landlord following a reasonable determination by Landlord that there may be Prohibited Activities or Conditions on or under the Premises. Any such costs or expenses incurred by Landlord (including but not limited to fees and expenses of attorneys and consultants whether incurred in connection with any judicial or administrative process or otherwise) which Tenant fails to pay promptly shall become additional rent owed by Tenant to Landlord pursuant to this Lease.

(b) Tenant shall promptly notify Landlord as to any liens threatened or attached against the Premises pursuant in any Environmental Law. If such a lien is filed against the Premises, Tenants shall, within twenty (20) days from the date that the lien is placed against the Premises, and in any event prior to the date any governmental authority commences proceedings to sell the Premises and all improvements pursuant to the lien, either; (1) pay the claim and remove the lien from the Premises or (2) furnish either (i) a bond or cash deposit reasonably satisfactory to Landlord in an amount not less than the claim out of which the lien arises, or (ii) other security satisfactory to the Landlord and to any superior mortgagee or tenant in an amount not less than that which is sufficient to discharge the claim out of which the lien arises.

27. RIGHT OF FIRST REFUSAL ON OTHER PROPERTIES OF LANDLORD. Landlord covenants that during the Term of this Lease, Landlord will not sell or lease any property now owned or leased by Landlord or hereafter acquired or leased by Landlord, within a ten (10) mile radius of the Premises in any direction, to any third party for use, operation or lease as a gaming establishment without first allowing Tenant the right of first refusal with respect to said property.

28. Intentionally Omitted.

29. GENERAL PROVISIONS.

29.1 No Waiver. The giving by Landlord of any breach of any term, provision, covenant or condition contained in this Lease, or the failure of Landlord or insist on the strict performance by Tenant, shall not be deemed to be a waiver of such term, provision, covenant or condition as to any subsequent breach thereof or of any other terms, covenant or condition contained in this Lease. The acceptance of rents hereunder by Landlord shall not be deemed to be a waiver of any breach or default by Tenant of any term, provision, covenant or condition herein, regardless of Landlord's knowledge of such breach or default at the time of acceptance of rent.

29.2 Landlord's Right to Perform. All covenants and agreements to be performed by Tenant under any of the terms of this Lease shall be performed by Tenant at Tenant's sole expense and without abatement of rent. If Tenant shall fail to observe and perform any covenant, condition, provision or agreement contained in this Lease or shall fail to perform any other act required to be performed by Tenant, Landlord may, upon notice to Tenant, without obligation, and without waiving or releasing Tenant from any default or obligations of tenant, make any such payment or perform any such obligation on Tenant's part to be performed. All sums so paid by Landlord and all costs incurred by Landlord, including attorneys' fees, shall be payable to Landlord on demand and Tenant covenants to pay any such sums, and Landlord shall have (in addition to any other right or remedy hereunder) the same rights and remedies in the event of the non-payment thereof by Tenant as in the case of default by Tenant in the payment of rent. Any sums advanced by Landlord on behalf of Tenant shall constitute additional rent owed by Tenant to Landlord.

29.3 Terms; Headings. The words "Landlord" and "Tenant" as used herein shall include the plural, as well as the singular. The words used in neuter gender include the masculine and feminine and words in the masculine or feminine gender include the neuter. If there is more than one tenant, the obligations hereunder imposed upon Tenant shall be joint and several. The headings or titles of this Lease shall have no effect upon the construction or interpretation of any part hereof.

29.4 Entire Agreement. This instrument along with any exhibits and attachments or other documents affixed hereto, or referred to herein, constitutes the entire and exclusive agreement between Landlord and Tenant with respect to the Premises and the estate and interest leased to Tenant hereunder. This instrument and said exhibits and attachments and other documents may be altered, amended, modified or revoked only by an instrument in writing signed by both Landlord and Tenant. Landlord and Tenant hereby agree that all prior or contemporaneous oral understandings, agreements or negotiations relative to the leasing of the Premises are merged into and revoked by this instrument.

29.5 Successors and Assigns. Subject to the provisions of Article 14 relating to Assignment and Subleasing, this Lease is intended to and does bind the heirs, executors, administrators, successors and assigns of any and all of the parties hereto.

29.6 Notices. All notices, comments, approvals, requests, demands and other communications (collectively "Notices") which Landlord or Tenant are required or desire to serve upon, or deliver to, the other shall be in writing and mailed postage prepaid by certified or registered mail, return receipt requested, or by personal delivery, or given by a nationally recognized overnight delivery service (such as Federal Express) with all fees prepaid, to the appropriate address indicated below, or at such other place or places as either Landlord or Tenant may, from time to time, designate in a written notice given to the other. If the term "Tenant" in this Lease refers to more than one person or entity, Landlord shall be required to make service or delivery, as aforesaid, to any one of said persons or entities only. Notices shall be deemed sufficiently served or given at the time of delivery; provided that refusal to accept delivery of a notice shall constitute successful and effective delivery thereof. Any notice, request, communications or demand by Tenant to Landlord shall be addressed to the Landlord at:

LANDLORD:                   Cure Land Co., LLC  
                                  P.O. Box 44  
                                  Lakeshore, Mississippi 39558  
                                  Attn: Mike Cure

Any notice, request, communications or demand by Landlord to tenant shall be addressed to Tenant at:

TENANT:                     Silver Slipper Casino Venture LLC  
                                  150 S. Los Robles Avenue, Suite 665  
                                  Pasadena, California 91101  
                                  Attn: Loren Ostrow

Rejection or other refusal to accept a notice, request, communication or demand or the inability to deliver the same because of a changed address of which no notice was given shall be deemed to be receipt of the notice, request, communication or demand sent.

29.7 Severability. If any term or provision of this Lease, the deletion of which would not adversely affect the receipt of any material benefit by either party hereunder, shall be held invalid or unenforceable to any extent, the remaining terms, conditions and covenants of this Lease shall not be affected thereby and each of said terms covenants and conditions shall be valid and enforceable to the fullest extent permitted by law.

29.8 Time of Essence. Time is of the essence of this Lease and each provision hereof in which time of performance is established.

29.9 Governing Law. This Lease shall be governed by, interpreted and construed in accordance with the laws of the State of Mississippi.

29.10 Attorney's Fees. If any action or proceeding is brought by Landlord or Tenant, to enforce in respective rights under this Lease, the unsuccessful party therein shall pay all costs incurred by the prevailing party therein, including reasonable attorney's fees to be fixed by the court.

29.11 Memorandum of Lease. Landlord and Tenant agree not to record this Lease, but rather agree to execute and Memorandum of Lease in the form attached hereto and incorporated herein as Exhibit "B", which shall be recorded in the public records of Hancock County, Mississippi.

30. CONFIDENTIALITY. Landlord agrees to use its best efforts to keep the terms and conditions of this Lease confidential, other than those matters which Landlord may have discussed with its attorneys or representatives and the filing of the Memorandum of Lease.

31. LANDLORD'S COVENANTS.

31.1 Landlord understands and agrees that Tenant intends to use certain portions of the Premises that are designated wetlands and may be required to enter into a mitigation program to utilize such wetlands. Furthermore, Landlord understands and agrees that Tenant intends to seek permission from all relevant governmental authorities to reorient the parking around the Shipyard Road to permit all parking provided for the Casino to be on the west side of Shipyard Road. Landlord agreed to cooperate fully with tenant in any and all of its applications to utilize such wetlands and to modify Shipyard Road.

31.2 Landlord further hereby leases and lets to Tenant and Tenant hereby rents from Landlord certain undeveloped land (identified as Parcel G and described in Exhibit "D" attached hereto and incorporated here by reference) owned by Landlord but not within the definition of the Premises, for Tenant's excess parking needs (and does hereby grant Tenant a non-exclusive easement over and across that certain property identified as Parcel F and described in Exhibit G for access to the parking area) without charge so long as Tenant bears any cost necessary to be incurred to be able to utilize such land for parking, provided, however, that if Landlord develops such land in a manner incompatible with Tenant's continued use of land for parking, Tenant's parking area lease and access easement thereto granted hereunder shall cease. Landlord covenants that during the Term of this Lease, Landlord will not sell or lease any of the land referenced in this Section 31.2 to any third party without first allowing Tenant the right of first refusal with respect to said land. If Tenant fails to exercise its rights of first refusal and Landlord sells such land to a third party, Tenant's parking area lease and access easement thereto granted hereunder shall cease.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the date set forth in the first paragraph above.

LANDLORD

TENANT

Cure Land Co., LLC

Silver Slipper Casino Ventures LLC

By: /s/ Michael D. Cure

By: /s/ Paul R. Alanis

Its: President

Its: President and Chairman of the Board of Managers

**EXHIBIT A**  
**DESCRIPTION OF THE PROPERTY**

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## EXHIBIT A

### LEGAL DESCRIPTIONS

All parcel letter designations shown in this and other legal description exhibits correspond to the survey of George M. Haraway, R.L.S., dated December 7, 2004.

#### PARCEL A Leasehold Interest

A parcel of land located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), also being located in that portion of the NW 1/4 lying north of the Bayou Caddy, Section 29, Township 9 South, Range 14 West, Hancock County, Mississippi; and being more particularly described as follows:

Commence at an iron rod located at the intersection of the northwest right-of-way of Shipyard Road with the east line of Block 98, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269352.04, E. 797139.03 (M.S.P.C.S. East Zones/NAD 83 in feet); thence S 00°11'22" E. 36.71 feet to the intersection of the east line of Block 98, Gulfview Subdivision, with the southeast right-of-way of Shipyard Road, said intersection being the Point of Beginning; thence N 54°53'02" E 36.68 feet along the southeast right-of-way of Shipyard Road; thence N 53°55'51" E 26.24 feet along the southeast right-of-way of Shipyard Road; thence N 47°08'34" E 66.03 feet along the new southeast right-of-way of Shipyard Road; thence N 45°27'37" E 165.84 feet along the new southeast right-of-way of Shipyard Road to the beginning of a curve to the left; thence northeasterly and northerly 92.72 feet along a curve of the new southeast and new east right-of-way of Shipyard Road, said curve having a central angle of 54°12'26" with a radius of 98.00 feet, also having a chord bearing and distance of N 18°21'24" E 89.30 feet to the end of said curve; thence N 08°44'49" W 343.72 feet along the new east right-of-way of Shipyard Road to the beginning of a curve to the right; thence northerly 50.85 feet along said curve of the new east right-of-way of Shipyard Road, said curve having a central angle of 18°47'54" with a radius of 155.00 feet, also having a chord bearing and distance of N 00°39'08" E 50.63 feet to the end of said curve, thence N 10°03'05" E 41.99 feet along the new east right-of-way of Shipyard Road to a point located on the now or former west right-of-way of Beach Boulevard; thence S 08°44'09" E 516.96 feet along said now or former west right-of-way of Beach Boulevard to a point located on the former south right-of-way of Shipyard Road; thence continue S 08°44'09" E 449.69 feet along said now or former west right-of-way of Beach Boulevard to a point located on the southerly edge of an existing bulkhead on the north side of Bayou Caddy; thence meander southwesterly 262.6 feet, more or less, along said south edge of and existing bulkhead to a point located at the following coordinates, N. 268971.14, E. 797247.61, said point also being located at the most easterly corner of a parcel of land with an existing water tower; thence along the boundary of the water tower parcel the following five courses, N 18°21'46" W 49.85 feet, N 75°27'23" W 20.25 feet, S 71°38'14" W 27.58 feet, thence S 00°04'51" E 17.29 feet, S 18°21'46" E 44.43 feet to a point located on said south edge of and existing bulkhead; thence meander southwesterly 348.1 feet, more or less, along said south corner of said dock, said point having the following coordinates, N. 268920.55, E. 796859.08; thence N 88°38'51" W 43.26 feet, to a point in a canal; thence N 02°59'02" W 160.73 feet along the east line of property now or formerly to John Ladner & Terryl Ladner (W.D. Book X5, Page 14), to a point located on the southeast right-of-way of Shipyard Road; thence N 54°53'02" E 405.48 feet along said southeast right-of-way of Shipyard Road to the said Point Of Beginning.

Said parcel of land contains 5.529 acres, more or less.

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PARCEL B  
Leasehold Interest

A parcel of land leased in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

For the Point Of Beginning, Commence at an iron rod located at the intersection of the northwest right-of-way of Shipyard Road with the east line of Block 98, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269352.04, E 797139.03 (M.S.P.C.S. East Zone/NAD 83 in feet); thence S 43°50'16" W 407.80 feet along said northwest right-of-way of Shipyard Road to the intersection with the east line of property new or formerly to Terry M. Ladner (W.D. Book BB23, Pages 240-241); thence N 02°59'02" W 111.76 feet, more or less, to a point on the southern bank of a canal, said point being the northeast corner of property new or formerly to Terry M. Ladner; thence meander southwesterly 170 feet, more or less, along said southern bank of a canal to the northwest corner of property now or formerly to Terry M. Ladner; thence S 02°59'02" E 37.53 feet, more or less, along the west line of said property now or formerly to Terry M. Ladner, to a point having the following coordinates N. 269077.62, E. 796063.60; thence S 89°48'38" W 245.10 feet to a point in a canal; thence N 00°52'43" E 237.79 feet to a point in a canal; thence N 00°05'36" E 243.76 feet to a point in a canal, said point also being located on the now or former south right-of-way of Featherston Avenue (not open/now vacated); thence S 89°43'28" W 608.20 feet along said now or former south right-of-way of Featherston Avenue to a point located on the now or former east right-of-way of Ann Street, said point also being the northwest corner of Lot 8, Block 76, Gulfview Subdivision, said point also being located on the following coordinates, N. 259556.34, E. 795818.34; thence N 00°11'22" W 510.00 feet along the now or former east right-of-way of Ann Street to a point located on the new or former centerline of Wattle Avenue (not open/now vacated); thence N 89°18'38" E 885.00 feet along said now or former centerline to the intersection of the now or former centerline of Michigan Street (not open/now vacated); thence N 00°11'33" W 480.00 feet along said former centerline of Michigan Street to the intersection of the now or former centerline of Lowry Avenue (not open/now vacated); thence N 89°48'38" E 561.21 feet along the new or former centerline of Lowry Avenue to a point located on the west right-of-way of Beach Boulevard, said point also being located 60 feet (measured at a right angle) westerly from the west side of the top of a concrete seawall being located east of and contiguous with said Beach Boulevard, said point having the following coordinates, N. 276651.12, E. 797261.27; thence S 07°19'28" E 30.23 feet along said west right-of-way of Beach Boulevard to a point located on the north line of Lot 1, Block 100, Gulfview Subdivision; thence S 08°44'36" E 323.60 feet along the west right-of-way of Beach Boulevard to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision; thence N 89°48'38" E 25.03 feet along the north line of said Lot 7 to a point, said point also being located at the south end of right-of-way for Beach Boulevard, said point also being located on the new west right-of-way of Shipyard Road; thence southerly 19.34 feet along a curve of the new west right-of-way of Shipyard road, said curve being concave to the west, having a central angle of 08°12'33" with a radius of 135.00 feet, also having a chord bearing and distance of S 05°56'49" W 19.33 feet to the end of said curve; thence S 10°03'05" W 191.64 feet along the new west right-of-way of Shipyard Road to the beginning of a curve to the left; thence southerly 60.70 feet along a curve of the new west right-of-way of Shipyard Road, said curve having a central angle of 18°47'54" with a radius of 185.00 feet, also having a chord bearing and distance of S 00°39'08" W 60.43 feet to the end of said curve; thence S 08°44'49" E 343.72 feet along the new west right-of-way of Shipyard Road to the beginning of a curve to the right; thence southerly and southwesterly 64.33 feet along a curve of the new west and new northwest right-of-way of Shipyard Road, said curve having a central angle of 54°12'26" with a radius of 68.00 feet, also having a chord bearing and distance of S 18°21'24" W 61.96 feet to the end of said curve; thence S 45°27'37" W 165.40 feet along the new northwest right-of-way of Shipyard Road; thence S 47°09'52" 66.93 feet along the northwest right-of-way of Shipyard Road; thence S 55°01'25" W 36.53 feet along the northwest right-of-way of Shipyard Road to the said Point Of Beginning.

Said parcel of land contains 31.18 acres, more or less.

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PARCEL C  
Leasehold Interest

All that portion of Beach Boulevard (now abandoned) lying south of the north line of Lot 7, Block 100, Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

Commence at the intersection of the north line of Lot 1, Block 100, Gulfview Subdivision with the west right-of-way of Beach Boulevard, said point being located at the following coordinates, N. 270521.13 feet, E. 797265.13 feet (M.S.P.C.S. East Zone/NAD 83 in feet); thence S 08°44'36" E 323.60 feet along the west right-of-way of Beach Boulevard to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision; thence N 89°48'38" E 55.05 feet along the north line of said Lot 7 to the Point Of Beginning, said point also being located at the south end of right-of-way for Beach Boulevard, said point also being located on the new right-of-way of Shipyard Road; thence continue N 89°48'38" E 5.63 feet to the west side of the top of a concrete seawall, said seawall being located east of and contiguous with now or former Beach Boulevard; thence meander along the west side of the top of a concrete seawall the following ten courses, S 08°45'41" E 10.55 feet, S 08°40'35" E 100.06 feet, S 08°44'59" E 80.83 feet, S 08°35'24" E 18.82 feet, S 08°45'41" E 100.59 feet, S 08°46'04" E 99.96 feet, S 08°44'59" E 99.52 feet, S 08°44'47" E 99.70 feet, S 08°40'43" E 100.10 feet, S 08°43'50" E 88.77 feet; thence N 81°11'47" E 2.95 feet to the northwest corner of a Public Trust Tidelands Lease parcel; thence S 08°48'13" E 299.95 feet along the west line of Public Trust Tidelands Lease parcel to a point located on the southerly edge of an existing bulkhead on the north side of Bayou Caddy, thence meander westerly and southerly along the edge of said bulkhead the following four courses, S 81°25'42" W 36.52 feet, S 06°34'36" E 32.37 feet, S 83°24'18" W 17.73 feet, S 73°55'30" W 7.67 feet to a point located on the now or formerly west right-of-way of Beach Boulevard; thence N 08°44'09" W 449.69 feet along said now or formerly west right-of-way of Beach Boulevard to a point located on the former south right-of-way of Shipyard Road; thence continue N 08°44'09" W 513.96 feet along said now or former west right-of-way of Beach Boulevard to a point located on the now west right-of-way of Shipyard Road; thence N 10°03'05" E 149.65 feet along the new east right-of-way of Shipyard Road to the beginning of a curve to the left; thence northerly 24.70 feet along said curve of the new east right-of-way of Shipyard Road, said curve having a central angle of 08°34'43" with a radius of 165.00 feet, also having a chord bearing and distance of N 05°45'43" E 24.68 feet to the said Point Of Beginning.

Said parcel of land contains 1.44 acres, more or less.

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**EXHIBIT B**

**MEMORANDUM OF LEASE**

**INSTRUMENT PREPARED BY:**

Robert W. Shockett  
Bingham McCutchen  
355 South Grand Avenue  
44 Floor  
Los Angeles, California 90071  
213-229-8436

**MEMORANDUM OF LEASE**

This agreement made and entered into this \_\_\_\_ day of November, 2004, by and between CURE LAND COMPANY, LLC, a Mississippi limited liability company (the "Landlord"), and SILVER SLIPPER CASINO VENTURE LLC, a Delaware limited liability company ("Tenant").

Landlord hereby leases to Tenant, and Tenant hereby lets from Landlord, the following described real property located in Hancock County, Mississippi:

See attached Exhibit "A", "B" and "C"

This Agreement is subject to the terms, conditions and restrictions contained in that certain unrecorded Lease Agreement With Option To Purchase (the "Lease") between Landlord and Tenant, dated the \_\_\_\_ day of November, 2004, all of which terms, conditions and restrictions are incorporated herein by reference. The Lease is for a term commencing on the \_\_\_\_ day of November, 2004, and terminating on the 30<sup>th</sup> day of April, 2028, and contains exclusive options to purchase the above-described property or portions thereof during the term of the Lease on terms set forth in the Lease.

Landlord covenants that, during the term of the Lease, Landlord will not sell or lease any property now owned or leased by Landlord or hereafter acquired or lease by Landlord, within a ten (10) mile radius of the Premises in any direction, to any third party for use, operation or lease as a gaming establishment without first allowing Tenant the right of first refusal with respect to said property.

Landlord hereby grants as easement to Tenant, subject to and in accordance with the terms of the Lease, the following described real property located in Hancock County, Mississippi:

See attached Exhibit "D"

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the \_\_\_\_ day of November, 2004.

LANDLORD

Cure Land Company, LLC  
a Mississippi limited liability company

By: \_\_\_\_\_  
Its: \_\_\_\_\_

ADDRESS OF LANDLORD:

P.O. Box 44  
Lakeshore, Mississippi 39558  
Attn: Mike Cure  
Telephone Number: 228-467-5880

TENANT

Silver Slipper Venture Casino LLC  
a Delaware limited liability company

By: \_\_\_\_\_  
Its: \_\_\_\_\_

ADDRESS OF TENANT:

150 S. Los Robles Avenue, Suite 665  
Pasadena, California 91101  
Attn: Loren Ostrow  
Telephone Number: 626-356-1188

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

Personally appeared before me, the undersigned authority in and for the said county and state, on this the \_\_\_\_ day of \_\_\_\_\_, 2004, within my jurisdiction, the within named \_\_\_\_\_, who acknowledged that he/she is the \_\_\_\_\_ of Cure Land Company, LLC, a Mississippi limited liability company, and that for and on behalf of the said entity, and as its act and deed, he/she executed the above and foregoing instrument, after first having been duly authorized by said entity so to do.

\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:

\_\_\_\_\_  
[SEAL]

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

Personally appeared before me, the undersigned authority in and for the said county and state, on this the \_\_\_\_ day of \_\_\_\_\_, 2004, within my jurisdiction, the within named \_\_\_\_\_, who acknowledged that he/she is the \_\_\_\_\_ of Silver Slipper Casino Venture LLC, a Delaware limited liability company, and that for and on behalf of the said entity, and as its act and deed, he/she executed the above and foregoing instrument, after first having been duly authorized by said entity so to do.

\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:

\_\_\_\_\_  
[SEAL]

**EXHIBIT A**

**DESCRIPTION OF THE PROPERTY**

**PARCEL A**  
Leasehold Interest

A parcel of land located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), also being located in that portion of the NW 1/4 lying north of the Bayou Caddy, Section 29, Township 9 South, Range 14 West, Hancock County, Mississippi; and being more particularly described as follows:

Commence at an iron rod located at the intersection of the northwest right-of-way of Shipyard Road with the east line of Block 98, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269352.04, E. 797139.03 (M.S.P.C.S. East Zones/NAD 83 in feet); thence S 00°11'22" E. 36.71 feet to the intersection of the east line of Block 98, Gulfview Subdivision, with the southeast right-of-way of Shipyard Road, said intersection being the Point of Beginning; thence N 54°53'02" E 36.68 feet along the southeast right-of-way of Shipyard Road; thence N 53°55'51" E 26.24 feet along the southeast right-of-way of Shipyard Road; thence N 47°08'34" E 66.03 feet along the new southeast right-of-way of Shipyard Road; thence N 45°27'37" E 165.84 feet along the new southeast right-of-way of Shipyard Road to the beginning of a curve to the left; thence northeasterly and northerly 92.72 feet along a curve of the new southeast and new east right-of-way of Shipyard Road, said curve having a central angle of 54°12'26" with a radius of 98.00 feet, also having a chord bearing and distance of N 18°21'24" E 89.30 feet to the end of said curve; thence N 08°44'49" W 343.72 feet along the new east right-of-way of Shipyard Road to the beginning of a curve to the right; thence northerly 50.85 feet along said curve of the new east right-of-way of Shipyard Road, said curve having a central angle of 18°47'54" with a radius of 155.00 feet, also having a chord bearing and distance of N 00°39'08" E 50.63 feet to the end of said curve, thence N 10°03'05" E 41.99 feet along the new east right-of-way of Shipyard Road to a point located on the now or former west right-of-way of Beach Boulevard; thence S 08°44'09" E 516.96 feet along said now or former west right-of-way of Beach Boulevard to a point located on the former south right-of-way of Shipyard Road; thence continue S 08°44'09" E 449.69 feet along said now or former west right-of-way of Beach Boulevard to a point located on the southerly edge of an existing bulkhead on the north side of Bayou Caddy; thence meander southwesterly 262.6 feet, more or less, along said south edge of and existing bulkhead to a point located at the following coordinates, N. 268971.14, E. 797247.61, said point also being located at the most easterly corner of a parcel of land with an existing water tower; thence along the boundary of the water tower parcel the following five courses, N 18°21'46" W 49.85 feet, N 75°27'23" W 20.25 feet, S 71°38'14" W 27.58 feet, thence S 00°04'51" E 17.29 feet, S 18°21'46" E 44.43 feet to a point located on said south edge of and existing bulkhead; thence meander southwesterly 348.1 feet, more or less, along said south corner of said dock, said point having the following coordinates, N. 268920.55, E. 796859.08; thence N 88°38'51" W 43.26 feet, to a point in a canal; thence N 02°59'02" W 160.73 feet along the east line of property now or formerly to John Ladner & Teryl Ladner (W.D. Book X5, Page 14), to a point located on the southeast right-of-way of Shipyard Road; thence N 54°53'02" E 405.48 feet along said southeast right-of-way of Shipyard Road to the said Point Of Beginning.

Said parcel of land contains 5.529 acres, more or less.

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PARCEL B  
Leasehold Interest

A parcel of land leased in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

For the Point Of Beginning, Commence at an iron rod located at the intersection of the northwest right-of-way of Shipyard Road with the east line of Block 98, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269352.04, E 797139.03 (M.S.P.C.S. East Zone/NAD 83 in feet); thence S 43°50'16" W 407.80 feet along said northwest right-of-way of Shipyard Road to the intersection with the east line of property new or formerly to Terry M. Ladner (W.D. Book BB23, Pages 240-241); thence N 02°59'02" W 111.76 feet, more or less, to a point on the southern bank of a canal, said point being the northeast corner of property new or formerly to Terry M. Ladner; thence meander southwesterly 170 feet, more or less, along said southern bank of a canal to the northwest corner of property now or formerly to Terry M. Ladner; thence S 02°59'02" E 37.53 feet, more or less, along the west line of said property now or formerly to Terry M. Ladner, to a point having the following coordinates N. 269077.62, E. 796063.60; thence S 89°48'38" W 245.10 feet to a point in a canal; thence N 00°52'43" E 237.79 feet to a point in a canal; thence N 00°05'36" E 243.76 feet to a point in a canal, said point also being located on the now or former south right-of-way of Featherston Avenue (not open/now vacated); thence S 89°43'28" W 608.20 feet along said now or former south right-of-way of Featherston Avenue to a point located on the now or former east right-of-way of Ann Street, said point also being the northwest corner of Lot 8, Block 76, Gulfview Subdivision, said point also being located on the following coordinates, N. 259556.34, E. 795818.34; thence N 00°11'22" W 510.00 feet along the now or former east right-of-way of Ann Street to a point located on the new or former centerline of Wattle Avenue (not open/now vacated); thence N 89°18'38" E 885.00 feet along said now or former centerline to the intersection of the now or former centerline of Michigan Street (not open/now vacated); thence N 00°11'33" W 480.00 feet along said former centerline of Michigan Street to the intersection of the now or former centerline of Lowry Avenue (not open/now vacated); thence N 89°48'38" E 561.21 feet along the new or former centerline of Lowry Avenue to a point located on the west right-of-way of Beach Boulevard, said point also being located 60 feet (measured at a right angle) westerly from the west side of the top of a concrete seawall being located east of and contiguous with said Beach Boulevard, said point having the following coordinates, N. 276651.12, E. 797261.27; thence S 07°19'28" E 30.23 feet along said west right-of-way of Beach Boulevard to a point located on the north line of Lot 1, Block 100, Gulfview Subdivision; thence S 08°44'36" E 323.60 feet along the west right-of-way of Beach Boulevard to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision; thence N 89°48'38" E 25.03 feet along the north line of said Lot 7 to a point, said point also being located at the south end of right-of-way for Beach Boulevard, said point also being located on the new west right-of-way of Shipyard Road; thence southerly 19.34 feet along a curve of the new west right-of-way of Shipyard road, said curve being concave to the west, having a central angle of 08°12'33" with a radius of 135.00 feet, also having a chord bearing and distance of S 05°56'49" W 19.33 feet to the end of said curve; thence S 10°03'05" W 191.64 feet along the new west right-of-way of Shipyard Road to the beginning of a curve to the left; thence southerly 60.70 feet along a curve of the new west right-of-way of Shipyard Road, said curve having a central angle of 18°47'54" with a radius of 185.00 feet, also having a chord bearing and distance of S 00°39'08" W 60.43 feet to the end of said curve; thence S 08°44'49" E 343.72 feet along the new west right-of-way of Shipyard Road to the beginning of a curve to the right; thence southerly and southwesterly 64.33 feet along a curve of the new west and new northwest right-of-way of Shipyard Road, said curve having a central angle of 54°12'26" with a radius of 68.00 feet, also having a chord bearing and distance of S 18°21'24" W 61.96 feet to the end of said curve; thence S 45°27'37" W 165.40 feet along the new northwest right-of-way of Shipyard Road; thence S 47°09'52" 66.93 feet along the northwest right-of-way of Shipyard Road; thence S 55°01'25" W 36.53 feet along the northwest right-of-way of Shipyard Road to the said Point Of Beginning.

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Said parcel of land contains 31.18 acres, more or less.

Said parcel of land contains 31.18 acres, more or less.  
Part of Lots 1-8 incl., Blk. 100.

PARCEL C  
Leasehold Interest

All that portion of Beach Boulevard (now abandoned) lying south of the north line of Lot 7, Block 100, Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

Commence at the intersection of the north line of Lot 1, Block 100, Gulfview Subdivision with the west right-of-way of Beach Boulevard, said point being located at the following coordinates, N. 270521.13 feet, E. 797265.13 feet (M.S.P.C.S. East Zone/NAD 83 in feet); thence S 08°44'36" E 323.60 feet along the west right-of-way of Beach Boulevard to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision; thence N 89°48'38" E 55.05 feet along the north line of said Lot 7 to the Point Of Beginning, said point also being located at the south end of right-of-way for Beach Boulevard, said point also being located on the new right-of-way of Shipyard Road; thence continue N 89°48'38" E 5.63 feet to the west side of the top of a concrete seawall, said seawall being located east of and contiguous with now or former Beach Boulevard; thence meander along the west side of the top of a concrete seawall the following ten courses, S 08°45'41" E 10.55 feet, S 08°40'35" E 100.06 feet, S 08°44'59" E 80.83 feet, S 08°35'24" E 18.82 feet, S 08°45'41" E 100.59 feet, S 08°46'04" E 99.96 feet, S 08°44'59" E 99.52 feet, S 08°44'47" E 99.70 feet, S 08°40'43" E 100.10 feet, S 08°43'50" E 88.77 feet; thence N 81°11'47" E 2.95 feet to the northwest corner of a Public Trust Tidelands Lease parcel; thence S 08°48'13" E 299.95 feet along the west line of Public Trust Tidelands Lease parcel to a point located on the southerly edge of an existing bulkhead on the north side of Bayou Caddy, thence meander westerly and southerly along the edge of said bulkhead the following four courses, S 81°25'42" W 36.52 feet, S 06°34'36" E 32.37 feet, S 83°24'18" W 17.73 feet, S 73°55'30" W 7.67 feet to a point located on the now or formerly west right-of-way of Beach Boulevard; thence N 08°44'09" W 449.69 feet along said now or formerly west right-of-way of Beach Boulevard to a point located on the former south right-of-way of Shipyard Road; thence continue N 08°44'09" W 513.96 feet along said now or former west right-of-way of Beach Boulevard to a point located on the now west right-of-way of Shipyard Road; thence N 10°03'05" E 149.65 feet along the new east right-of-way of Shipyard Road to the beginning of a curve to the left; thence northerly 24.70 feet along said curve of the new east right-of-way of Shipyard Road, said curve having a central angle of 08°34'43" with a radius of 165.00 feet, also having a chord bearing and distance of N 05°45'43" E 24.68 feet to the said Point Of Beginning.

Said parcel of land contains 1.44 acres, more or less.

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**EXHIBIT B**

**Legal Description of 1 Acre Parcel**

PARCEL G  
Leasehold Interest

A parcel of land located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

Commence at an iron rod located at the southwest corner of Lot 9, Block 77, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269050.32, E. 796270.02 (M.S.P.C.S.-EAST ZONE/NAD 83 in feet); thence N 00°11'22" W 31.00 feet along the west line of Block 77 to the Point Of Beginning; thence S 89°48'38" W 130.00 feet; thence N 81°05'57" W 50.64 feet; thence N 77°18'52" W 71.81 feet; thence N 85°02'49" W 100.40 feet; thence S 89°48'38" W 100.00 feet to the west line of Block 76, Gulfview Subdivision; thence N 00°11'22" W 443.51 feet along said west line of Block 76, to the northwest corner of Lot 8, Block 76, Gulfview Subdivision; thence N 89°48'38" E 450.00 feet along the north line of said Block 76 and the easterly projection thereof to the northwest corner of Lot 8, Block 77, Gulfview Subdivision; thence S 00°11'22" E 476.51 feet along the west line of said Block 77 to the said Point of Beginning.

Said parcel of land contains 4.7 acres, more or less.

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**EXHIBIT C**

**Legal Description of Parking Area**

PARCEL J

Leasehold Interest

Commencing at a concrete post which is the Southwest corner of Section 36, Tp.85, R15W; thence East 828.5 feet along the Section line to an iron pipe, thence North 1037.5 feet, more or less, to an iron pipe on the South line of R.O.W. of U.S. Highway 90 as the point of beginning; thence North 88 degrees 7 minutes West 128 feet, more ore less, along the South line of the above mentioned ROW to a point which is 43 feet East of the East Driveway; thence South 180 feet to a point; thence S 88 degrees 7 minutes E 128 feet, more or less, to a point which is due South of the point of beginning, thence N. 180 feet to the point of beginning; being a part of the SW 1/4 of the SW 1/4, Section 36, Township 85, Range 15W, Hancock County, Mississippi.

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## EXHIBIT D

### Legal Description of Easement

#### PARCEL F

#### Non-Exclusive Easement Interest

A parcel of land (easement) located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), also being located in that part of the NE 1/4 of the NE 1/4 lying north of Bayou Caddy in Section 30, Township 9 South, Range 14 West, Hancock County, Mississippi; and being more particularly described as follows:

For the Point Of Beginning, Commence at an iron rod located at the southwest corner of Lot 9, Block 77, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269050.32 E 796270.02 (M.S.P.C.S.-East Zone/NAD 83 in feet); thence N 76°46'38" W 133.64 feet; thence N 89°48'38" E 130.00 feet to the west line of said Lot 9, Block 77; thence S 80°41'99" E. 50.69 feet; thence N 87°51'33" E 98.62 feet to a point in a canal; thence N 89°48'38" E 245.10 feet to a point located on the west line of property now or formerly to Terryl M. Ladner, said point having the following coordinates, N. 269077.62, E. 796663.60; thence S 02°59'02" E 37.78 feet along said west line of property now or formerly to Terryl M. Ladner (W.D. Book HH23, Pages 240-241), to a point located on the northwest right-of-way of Shipyard Road; thence S 66°39'08" W 27.82 feet along said northwest right-of-way of Shipyard Road to a point located on the east line of property now or formerly to Strong (W.D. Book AA5, Pages 33-35); thence N 02°50'06" W 10.13 feet along said east line of property now or formerly to Strong, to the southeast corner of a parcel of land conveyed by Strong to Cure, et al (W.D. Book BB94, Pages 576-578); thence S 88°53'02" W 90.00 feet along the south line of said parcel of land conveyed by Strong to Cure, et al; thence N 74°12'03" W 22.44 feet; thence N 87°11'53" W 69.68 feet; thence S 87°51'33" W 150.40 feet; thence N 76°46'38" W 39.06 feet to the paid Point of Beginning.

Said parcel of land (easement) contains 0.357 acre, more or less.

#### PARCEL H

#### Non-Exclusive Easement Interest

A parcel of land located in that portion of the NW 1/4 of the NW 1/4 lying north of Bayou Caddy in Section 29, Township 9 South, Range 14 West, Hancock County, Mississippi; and being more particularly described as follows:

Commence at an iron rod located at the intersection of the northwest right-of-way of Shipyard Road with the east line of Block 98, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269352.04, E 797139.03 (M.S.P.C.S. East Zone/NAD 83 in feet); thence S 00°11'22" E 35.71 feet to the intersection of the east line of Block 98, Gulfview Subdivision with the southeast right-of-way of Shipyard Road; thence N 54°53'02" E 36.68 feet along the southeast right-of-way of Shipyard Road; thence N 53°55'51" E 20.43 feet along the southeast right-of-way of Shipyard Road; thence S 00°04'51" E 333.61 feet to the Point Of Beginning; thence N 71°38'14" E 27.58 feet; thence S 75°27'27" E 20.25 feet; thence S 18°21'46" E 49.85 feet to a point located on the south edge of an existing bulkhead, said point being located at the following coordinates, N. 268971.14, E 797247.61; thence S 71°38'14" W 50.00 feet along said south edge of an existing bulkhead; thence N 18°21'46" W 44.43 feet; thence N 00°04'51" W 17.29 feet to the said Point Of Beginning.

Said parcel of land contains 2,904 square feet or 0.067 acre, more.

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**EXHIBIT C**

**Legal Description of 1 Acre Parcel**

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**EXHIBIT C**

LEGAL DESCRIPTION

All parcel letter designations shown in this and other legal description exhibits correspond to the survey of George M. Hathway, R.L.S., dated December 7, 2004.

PARCEL J  
Leasehold Interest

Commencing at a concrete post which is the Southwest corner of Section 36, Tp.85, R15W; thence East 828.5 feet along the Section line to an iron pipe, thence North 1037.5 feet, more or less, to an iron pipe on the South line of R.O.W. of U.S. Highway 90 as the point of beginning; thence North 88 degrees 7 minutes West 128 feet, more ore less, along the South line of the above mentioned ROW to a point which is 43 feet East of the East Driveway; thence South 180 feet to a point; thence S 88 degrees 7 minutes E 128 feet, more or less, to a point which is due South of the point of beginning, thence N. 180 feet to the point of beginning; being a part of the SW 1/4 of the SW 1/4, Section 36, Township 85, Range 15W, Hancock County, Mississippi.

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**EXHIBIT D**

**Legal Description of Parking Area**

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**EXHIBIT D**

LEGAL DESCRIPTION

All parcel letter designations shown in this and other legal description exhibits correspond to the survey of George M. Hathway, R.L.S., dated December 7, 2004.

PARCEL G  
Leasehold Interest

A parcel of land located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

Commence at an iron rod located at the southwest corner of Lot 9, Block 77, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269050.32, E. 796270.02 (M.S.P.C.S.-EAST ZONE/NAD 83 in feet); thence N 00°11'22" W 31.00 feet along the west line of Block 77 to the Point Of Beginning; thence S 89°48'38" W 130.00 feet; thence N 81°05'57" W 50.64 feet; thence N 77°18'52" W 71.81 feet; thence N 85°02'49" W 100.40 feet; thence S 89°48'38" W 100.00 feet to the west line of Block 76, Gulfview Subdivision; thence N 00°11'22" W 443.51 feet along said west line of Block 76, to the northwest corner of Lot 8, Block 76, Gulfview Subdivision; thence N 89°48'38" E 450.00 feet along the north line of said Block 76 and the easterly projection thereof to the northwest corner of Lot 8, Block 77, Gulfview Subdivision; thence S 00°11'22" E 476.51 feet along the west line of said Block 77 to the said Point of Beginning.

Said parcel of land contains 4.7 acres, more or less.

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**EXHIBIT E**

**Access to Water Tower**

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**EXHIBIT E**

LEGAL DESCRIPTION

All parcel letter designations shown in this and other legal description exhibits correspond to the survey of George M. Hathway, R.L.S., dated December 7, 2004.

PARCEL I

Non-Exclusive Easement Interest

A parcel of land (easement) located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), also being located in that portion of the NW 1/4 of the NW 1/4 lying north of Bayou Caddy in Section 29, Township 9 South, Range 14 West, Hancock County, Mississippi; and being more particularly described as follows:

Commence at an iron rod located at the intersection of the northwest right-of-way of Shipyard Road with the east line of Block 94, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269352.04, E. 797139.03 (M.S.P.C.S.-East Zone/NAD 83 in feet); thence S 00°11'22" E 36.71 feet to the intersection of the east line of Block 98, Gulfview Subdivision with the southeast right-of-way of Shipyard Road; thence N 54°33'02" E 32.44 feet along the southeast right-of-way of Shipyard Road to the Point of Beginning; thence continue N 54°53'02" E 4.24 feet along said southeast right-of-way of Shipyard Road; thence; N 53°35'51" E 20.40 feet along the southeast right-of-way of Shipyard Road; thence S 00°04'51" E 333.61 feet to the northwest corner of a parcel of land for a Water Tower; thence continue S 00°04'51" E 17.29 feet along the westerly line of a parcel of land for a Water Tower; thence S 18°21'46" E 34.45 feet along the westerly line of a parcel of land for a Water Tower; thence S 89°53'59" W 30.81 feet; thence N 00°04'51" W 369.19 feet to the said Point of Beginning.

Said parcel of land (easement) contains 0.177 acre, more or less.

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**EXHIBIT F**  
**Water Tower Property**

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## EXHIBIT F

### LEGAL DESCRIPTION

All parcel letter designations shown in this and other legal description exhibits correspond to the survey of George M. Hathway, R.L.S., dated December 7, 2004.

### PARCEL H

#### Non-Exclusive Easement Interest

A parcel of land located in that portion of the NW 1/4 of the NW 1/4 lying north of Bayou Caddy in Section 29, Township 9 South, Range 14 West, Hancock County, Mississippi; and being more particularly described as follows:

Commence at an iron rod located at the intersection of the northwest right-of-way of Shipyard Road with the east line of Block 98, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269352.04, E 797139.03 (M.S.P.C.S. East Zone/NAD 83 in feet); thence S 00°11'22" E 35.71 feet to the intersection of the east line of Block 98, Gulfview Subdivision with the southeast right-of-way of Shipyard Road; thence N 54°53'02" E 36.68 feet along the southeast right-of-way of Shipyard Road; thence N 53°55'51" E 20.43 feet along the southeast right-of-way of Shipyard Road; thence S 00°04'51" E 333.61 feet to the Point Of Beginning; thence N 71°38'14" E 27.58 feet; thence S 75°27'27" E 20.25 feet; thence S 18°21'46" E 49.85 feet to a point located on the south edge of an existing bulkhead, said point being located at the following coordinates, N. 268971.14, E 797247.61; thence S 71°38'14" W 50.00 feet along said south edge of an existing bulkhead; thence N 18°21'46" W 44.43 feet; thence N 00°04'51" W 17.29 feet to the said Point Of Beginning.

Said parcel of land contains 2,904 square feet or 0.067 acre, more.

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## EXHIBIT G

### LEGAL DESCRIPTION

All parcel letter designations shown in this and other legal description exhibits correspond to the survey of George M. Hathway, R.L.S., dated December 7, 2004.

### PARCEL F

#### Non-Exclusive Easement Interest

A parcel of land (easement) located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), also being located in that part of the NE 1/4 of the NE 1/4 lying north of Bayou Caddy in Section 30, Township 9 South, Range 14 West, Hancock County, Mississippi; and being more particularly described as follows:

For the Point Of Beginning, Commence at an iron rod located at the southwest corner of Lot 9, Block 77, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269050.32 E 796270.02 (M.S.P.C.S.-East Zone/NAD 83 in feet); thence N 76°46'38" W 133.64 feet; thence N 89°48'38" E 130.00 feet to the west line of said Lot 9, Block 77; thence S 80°41'99" E. 50.69 feet; thence N 87°51'33" E 98.62 feet to a point in a canal; thence N 89°48'38" E 245.10 feet to a point located on the west line of property now or formerly to Terry M. Ladner, said point having the following coordinates, N. 269077.62, E. 796663.60; thence S 02°59'02" E 37.78 feet along said west line of property now or formerly to Terry M. Ladner (W.D. Book HH23, Pages 240-241), to a point located on the northwest right-of-way of Shipyard Road; thence S 66°39'08" W 27.82 feet along said northwest right-of-way of Shipyard Road to a point located on the east line of property now or formerly to Strong (W.D. Book AA5, Pages 33-35); thence N 02°50'06" W 10.13 feet along said east line of property now or formerly to Strong, to the southeast corner of a parcel of land conveyed by Strong to Cure, et al (W.D. Book BB94, Pages 576-578); thence S 88°53'02" W 90.00 feet along the south line of said parcel of land conveyed by Strong to Cure, et al; thence N 74°12'03" W 22.44 feet; thence N 87°11'53" W 69.68 feet; thence S 87°51'33" W 150.40 feet; thence N 76°46'38" W 39.06 feet to the paid Point of Beginning.

Said parcel of land (easement) contains 0.357 acre, more or less.

STATE OF MISSISSIPPI

COUNTY OF HANCOCK

**FIRST AMENDMENT TO  
LEASE AGREEMENT WITH OPTION TO PURCHASE**

THIS FIRST AMENDMENT TO LEASE AGREEMENT WITH OPTION TO PURCHASE (this “**Amendment**”) is entered into as of the 13 day of March, 2009, by and between CURE LAND COMPANY, LLC, a Mississippi limited liability company (together with any successor or assign “**Landlord**”), and SILVER SLIPPER CASINO VENTURE LLC, a Delaware limited liability company (together with any successor or assign “**Tenant**”).

WHEREAS, Landlord and Tenant have previously entered into a Lease Agreement with Option to Purchase, dated as of November 17, 2004, (“**Original Lease**”) pursuant to which Tenant has leased the Premises from Cure Land Company, LLC, as Landlord. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Original Lease. A Memorandum of Lease providing record notice of the Original Lease and certain terms thereof was executed by Landlord and Tenant effective November 17, 2004, (“**Lease Memo**”) and recorded in Deed Book BB 298 at Page 287 in the office of the Chancery Clerk of Hancock County, Mississippi.

WHEREAS, Landlord and Tenant filed a Petition to Abandon Road Segment and Accept Alternate Segment heard and approved by the Board of Supervisors of Hancock County, Mississippi, on September 5, 2006, and thereby the county abandoned a segment of Shipyard Road adjacent to Parcels A, B, and C of the Premises and accepted a Deed of Dedication from Landlord for a segment relocating that portion of Shipyard Road to a position to improve access to and accommodate the improvements then planned for the Premises. Said Deed of Dedication is dated September 1, 2006, and is recorded in Deed Book 2006 at Page 17118 of the aforesaid records.

WHEREAS, Landlord, and Tenant have operated with the understanding and now wish to amend the Original Lease to formally reflect that the abandoned segment of Shipyard Road is now included in the Premises and that the relocated segment of Shipyard Road is now excluded from the Premises.

NOW, THEREFORE, for and in consideration of the covenants and promises contained herein and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Landlord and Tenant hereby amend the Original Lease and Lease Memo with respect to the Premises as follows:

Exhibit A to both the Lease and Lease Memo is hereby amended by adding the attached “**Addendum to Exhibit A.**” Landlord hereby leases and lets to Tenant and Tenant hereby rents from Landlord the Premises as the description for same is amended in the Addendum to Exhibit A, together with all easements, rights of way and appurtenances in connection therewith or thereunto belonging and the improvements constructed thereon, and the definition of “Premises” as set forth in the Original Lease is hereby so amended.

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The Original Lease and Lease Memo are amended only as expressly set forth herein, and all other terms and conditions thereof shall remain in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the date set forth in the first paragraph above.

**LANDLORD:**

Cure Land Company, LLC

By: /s/ Michael D. Cure

Its: Pres.

**TENANT:**

Silver Slipper Casino Venture LLC

By: /s/ John N. Ferrucci

Its: COO

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**ADDENDUM TO EXHIBIT A**

**ADDED TO DESCRIPTION OF THE PROPERTY:**

**ABANDONED ROADWAY PARCEL**

**Leasehold Interest**

FORMER R.O.W. FOR SHIPYARD ROAD (2006)

A parcel of land located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

Commence at the intersection of the north line of Lot 1, Block 100, Gulfview Subdivision with the west right-of-way of Beach Boulevard, said point being located at the following coordinates, N. 270521.13 feet, E. 797265.13 feet (M.S.P.C.S.-East Zone/NAD 83 in feet); thence S 08°44'36" E 323.60 feet along the west right-of-way of Beach Boulevard to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision; thence N 89°48'38" E 30.02 feet along the north line of said Lot 7, also being along the south end of right-of-way for Beach Boulevard; thence southerly 24.70 feet along a curve concave to the west, having a central angle of 08°34'43" with a radius of 165.00 feet, also having a chord bearing and distance of S 05°45'43" W 24.68 feet to the end of said curve; thence S 10°03'05" W 191.64 feet to the beginning of a curve to the left; thence southerly 50.85 feet along said curve having a central angle of 18°47'54" with a radius of 155.00 feet, also having a chord bearing and distance of S 00°39'08" W 50.63 feet to the end of said curve; thence S 08°44'49" E 343.72 feet to the beginning of a curve to the right; thence southerly and southwesterly 92.72 feet along said curve having a central angle of 54°12'26" with a radius of 98.00 feet, also having a chord bearing and distance of S 18°21'24" W 89.30 feet to the end of said curve; thence S 45°27'37" W 165.84 feet; thence S 47°08'34" W 66.03 feet; thence S 53°55'51" W 26.24 feet; thence S 54°53'02" W 36.68 feet; thence S 54°53'02" W 405.48 feet to a point located at the northeast corner of property now or formerly to John Ladner & Terryl Ladner (W.D. Book X5, Page 14); thence N 02°59'02" W 35.15 feet to a point located at the southeast corner of property now or formerly to Terryl M. Ladner (W.D. Book BB23, Pages 240-241); thence N 54°50'16" E 407.80 feet; thence N 55°01'25" E 36.53 feet; thence N 47°09'52" E 66.93 feet; thence N 45°27'37" E 165.40 feet to the beginning of a curve to the left; thence northeasterly and northerly 64.33 feet along said curve having a central angle of 54°12'26" with a radius of 68.00 feet, also having a chord bearing and distance of N 18°21'24" E 61.96 feet to the end of said curve; thence N 08°44'49" W 343.72 feet to the beginning of a curve to the right; thence northerly 60.70 feet along said curve having a central angle of 18°47'54" with a radius of 185.00 feet, also having a chord bearing and distance of N 00°39'08" E 60.43 feet to the end of said curve; thence N 10°03'05" E 191.64 feet to the beginning of a curve to the left; thence northerly 19.34 feet along said curve having a central angle of 08°12'33" with a radius of 135.00 feet, also having a chord bearing and distance of N 05°56'49" E 19.33 feet to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision, said point also being located at the south end of right-of-way for Beach Boulevard, also said point being the said Point Of Beginning.

Said parcel of land contains 0.950 acre, more or less.

Exhibit A

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**LESS AND EXCEPTED FROM PARCELS A, B AND C:**  
RELOCATED ROADWAY PARCEL

NEW R.O.W. FOR SHIPYARD ROAD (2006)

A parcel of land located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

Commence at the intersection of the north line of Lot 1, Block 100, Gulfview Subdivision with the west right-of-way of Beach Boulevard, said point being located at the following coordinates, N. 270521.13 feet, E. 797265.13 feet (M.S.P.C.S.-East Zone/NAD 83 in feet); thence S 08°44'36" E 323.60 feet along the west right-of-way of Beach Boulevard to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision; thence N 89°48'38" E 40.60 feet along the north line of said Lot 7, also being along the south end of right-of-way for Beach Boulevard; thence S 11°36'42" W 25.62 feet; thence S 10°02'59" W 190.35 feet to the beginning of a curve to left; thence southerly 54.43 feet along said curve having a central angle of 19°00'52" with a radius of 164.00 feet, also having a chord bearing and distance of S 00°32'33" W 54.18 feet to the end of said curve; thence S 08°57'53" E 96.61 feet; thence S 08°44'21" E 141.83 feet to the beginning of a curve to the right; thence southerly and southwesterly 65.31 feet along said curve having a central angle of 49°53'41" with a radius of 75.00 feet, also having a chord bearing and distance of S 16°12'30" W 63.27 feet to the end of said curve; thence S 41°09'20" W 137.98 feet to the beginning of a curve to the right; thence southwesterly and westerly 34.94 feet along said curve having a central angle of 40°02'27" with a radius of 50.00 feet, also having a chord bearing and distance of S 61°10'34" W 34.24 feet to the end of said curve; thence S 81°11'47" W 53.04 feet to the beginning of a curve to the left; thence westerly and southwesterly 49.90 feet along said curve having a central angle of 57°10'47" with a radius of 50.00 feet, also having a chord bearing and distance of S 52°36'23" W 47.85 feet to the end of said curve; thence S 24°01'00" W 90.89 feet to the beginning of a curve to the right; thence southerly and southwesterly 39.03 feet along said curve having a central angle of 30°00'50" with a radius of 74.50 feet, also having a chord bearing and distance of S 39°01'25" W 38.58 feet to the end of said curve; thence S 54°01'50" W 168.09 feet to the beginning of a curve to the left; thence southwesterly and southerly 27.52 feet along said curve having a central angle of 39°55'07" with a radius of 39.50 feet, also having a chord bearing and distance of S 34°04'16" W 26.97 feet to the end of said curve; thence S 14°06'43" W 78.39 feet to the beginning of a curve to the right; thence southerly and southwesterly 54.02 feet along said curve having a central angle of 40°43'33" with a radius of 76.00 feet, also having a chord bearing and distance of S 34°28'30" W 52.89 feet to the end of said curve; thence S 54°50'16" W 91.05 feet to a point located on the east line of property now or formerly to John Ladner & Terry Ladner (W.D. Book X5, Page 14); thence N 02°59'02" W 42.53 feet to a point located on the east line of property now or formerly to Terry M. Ladner (W.D. Book BB23, Pages 240-241); thence N 54°50'16" E 68.40 feet to the beginning of a curve to the left; thence northeasterly and northerly 28.43 feet along said curve having a central angle of 40°43'33" with a radius of 40.00 feet, also having a chord bearing and distance of N 34°28'30" E 27.84 feet to the end of said curve; thence N 14°06'43" E 78.39 feet to the beginning of a curve to the right; thence northerly and northeasterly 52.60 feet along said curve having a central angle of 39°55'07" with a radius of 75.50 feet, also having a chord bearing and distance of N 34°04'16" E 51.54 feet to the end of said curve; thence N 54°01'50" E 168.09 feet to the beginning of a curve to the left; thence northeasterly and northerly 20.17 feet along said curve having a central angle of 30°00'50" with a radius of 38.50 feet, also having a chord bearing and distance of N 39°01'25" E 19.94 feet to the end of said curve; thence N 24°01'00" E 121.25 feet to the beginning of a curve to the right; thence northeasterly and easterly 56.39 feet along said curve having a central angle of 57°10'47" with a radius of 56.50 feet, also having a chord bearing and distance of N 52°36'23" E 54.07 feet to the end of said curve; thence N 81°11'47" E 60.17 feet to the beginning of a curve to the left; thence easterly and northeasterly 39.48 feet along said curve having a central angle of 40°02'27" with a radius of 56.50 feet, also having a chord bearing and distance of N 61°10'34" E 38.69 feet to the end of said curve; thence N 41°09'20" E 103.84 feet to the beginning of a curve to the left; thence northeasterly and northerly 33.96 feet along said curve having a central angle of 49°53'41" with a radius of 39.00 feet, also having a chord bearing and distance of N 16°12'30" E 32.90 feet to the end of said curve; thence N 08°44'21" W 141.76 feet; thence N 08°57'53" W 96.54 feet to the beginning of a curve to the right; thence northerly 66.37 feet along said curve having a central angle of 19°00'52" with a radius of 200.00 feet, also having a chord bearing and distance of N 00°32'33" E 66.07 feet to the end of said curve; thence N 10°02'59" E 190.36 feet; thence North 18.68 to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision, said point also being located at the south end of right-of-way for Beach Boulevard, also said point being the said Point Of Beginning.

Exhibit A

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Said parcel of land contains 1.169 acres, more or less.

**INDEXING INSTRUCTIONS:**

For indexing purposes regarding the aforementioned Gulfview Subdivision: (part of the following Lots as noted) part of Lots 1-4 incl. and 10-16 incl., Block 98; part of Lots 1-14 incl.; Block 99; part of Lots 7 and 8, Block 100.

**INSTRUMENT PREPARED BY:**

Balch & Bingham LLP  
P.O. Box 130  
Gulfport, MS 39502  
(228) 864-9900

Exhibit A

STATE OF MISSISSIPPI

COUNTY OF HANCOCK

**SECOND AMENDMENT TO  
LEASE AGREEMENT WITH OPTION TO PURCHASE**

THIS SECOND AMENDMENT TO LEASE AGREEMENT WITH OPTION TO PURCHASE (this "**Amendment**") is entered into as of the 26th day of September, 2012, (the "**Effective Date**") by and between CURE LAND COMPANY, LLC, a Mississippi limited liability company (together with any successor or assign "**Landlord**"), and SILVER SLIPPER CASINO VENTURE LLC, a Delaware limited liability company (together with any successor or assign "**Tenant**").

WHEREAS, Landlord and Tenant have previously entered into a Lease Agreement with Option to Purchase, dated as of November 17, 2004, ("**Original Lease**") pursuant to which Tenant has leased the Premises from Cure Land Company, LLC, as Landlord. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Original Lease. A Memorandum of Lease providing record notice of the Original Lease and certain terms thereof was executed by Landlord and Tenant effective November 17, 2004, ("**Lease Memo**") and recorded in Deed Book BB 298 at Page 287 in the office of the Chancery Clerk of Hancock County, Mississippi.

WHEREAS, Landlord and Tenant executed a First Amendment to Lease Agreement with Option to Purchase, dated as of March 13, 2009, and recorded in Deed Book 2009 at Page 3448 in the office of the Chancery Clerk of Hancock County, Mississippi, (the "**First Amendment**" and together with the Original Lease, the "**Lease**") to reflect a change to the legal description of the Premises due to the abandonment of a portion of Shipyard Road adjacent to Parcels A, B, and C of the Premises and the relocation of the public roadway in that area. The full legal description of the Premises as revised by the First Amendment as surveyed is set forth on **Exhibit "A"** hereto; however, the descriptions as set forth herein are intended to be one and the same as the descriptions set forth in the Lease and shall not limit any of Tenant's rights to the Premises as granted in the Lease.

WHEREAS, Full House Resorts, Inc., a Delaware corporation, ("**Full House**") has entered into a Membership Purchase Agreement with Tenant's members dated as of March 30, 2012, for the purchase of the limited liability company membership interests in Tenant, and Tenant and Landlord have agreed to certain additional changes to the provisions of the Original Lease in anticipation of the membership interest purchase.

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NOW, THEREFORE, for and in consideration of the covenants and promises contained herein and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Landlord and Tenant hereby amend the Lease as follows:

1. As consideration for the amendments set forth herein, Tenant has paid to Landlord and Landlord hereby acknowledges receipt of the sum of Five Hundred Thousand and No/100 Dollars (\$500,000.00) delivered in conjunction with the closing of the sale of the membership interests to Full House.
  2. Section 3.1 of the Original Lease is hereby amended by the addition of the following subsection:
    - (c) Commencing with the month of October, 2012, Tenant agrees to pay to Landlord Seventy Five Thousand Dollars (\$75,000.00) per month, due and payable on the first day of each and every month. Any payments due pursuant to Subsections 3.1(a) and/or (b) have been made for the month of September, 2012, and such payments under Subsections 3.1(a) and/or (b) shall be discontinued thereafter in favor of Base Rent payments solely under this Subsection 3.1(c).
  3. Section 3.2 of the Original Lease is hereby amended by the addition of the following subsection:
    - (c) Commencing with the month of October, 2012, Tenant shall no longer pay to Landlord as additional rent the amount set forth in Subsection 3.2(a) and shall only pay the amount set forth in Subsection 3.2(b), being an amount equal to three percent (3.0%) of the Gross Gaming Revenue which is in excess of Three Million Six Hundred Fifty Thousand Dollars (\$3,650,000.00) per month.
  4. Subsection 5.1(a) of the Original Lease is hereby amended as follows:

The deadline for the exercise of the Option is hereby extended through October 1, 2017, the date which is five years from the date of the closing of the sale of the membership interests, and the Option may only be exercised from and after January 1, 2014, unless exercised following a notice of termination pursuant to Section 17 hereinbelow.

All other provisions of Subsection 5.1(a) not inconsistent with this amendment to the period for the exercise of the Option shall remain in full force and effect.
  5. Section 14.3 of the Original Lease is hereby amended by the addition of the following at the end of the section:

Tenant shall maintain property insurance, which shall include windstorm and flood coverage, for an amount of at least Fifteen Million Five Hundred Thousand Dollars (\$15,500,000.00) and shall name Landlord as a loss payee on such policy or policies. Landlord shall only be entitled to receive proceeds paid from such policy or policies under the conditions set forth in Section 17 hereinbelow.
-

6. Section 17 of the Original Lease is hereby amended as follows:
  - (a) by replacing the period after "destruction" in the 5<sup>th</sup> line of the 2<sup>nd</sup> paragraph with a comma; and
  - (b) by the addition of the following at the end of the section:

Provided no notice of termination has been given pursuant to the terms of this Section 17, the payment of Base Rent shall continue during any business disruption. In the event a notice of termination is given pursuant to the terms of this Section 17, Landlord shall receive insurance proceeds in an amount up to Fifteen Million Five Hundred Thousand Dollars (\$15,500,000.00), and Tenant may elect to exercise the Option in accordance with Section 5 hereinabove, whereupon such election the insurance proceeds paid to Landlord shall be applied to the Option Purchase Price.

7. Landlord acknowledges that Section 10 of the Original Lease shall remain unaffected following Full House's purchase of the membership interests in Tenant. Landlord will continue to allow Tenant the use of the water from the well free of charge for the hotel/casino and other operations at the Premises, and in lieu of payments for water, Tenant will maintain the well and water tower.
8. Landlord hereby further agrees to execute one or more estoppel certificates and/or consents as may be reasonably requested by Full House or Full House's lenders and Landlord's consent shall not be unreasonably withheld. In no event shall this provision be construed to modify Section 15 of the Original Lease.

The Lease is amended only as expressly set forth herein, and all other terms and conditions thereof shall remain in full force and effect. This Amendment may be executed in multiple counterparts which shall be enforceable as originals.

Full House joins in this Amendment for the sole purpose of acknowledging that Tenant will remain obligated under the Lease as amended hereby following Full House's purchase of the membership interests in Tenant as well as under the following leases:

- a. The Commercial Lease Agreement dated December 1, 2010, by and between Landlord and Tenant for the lease of a house and two warehouse buildings located at 8244 Lakeshore Road, Bay St. Louis, MS 39520; and
- b. The Lease Agreement dated January 31, 2012, by and between Chelsea Co., LLC, and Tenant for the lease of real property located at 7431 Highway 90, Bay St. Louis, MS 39520.

[See Separate Signature Page(s)]

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IN WITNESS WHEREOF, Landlord and Tenant, joined by Full House, have executed this Amendment as of the date set forth in the first paragraph above.

**LANDLORD:**

Cure Land Company, LLC

By: /s/ Michael D. Cure

Its: Manager

**FULL HOUSE:**

Full House Resorts, Inc.

By: /s/ Mark Miller

Its: COO/CFO

**TENANT:**

Silver Slipper Casino Venture LLC

By: /s/ Paul Alanis

Paul Alanis,  
President and Chief Executive Officer

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Description of Property

PARCEL A Leasehold Interest

A parcel of land located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), also being located in that portion of the NW ¼ of the NW ¼ lying north of Bayou Caddy, Section 29, Township 9 South, Range 14 West, Hancock County, Mississippi; and being more particularly described as follows:

Commence at an iron rod located at the intersection of the northwest right-of-way of Shipyard Road with the east line of Block 98, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269352.04, E. 797139.03 (M.S.P.C.S.-East Zone/NAD 83 in feet); thence S 00°11'22" E 36.71 feet to the intersection of the east line of Block 98, Gulfview Subdivision, with the southeast right-of-way of Shipyard Road, said intersection being the Point of Beginning; thence N 54°53'02" E 36.68 feet along the southeast right-of-way of Shipyard Road; thence N 53°55'51" E 26.24 feet along the southeast right-of-way of Shipyard Road; thence N 47°08'34" E 66.03 feet along the new southeast right-of-way of Shipyard Road; thence N 45°27'37" E 165.84 feet along the new southeast right-of-way of Shipyard Road to the beginning of a curve to the left; thence northeasterly and northerly 92.72 feet along a curve of the new southeast and new east right-of-way of Shipyard Road, said curve having a central angle of 54°12'26" with a radius of 98.00 feet, also having a chord bearing and distance of N 18°21'24" E 89.30 feet to the end of said curve; thence N 08°44'49" W 343.72 feet along the new east right-of-way of Shipyard Road to the beginning of a curve to the right; thence northerly 50.85 feet along said curve of the new east right-of-way of Shipyard Road, said curve having a central angle of 18°47'54" with a radius of 155.00 feet, also having a chord bearing and distance of N 00°39'08" E 50.63 feet to the end of said curve; thence N 10°03'05" E 41.99 feet along the new east right-of-way of Shipyard Road to a point located on the now or former west right-of-way of Beach Boulevard; thence S 08°44'09" E 516.96 feet along said now or former west right-of-way of Beach Boulevard to a point located on the former south right-of-way of Shipyard Road; thence continue S 08°44'09" E 449.69 feet along said now or former west right-of-way of Beach Boulevard to a point located on the southerly edge of an existing bulkhead on the north side of Bayou Caddy; thence meander southwesterly 262.6 feet, more or less, along said south edge of and existing bulkhead to a point located at the following coordinates, N. 268971.14, E. 797247.61, said point also being located at the most easterly corner of a parcel of land with an existing water tower; thence along the boundary of the water tower parcel the following five courses, N 18°21'46" W 49.85 feet, N 75°27'27" W 20.25 feet, S 71°38'14" W 27.58 feet, thence S 00°04'51" E 17.29 feet, S 18°21'46" E 44.43 feet to a point located on said south edge of and existing bulkhead; thence meander southwesterly 348.1 feet, more or less, along said south edge of an existing bulkhead and along the south edge of an existing concrete dock to a point located at the corner of said dock, said point having the following coordinates, N. 268920.55, E. 796859.08; thence N 88°38'51" W 43.26 feet to a point in a canal; thence N 02°59'02" W 160.73 feet along the east line of property now or formerly to John Ladner & Terryl Ladner (W.D. Book X5, Page 14), to a point located on the southeast right-of-way of Shipyard Road; thence N 54°53'02" E 405.48 feet along said southeast right-of-way of Shipyard Road to the said Point of Beginning.

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PARCEL B Leasehold Interest

A parcel of land located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

For the Point of Beginning, Commence at an iron rod located at the intersection of the northwest right-of-way of Shipyard Road, with the east line of Block 98, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269352.04, E. 797139.03 (M.S.P.C.S.-East Zone/NAD 83 in feet); thence S 54°50'16" W 407.80 feet along said northwest right-of-way of Shipyard Road to the intersection with the east line of property now or formerly to Terryl M. Ladner (W.D. Book BB23, Pages 240-241); thence N 02°59'02" W 111.76 feet, more or less, to a point on the southern bank of a canal, said point being the northeast corner of property now or formerly to Terryl M. Ladner; thence meander southwesterly 170 feet, more or less, along said southern bank of a canal to the northwest corner of property now or formerly to Terryl M. Ladner; thence S 02°59'02" E 57.53 feet, more or less, along the west line of said property now or formerly to Terryl M. Ladner, to a point having the following coordinates N 269077.62, E. 796663.60; thence S 89°48'38" W 245.10 feet to a point in a canal; thence N 00°52'43" E 237.79 feet to a point in a canal; thence N 00°05'36" E 243.76 feet to a point in a canal, said point also being located on the now or former south right-of-way of Featherston Avenue (not open/now vacated); thence S 89°48'38" W 604.20 feet along said now or former south right-of-way of Featherston Avenue to a point located on the now or former east right-of-way of Ann Street, said point also being the northwest corner of Lot 8, Block 76, Gulfview Subdivision, said point also being located at the following coordinates, N. 269556.34, E. 795818.34; thence N 00°11'22" W 510.00 feet along the now or former east right-of-way of Ann Street to a point located on the now or former centerline of Waite Avenue (not open/now vacated); thence N 89°48'38" E 885.00 feet along said now or former centerline to the intersection of the now or former centerline of Michigan Street (not open/now vacated); thence N 00°11'22" W 480.00 feet along said former centerline of Michigan Street to the intersection of the now or former centerline of Lowry Avenue (not open/now vacated); thence N 89°48'38" E 561.21 feet along the now or former centerline of Lowry Avenue to a point located on the west right-of-way of Beach Boulevard, said point also being located 60 feet (measured at a right angle) westerly from the west side of the top of a concrete seawall being located east of and contiguous with said Beach Boulevard, said point having the following coordinates, N. 270551.12, E. 797261.27; thence S 07°19'28" E 30.23 feet along said west right-of-way of Beach Boulevard to a point located on the north line of Lot 1, Block 100, Gulfview Subdivision; thence S 08°44'36" E 323.60 feet along the west right-of-way of Beach Boulevard to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision; thence N 89°48'38" E 25.03 feet along the north line of said Lot 7 to a point, said point also being located at the south end of a right-of-way for Beach Boulevard, said point also being located on the new west right-of-way of Shipyard Road; thence southerly 19.34 feet along a curve of the new west right-of-way of Shipyard Road, said curve being concave to the west, having a central angle of 08°12'33" with a radius of 135.00 feet, also having a chord bearing and distance of S 05°56'49" W 19.33 feet to the end of said curve; thence S 10°03'05" W 191.64 feet along the new west right-of-way of Shipyard Road to the beginning of a curve to the left; thence southerly 60.70 feet along a curve of the new west right-of-way of Shipyard Road, said curve having a central angle of 18°47'54" with a radius of 185.00 feet, also having a chord bearing and distance of S 00°39'08" W 60.43 feet to the end of said curve; thence S 08°44'49" E 343.72 feet along the new west right-of-way of Shipyard Road to the beginning of a curve to the right; thence southerly and southwesterly 64.33 feet along a curve of the new west and new northwest right-of-way of Shipyard Road, said curve having a central angle of 54°12'26" with a radius of 68.00 feet, also having a chord bearing and distance of S 18°21'24" W 61.96 feet to the end of said curve; thence S 45°27'37" W 165.40 feet along the new northwest right-of-way of Shipyard Road; thence S 47°09'52" W 66.93 feet along the northwest right-of-way of Shipyard Road; thence S 55°01'25" W 36.53 feet along the northwest right-of-way of Shipyard Road to the said Point of Beginning.

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PARCEL C Leasehold Interest

All that portion of Beach Boulevard (now abandoned) lying south of the north line of Lot 7, Block 100, Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

Commence at the intersection of the north line of Lot 1, Block 100, Gulfview Subdivision with the west right-of-way of Beach Boulevard, said point being located at the following coordinates, N. 270521.13 feet, E. 797265.13 feet (M.S.P.C.S.-East Zone/NAD 83 in feet); thence S 08°44'36" E 323.60 feet along the west right-of-way of Beach Boulevard to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision; thence N 89°48'38" E 55.05 feet along the north line of said Lot 7 to the Point of Beginning, said point also being located at the south end of right-of-way for Beach Boulevard, said point also being located on the new right-of-way of Shipyard Road; thence continue N 89°48'38" E 5.63 feet to the west side of the top of a concrete seawall, said seawall being located east of and contiguous with now or former Beach Boulevard; thence meander along the west side of the top of a concrete seawall the following ten courses, S 08°39'32" E 10.55 feet, S 08°40'35" E 100.06 feet, S 08°42'08" E 80.83 feet, S 08°36'24" E 18.82 feet, S 08°45'41" E 100.59 feet, S 08°46'04" E 99.96 feet, S 08°44'59" E 99.52 feet, S 08°44'47" E 99.70 feet, S 08°40'43" E 100.10 feet, S 08°43'50" E 88.77 feet; thence N 81°11'47" E 2.95 feet to the northwest corner of a Public Trust Tidelands Lease parcel; thence S 08°48'13" E 299.95 feet along the west line of a Public Trust Tidelands Lease parcel to a point located on the southerly edge of an existing bulkhead on the north side of Bayou Caddy, thence meander westerly and southerly along the edge of said bulkhead the following four courses, S 81°26'42" W 36.52 feet, S 06°34'36" E 32.37 feet, S 83°24'18" W 17.73 feet, S 73°55'30" W 7.67 feet to a point located on the now or formerly west right-of-way of Beach Boulevard; thence N 08°44'09" W 449.69 feet along said now or formerly west right-of-way of Beach Boulevard to a point located on the former south right-of-way of Shipyard Road; thence continue N 08°44'09" W 516.96 feet along said now or former west right-of-way of Beach Boulevard to a point located on the new west right-of-way of Shipyard Road; thence N 10°03'05" E 149.65 feet along the new east right-of-way of Shipyard Road to the beginning of a curve to the left; thence northerly 24.70 feet along said curve of the new east right-of-way of Shipyard Road, said curve having a central angle of 08°34'43" with a radius of 165.00 feet, also having a chord bearing and distance of N 05°45'43" E 24.68 feet to the said Point of Beginning.

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PARCEL D [Intentionally Omitted]

PARCEL E [Intentionally Omitted]

PARCEL F Non-Exclusive Easement Interest

A parcel of land (easement) located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), also being located in that part of the NE ¼ of the NE ¼ lying north of Bayou Caddy in Section 30, Township 9 South, Range 14 West, Hancock County, Mississippi; and being more particularly described as follows:

For the Point of Beginning, Commence at an iron rod located at the southwest corner of Lot 9, Block 77, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269050.32, E. 796270.02 (M.S.P.C.S.-East Zone/NAD 83 in feet); thence N 76°46'38" W 133.64 feet; thence N 89°48'38" E 130.00 feet to the west line of said Lot 9, Block 77; thence S 80°41'59" E 50.69 feet; thence N 87°51'33" E 98.62 feet to a point in a canal; thence N 89°48'38" E 245.10 feet to a point located on the west line of property now or formerly to Terry M. Ladner, said point having the following coordinates, N. 269077.62, E. 796663.60; thence S 02°59'02" E 37.58 feet along said west line of property now or formerly to Terry M. Ladner (W.D. Book BB23, Pages 240-241), to a point located on the northwest right-of-way of Shipyard Road; thence S 66°39'08" W 27.82 feet along said northwest right-of-way of Shipyard Road to a point located on the east line of property now or formerly to Strong (W.D. Book AA5, Pages 33-35); thence N 02°50'06" W 10.18 feet along said east line of property now or formerly to Strong, to the southeast corner of a parcel of land conveyed by Strong to Cure, et al (W.D. Book BB94, Pages 576-578); thence S 88°53'02" W 90.00 feet along the south line of said parcel of land conveyed by Strong to Cure, et al; thence N 74°12'03" W 22.44 feet; thence N 87°11'53" W 69.68 feet; thence S 87°51'33" W 150.40 feet; thence N 76°46'38" W 39.06 feet to the said Point of Beginning.

PARCEL G Leasehold Interest

A parcel of land located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

Commence at an iron rod located at the southwest corner of Lot 9, Block 77, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269050.32, E. 796270.02 (M.S.P.C.S.-East Zone/NAD 83 in feet); thence N 00°11'22" W 31.00 feet along the west line of Block 77 to the Point of Beginning; thence S 89°48'38" W 130.00 feet; thence N 81°05'57" W 50.64 feet; thence N 77°18'52" W 71.81 feet; thence N 85°02'49" W 100.40 feet; thence S 89°48'38" W 100.00 feet to the west line of Block 76, Gulfview Subdivision; thence N 00°11'22" W 443.51 feet along said west line of Block 76, to the northwest corner of Lot 8, Block 76, Gulfview Subdivision; thence N 89°48'38" E 450.00 feet along the north line of said Block 76 and the easterly projection thereof to the northwest corner of Lot 8, Block 77, Gulfview Subdivision; thence S 00°11'22" E 476.51 feet along the west line of said Block 77 to the said Point of Beginning.

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PARCEL H Non-exclusive Easement Interest / a.k.a Water Tower Site

A parcel of land located in that portion of the NW ¼ of the NW ¼ lying north of Bayou Caddy in Section 29, Township 9 South, Range 14 West, Hancock County, Mississippi; and being more particularly described as follows:

Commence at an iron rod located at the intersection of the northwest right-of-way of Shipyard Road with the east line of Block 98 Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269352.04, E. 797139.03 (M.S.P.C.S.-East Zone/NAD 83 in feet); thence S 00°11'22" E 36.71 feet to the intersection of the east line of Block 98, Gulfview Subdivision with the southeast right-of-way of Shipyard Road; thence N 54°53'02" E 36.68 feet along the southeast right-of-way of Shipyard Road; thence N 53°55'51" E 20.43 feet along the southeast right-of-way of Shipyard Road; thence S 00°04'51" E 333.61 feet to the Point of Beginning; thence N 71°38'14" E 27.58 feet; thence S 75°27'27" E 20.25 feet; thence S 18°21'46" E 49.85 feet to a point located on the south edge of an existing bulkhead, said point being located at the following coordinates, N. 268971.14, E. 797247.61; thence S 71°38'14" W 50.00 feet along said south edge of an existing bulkhead; thence N 18°21'46" W 44.43 feet; thence N 00°04'51" W 17.29 feet to the said Point of Beginning.

PARCEL I [Intentionally omitted.]

PARCEL J Leasehold Interest

Commencing at a concrete post which is the Southwest corner of Section 36, Tp.8S, R15W; thence East 828.5 feet along the Section line to an iron pipe, thence North 1037.5 feet, more or less, to an iron pipe on the South line of R.O.W. of U.S. Highway 90 as the point of beginning; thence North 88 degrees 7 minutes West 128 feet, more or less, along the South line of the above mentioned ROW to a point which is 43 feet East of the East Driveway; thence South 180 feet to a point; thence S 88 degrees 7 minutes E 128 feet, more or less, to a point which is due South of the point of beginning, thence N. 180 feet to the point of beginning; being a part of the SW ¼ of the SW ¼, Section 36, Township 8 S., Range 15W., Hancock County, Mississippi.

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PARCEL "K" (Leasehold Interest)

ADDED TO DESCRIPTION OF THE PROPERTY

Abandoned Roadway Parcel (Leasehold Interest)

FORMER R.O.W. FOR SHIPYARD ROAD (2006)

A parcel of land located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

Commence at the intersection of the north line of Lot 1, Block 100, Gulfview Subdivision with the west right-of-way of Beach Boulevard, said point being located at the following coordinates, N. 270521.13 feet, E. 797265.13 feet (M.S.P.C.S.-East Zone/NAD 83 in feet); thence S 08°44'36" E 323.60 feet along the west right-of-way of Beach Boulevard to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision; thence N 89°48'38" E 25.03 feet along the north line of said Lot 7 to the Point Of Beginning, said point also being located at the south end of right-of-way for Beach Boulevard, said point also being located on the now or former west right-of-way of Shipyard Road; thence continue N 89°48'38" E 30.02 feet along the north line of said Lot 7, also being along the south end of right-of-way for Beach Boulevard; thence southerly 24.70 feet along a curve concave to the west, having a central angle of 08°34'43" with a radius of 165.00 feet, also having a chord bearing and distance of S 05°45'43" W 24.68 feet to the end of said curve; thence S 10°03'05" W 191.64 feet to the beginning of a curve to the left; thence southerly 50.85 feet along said curve having a central angle of 18°47'54" with a radius of 155.00 feet, also having a chord bearing and distance of S 00°39'08" W 50.63 feet to the end of said curve; thence S 08°44'49" E 343.72 feet to the beginning of a curve to the right; thence southerly and southwesterly 92.72 feet along said curve having a central angle of 54°12'26" with a radius of 98.00 feet, also having a chord bearing and distance of S 18°21'24" W 89.30 feet to the end of said curve; thence S 45°27'37" W 165.84 feet; thence S 47°08'34" W 66.03 feet; thence S 53°55'51" W 26.24 feet; thence S 54°53'02" W 36.68 feet; thence S 54°53'02" W 405.48 feet to a point located at the northeast corner of property now or formerly to John Ladner & Terry L. Ladner (W.D. Book X5, Page 14); thence N 02°59'02" W 35.15 feet to a point located at the southeast corner of property now or formerly to Terry L. Ladner (W.D. Book BB23, Pages 240-241); thence N 54°50'16" E 407.80 feet; thence N 55°01'25" E 36.53 feet; thence N 47°09'52" E 66.93 feet; thence N 45°27'37" E 165.40 feet to the beginning of a curve to the left; thence northeasterly and northerly 64.33 feet along said curve having a central angle of 54°12'26" with a radius of 68.00 feet, also having a chord bearing and distance of N 18°21'24" E 61.96 feet to the end of said curve; thence N 08°44'49" W 343.72 feet to the beginning of a curve to the right; thence northerly 60.70 feet along said curve having a central angle of 18°47'54" with a radius of 185.00 feet, also having a chord bearing and distance of N 00°39'08" E 60.43 feet to the end of said curve; thence N 10°03'05" E 191.64 feet to the beginning of a curve to the left; thence northerly 19.34 feet along said curve having a central angle of 08°12'33" with a radius of 135.00 feet, also having a chord bearing and distance of N 05°56'49" E 19.33 feet to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision, said point also being located at the south end of right-of-way for Beach Boulevard, also said point being the said Point Of Beginning.

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PARCEL L

LESS AND EXCEPTED FROM PARCELS A, B, C AND K:  
RELOCATED ROADWAY PARCEL

NEW R.O.W. FOR SHIPYARD ROAD (2006)

A parcel of land located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

Commence at the intersection of the north line of Lot 1, Block 100, Gulfview Subdivision with the west right-of-way of Beach Boulevard, said point being located at the following coordinates, N. 270521.13 feet, E. 797265.13 feet (M.S.P.C.S.-East Zone/NAD 83 in feet); thence S 08°44'36" E 323.60 feet along the west right-of-way of Beach Boulevard to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision; thence N 89°48'38" E 40.60 feet along the north line of said Lot 7, also being along the south end of right-of-way for Beach Boulevard; thence S 11°36'42" W 25.62 feet; thence S 10°02'59" W 190.35 feet to the beginning of a curve to left; thence southerly 54.43 feet along said curve having a central angle of 19°00'52" with a radius of 164.00 feet, also having a chord bearing and distance of S 00°32'33" W 54.18 feet to the end of said curve; thence S 08°57'53" E 96.61 feet; thence S 08°44'21" E 141.83 feet to the beginning of a curve to the right; thence southerly and southwesterly 65.31 feet along said curve having a central angle of 49°53'41" with a radius of 75.00 feet, also having a chord bearing and distance of S 16°12'30" W 63.27 feet to the end of said curve; thence S 41°09'20" W 137.98 feet to the beginning of a curve to the right; thence southwesterly and westerly 34.94 feet along said curve having a central angle of 40°02'27" with a radius of 50.00 feet, also having a chord bearing and distance of S 61°10'34" W 34.24 feet to the end of said curve; thence S 81°11'47" W 53.04 feet to the beginning of a curve to the left; thence westerly and southwesterly 49.90 feet along said curve having a central angle of 57°10'47" with a radius of 50.00 feet, also having a chord bearing and distance of S 52°36'23" W 47.85 feet to the end of said curve; thence S 24°01'00" W 90.89 feet to the beginning of a curve to the right; thence southerly and southwesterly 39.03 feet along said curve having a central angle of 30°00'50" with a radius of 74.50 feet, also having a chord bearing and distance of S 39°01'25" W 38.58 feet to the end of said curve; thence S 54°01'50" W 168.09 feet to the beginning of a curve to the left; thence southwesterly and southerly 27.52 feet along said curve having a central angle of 39°55'07" with a radius of 39.50 feet, also having a chord bearing and distance of S 34°04'16" W 26.97 feet to the end of said curve; thence S 14°06'43" W 78.39 feet to the beginning of a curve to the right; thence southerly and southwesterly 54.02 feet along said curve having a central angle of 40°43'33" with a radius of 76.00 feet, also having a chord bearing and distance of S 34°28'30" W 52.89 feet to the end of said curve; thence S 54°50'16" W 91.05 feet to a point located on the east line of property now or formerly to John Ladner & Terry Ladner (W.D. Book X5, Page 14); thence N 02°59'02" W 42.53 feet to a point located on the east line of property now or formerly to Terry M. Ladner (W.D. Book BB23, Pages 240-241); thence N 54°50'16" E 68.40 feet to the beginning of a curve to the left ; thence northeasterly and northerly 28.43 feet along said curve having a central angle of 40°43'33" with a radius of 40.00 feet, also having a chord bearing and distance of N 34°28'30" E 27.84 feet to the end of said curve; thence N 14°06'43" E 78.39 feet to the beginning of a curve to the right; thence northerly and northeasterly 52.60 feet along said curve having a central angle of 39°55'07" with a radius of 75.50 feet, also having a chord bearing and distance of N 34°04'16" E 51.54 feet to the end of said curve; thence N 54°01'50" E 168.09 feet to the beginning of a curve to the left; thence northeasterly and northerly 20.17 feet along said curve having a central angle of 30°00'50" with a radius of 38.50 feet, also having a chord bearing and distance of N 39°01'25" E 19.94 feet to the end of said curve; thence N 24°01'00" E 121.25 feet to the beginning of a curve to the right; thence northeasterly and easterly 56.39 feet along said curve having a central angle of 57°10'47" with a radius of 56.50 feet, also having a chord bearing and distance of N 52°36'23" E 54.07 feet to the end of said curve; thence N 81°11'47" E 60.17 feet to the beginning of a curve to the left; thence easterly and northeasterly 39.48 feet along said curve having a central angle of 40°02'27" with a radius of 56.50 feet, also having a chord bearing and distance of N 61°10'34" E 38.69 feet to the end of said curve; thence N 41°09'20" E 103.84 feet to the beginning of a curve to the left; thence northeasterly and northerly 33.96 feet along said curve having a central angle of 49°53'41" with a radius of 39.00 feet, also having a chord bearing and distance of N 16°12'30" E 32.90 feet to the end of said curve; thence N 08°44'21" W 141.76 feet; thence N 08°57'53" W 96.54 feet to the beginning of a curve to the right; thence northerly 66.37 feet along said curve having a central angle of 19°00'52" with a radius of 200.00 feet, also having a chord bearing and distance of N 00°32'33" E 66.07 feet to the end of said curve; thence N 10°02'59" E 190.36 feet; thence North 18.68 feet to a point located on the north line of Lot 7, Block 100, Gulf-view Subdivision, said point also being located at the south end of right-of-way for Beach Boulevard, also said point being the said Point of Beginning.

STATE OF MISSISSIPPI

COUNTY OF HANCOCK

**THIRD AMENDMENT TO  
LEASE AGREEMENT WITH OPTION TO PURCHASE**

THIS THIRD AMENDMENT TO LEASE AGREEMENT WITH OPTION TO PURCHASE (the “**Third Amendment**”) is entered into as the 26th day of February, 2013, (the “**Effective Date**”) by and between CURE LAND COMPANY, LLC, a Mississippi limited liability company (together with any successor or assign “**Landlord**”) and Silver Slipper Casino Venture, LLC, a Delaware limited liability company (together with any successor or assign “**Tenant**”).

WHEREAS, Landlord and Tenant have previously entered into a Lease Agreement with Option to Purchase, dated as of November 17, 2004 (“**Original Lease**”) pursuant to which the Tenant has leased the Premises from Cure Land Company, LLC, as Landlord. Capitalized terms used but not defined herein shall have the meanings assigned to them in the **Original Lease**. A Memorandum of Lease providing record notice of the **Original Lease** and certain terms thereof was executed by Landlord and Tenant effective November 17, 2004, (“**Lease Memo**”) and recorded in Deed Book BB 298 at Page 287 in the office of the Chancery Clerk of Hancock County, Mississippi.

WHEREAS, Landlord and Tenant executed a First Amendment to Lease Agreement with Option to Purchase, dated as of March 13, 2009, and recorded in Deed Book 2009 at page 3448 in the office of the Chancery Clerk of Hancock County, Mississippi, (“**First Amendment**”) and together with the Original Lease, the “**Lease, as amended March 13, 2009**”) to reflect a change to the legal description of the Premises due to the abandonment of a portion of Shipyard Road adjacent to Parcels A, B, and C of the Premises and the relocation of the public roadway in that area. The full legal description of the Premises as surveyed and as subsequently amended by the **First Amendment** is set forth in **Exhibit A** hereto (“**Premises**”). The descriptions as set forth herein are intended to be one and the same as the descriptions set forth in the Lease and shall not limit any of the Tenant’s rights to the **Premises** as granted in the **Lease**.

WHEREAS, Full House Resorts, Inc., a Delaware corporation (“**Full House**”) entered into a Membership Purchase Agreement with Tenant’s members dated March 30, 2012, for the purchase of the limited liability company membership interests in Tenant, and Tenant and Landlord agreed to certain additional changes to the provisions of the **Lease, as amended March 13, 2009**, in anticipation the membership interest purchase, memorialized in that certain Second Amendment to Lease Agreement with Option to Purchase, dated September 26, 2012, (the “**Second Amendment**”, together with the Original Lease and the First Amendment, hereinafter “**Lease**”) and recorded in Deed Book 2012, page 9835 in the office of the Chancery Clerk of Hancock County, Mississippi.

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NOW THEREFORE, for and in consideration of the covenants and promises contained herein, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Landlord and Tenant hereby amend the Lease as follows:

1. Section 2, Term, of the **Original Lease** is hereby amended as follows:

The terms of this Lease ("Original Lease") shall commence on the date hereof ("**Commencement Date**") and expire at midnight on the 30<sup>th</sup> day of April, 2058, (the "**Termination Date**").

2. Section 5.1(a), Option to Purchase, of the **Lease**, as amended by the **Second Amendment** is hereby further amended as follows:

The deadline for the exercise of the Option is hereby extended through **October 1, 2027**, the date of which had been extended ten (10) years from the dated as agreed upon in the Second Amendment, Section 4.

The Option may only be exercised from and after **six (6) years** from the **Effective Date of the Third Amendment**, unless exercised following a notice of termination pursuant to Section 17, as amended by the **Second Amendment**.

In the event the Option is exercised at any time from six (6) years from the **Effective Date of the Third Amendment** until **October 1, 2027**, the Option Purchase Price shall be the principal sum of \$15,500,000 (less, to the extent exercised, the 4 Acre Option Price), plus a retained interest of Landlord in Tenant's operations of three percent (3%) of Net Income.

In the event that Full House Resorts, Inc. sells or transfers, in its sole and exclusive discretion, substantially all of the assets of Silver Slipper Casino Venture, LLC or its membership interests in Silver Slipper Casino Venture, LLC, in its entirety, then the Option Purchase Price shall be increased by ten percent (10%), as provided for by Section 5.1(a) of the **Lease**.

3. Section 3.1(c), Base Rent, of the **Lease** as amended by the **Second Amendment** is hereby further amended as follows:

Commencing the first full month following the **Effective Date**, Tenant agrees to pay the Landlord Seventy-Seven Thousand Five Hundred Dollars (\$77,500.00) per month, due and payable on the first day of each and every month.

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4. Paragraph 29.6 of the Original Lease is hereby amended as follows:

Any notice, request, communication or demand by Landlord to Tenant shall be addressed to Tenant at:

TENANT:

Andre Hilliou, President Silver Slipper Casino Venture, LLC

4670 S. Fort Apache Road, Suite 190

Las Vegas, NV 89147

Pursuant to Section 29.11 of the Original Lease the Landlord and Tenant agree to execute a Memorandum of Lease Agreement reflecting the third Amendment to Lease Agreement with Option to Purchase to be recorded in the public records of Hancock County, Mississippi.

The **Lease** is amended only as expressly set forth herein, and all other terms and conditions thereof shall remain in full force and effect. This Amendment may be executed in multiple counterparts which shall be enforceable as originals.

IN WITNESS WHEREOF, Landlord and Tenant, have executed this **Third Amendment** as of the date set forth above.

LANDLORD:  
CURE LAND COMPANY, LLC

BY: /s/ Michael D. Cure

ITS: Managing Member

DATE:

STATE OF MISSISSIPPI

COUNTY OF HANCOCK

PERSONALLY came and appeared before me the undersigned authority in and for said county and state, on this the 26 day of February, 2013, who acknowledged that he/she is Managing Member of CURE LAND COMPANY, LLC, a Mississippi limited liability company, and that for and on behalf of said company, and as its act and deed, he/she executed the above and foregoing instrument, after first having been duly authorized to do so.

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NOTARY PUBLIC

/s/ Ashley B. Rutherford

My Commission Expires:

February 18, 2017

TENANT:  
SILVER SLIPPER CASINO VENTURE LLC

BY: /s/ Andre Hilliou  
Andre Hilliou  
ITS: President

DATE: 2/26/13

STATE OF Nevada

COUNTY OF Clark

PERSONALLY came and appeared before me the undersigned authority in and for said county and state, on this the 26th day of February, 2013, who acknowledged that he is the President of SILVER SLIPPER CASINO VENTURE LLC, a Delaware limited liability company, and that for and on behalf of said company, and as its act and deed, he/she executed the above and foregoing instrument, after first having been duly authorized to do so.

/s/ Shelly Benavidez

NOTARY PUBLIC

4-16-2015

My Commission Expires:

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Description of Property

PARCEL A Leasehold Interest

A parcel of land located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), also being located in that portion of the NW ¼ of the NW ¼ lying north of Bayou Caddy, Section 29, Township 9 South, Range 14 West, Hancock County, Mississippi; and being more particularly described as follows:

Commence at an iron rod located at the intersection of the northwest right-of-way of Shipyard Road with the east line of Block 98, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269352.04, E. 797139.03 (M.S.P.C.S.-East Zone/NAD 83 in feet); thence S 00°11'22" E 36.71 feet to the intersection of the east line of Block 98, Gulfview Subdivision, with the southeast right-of-way of Shipyard Road, said intersection being the Point of Beginning; thence N 54°53'02" E 36.68 feet along the southeast right-of-way of Shipyard Road; thence N 53°55'51" E 26.24 feet along the southeast right-of-way of Shipyard Road; thence N 47°08'34" E 66.03 feet along the new southeast right-of-way of Shipyard Road; thence N 45°27'37" E 165.84 feet along the new southeast right-of-way of Shipyard Road to the beginning of a curve to the left; thence northeasterly and northerly 92.72 feet along a curve of the new southeast and new east right-of-way of Shipyard Road, said curve having a central angle of 54°12'26" with a radius of 98.00 feet, also having a chord bearing and distance of N 18°21'24" E 89.30 feet to the end of said curve; thence N 08°44'49" W 343.72 feet along the new east right-of-way of Shipyard Road to the beginning of a curve to the right; thence northerly 50.85 feet along said curve of the new east right-of-way of Shipyard Road, said curve having a central angle of 18°47'54" with a radius of 155.00 feet, also having a chord bearing and distance of N 00°39'08" E 50.63 feet to the end of said curve; thence N 10°03'05" E 41.99 feet along the new east right-of-way of Shipyard Road to a point located on the now or former west right-of-way of Beach Boulevard; thence S 08°44'09" E 516.96 feet along said now or former west right-of-way of Beach Boulevard to a point located on the former south right-of-way of Shipyard Road; thence continue S 08°44'09" E 449.69 feet along said now or former west right-of-way of Beach Boulevard to a point located on the southerly edge of an existing bulkhead on the north side of Bayou Caddy; thence meander southwesterly 262.6 feet, more or less, along said south edge of and existing bulkhead to a point located at the following coordinates, N. 268971.14, E. 797247.61, said point also being located at the most easterly corner of a parcel of land with an existing water tower; thence along the boundary of the water tower parcel the following five courses, N 18°21'46" W 49.85 feet, N 75°27'27" W 20.25 feet, S 71°38'14" W 27.58 feet, thence S 00°04'51" E 17.29 feet, S 18°21'46" E 44.43 feet to a point located on said south edge of and existing bulkhead; thence meander southwesterly 348.1 feet, more or less, along said south edge of an existing bulkhead and along the south edge of an existing concrete dock to a point located at the corner of said dock, said point having the following coordinates, N. 268920.55, E. 796859.08; thence N 88°38'51" W 43.26 feet to a point in a canal; thence N 02°59'02" W 160.73 feet along the east line of property now or formerly to John Ladner & Terry Ladner (W.D. Book X5, Page 14), to a point located on the southeast right-of-way of Shipyard Road; thence N 54°53'02" E 405.48 feet along said southeast right-of-way of Shipyard Road to the said Point of Beginning.

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PARCEL B Leasehold Interest

A parcel of land located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

For the Point of Beginning, Commence at an iron rod located at the intersection of the northwest right-of-way of Shipyard Road, with the east line of Block 98, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269352.04, E. 797139.03 (M.S.P.C.S.-East Zone/NAD 83 in feet); thence S 54°50'16" W 407.80 feet along said northwest right-of-way of Shipyard Road to the intersection with the east line of property now or formerly to Terryl M. Ladner (W.D. Book BB23, Pages 240-241); thence N 02°59'02" W 111.76 feet, more or less, to a point on the southern bank of a canal, said point being the northeast corner of property now or formerly to Terryl M. Ladner; thence meander southwesterly 170 feet, more or less, along said southern bank of a canal to the northwest corner of property now or formerly to Terryl M. Ladner; thence S 02°59'02" E 57.53 feet, more or less, along the west line of said property now or formerly to Terryl M. Ladner, to a point having the following coordinates N 269077.62, E. 796663.60; thence S 89°48'38" W 245.10 feet to a point in a canal; thence N 00°52'43" E 237.79 feet to a point in a canal; thence N 00°05'36" E 243.76 feet to a point in a canal, said point also being located on the now or former south right-of-way of Featherston Avenue (not open/now vacated); thence S 89°48'38" W 604.20 feet along said now or former south right-of-way of Featherston Avenue to a point located on the now or former east right-of-way of Ann Street, said point also being the northwest corner of Lot 8, Block 76, Gulfview Subdivision, said point also being located at the following coordinates, N. 269556.34, E. 795818.34; thence N 00°11'22" W 510.00 feet along the now or former east right-of-way of Ann Street to a point located on the now or former centerline of Waite Avenue (not open/now vacated); thence N 89°48'38" E 885.00 feet along said now or former centerline to the intersection of the now or former centerline of Michigan Street (not open/now vacated); thence N 00°11'22" W 480.00 feet along said former centerline of Michigan Street to the intersection of the now or former centerline of Lowry Avenue (not open/now vacated); thence N 89°48'38" E 561.21 feet along the now or former centerline of Lowry Avenue to a point located on the west right-of-way of Beach Boulevard, said point also being located 60 feet (measured at a right angle) westerly from the west side of the top of a concrete seawall being located east of and contiguous with said Beach Boulevard, said point having the following coordinates, N. 270551.12, E. 797261.27; thence S 07°19'28" E 30.23 feet along said west right-of-way of Beach Boulevard to a point located on the north line of Lot 1, Block 100, Gulfview Subdivision; thence S 08°44'36" E 323.60 feet along the west right-of-way of Beach Boulevard to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision; thence N 89°48'38" E 25.03 feet along the north line of said Lot 7 to a point, said point also being located at the south end of a right-of-way for Beach Boulevard, said point also being located on the new west right-of-way of Shipyard Road; thence southerly 19.34 feet along a curve of the new west right-of-way of Shipyard Road, said curve being concave to the west, having a central angle of 08°12'33" with a radius of 135.00 feet, also having a chord bearing and distance of S 05°56'49" W 19.33 feet to the end of said curve; thence S 10°03'05" W 191.64 feet along the new west right-of-way of Shipyard Road to the beginning of a curve to the left; thence southerly 60.70 feet along a curve of the new west right-of-way of Shipyard Road, said curve having a central angle of 18°47'54" with a radius of 185.00 feet, also having a chord bearing and distance of S 00°39'08" W 60.43 feet to the end of said curve; thence S 08°44'49" E 343.72 feet along the new west right-of-way of Shipyard Road to the beginning of a curve to the right; thence southerly and southwesterly 64.33 feet along a curve of the new west and new northwest right-of-way of Shipyard Road, said curve having a central angle of 54°12'26" with a radius of 68.00 feet, also having a chord bearing and distance of S 18°21'24" W 61.96 feet to the end of said curve; thence S 45°27'37" W 165.40 feet along the new northwest right-of-way of Shipyard Road; thence S 47°09'52" W 66.93 feet along the northwest right-of-way of Shipyard Road; thence S 55°01'25" W 36.53 feet along the northwest right-of-way of Shipyard Road to the said Point of Beginning.

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PARCEL C Leasehold Interest

All that portion of Beach Boulevard (now abandoned) lying south of the north line of Lot 7, Block 100, Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

Commence at the intersection of the north line of Lot 1, Block 100, Gulfview Subdivision with the west right-of-way of Beach Boulevard, said point being located at the following coordinates, N. 270521.13 feet, E. 797265.13 feet (M.S.P.C.S.-East Zone/NAD 83 in feet); thence S 08°44'36" E 323.60 feet along the west right-of-way of Beach Boulevard to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision; thence N 89°48'38" E 55.05 feet along the north line of said Lot 7 to the Point of Beginning, said point also being located at the south end of right-of-way for Beach Boulevard, said point also being located on the new right-of-way of Shipyard Road; thence continue N 89°48'38" E 5.63 feet to the west side of the top of a concrete seawall, said seawall being located east of and contiguous with now or former Beach Boulevard; thence meander along the west side of the top of a concrete seawall the following ten courses, S 08°39'32" E 10.55 feet, S 08°40'35" E 100.06 feet, S 08°42'08" E 80.83 feet, S 08°36'24" E 18.82 feet, S 08°45'41" E 100.59 feet, S 08°46'04" E 99.96 feet, S 08°44'59" E 99.52 feet, S 08°44'47" E 99.70 feet, S 08°40'43" E 100.10 feet, S 08°43'50" E 88.77 feet; thence N 81°11'47" E 2.95 feet to the northwest corner of a Public Trust Tidelands Lease parcel; thence S 08°48'13" E 299.95 feet along the west line of a Public Trust Tidelands Lease parcel to a point located on the southerly edge of an existing bulkhead on the north side of Bayou Caddy, thence meander westerly and southerly along the edge of said bulkhead the following four courses, S 81°26'42" W 36.52 feet, S 06°34'36" E 32.37 feet, S 83°24'18" W 17.73 feet, S 73°55'30" W 7.67 feet to a point located on the now or formerly west right-of-way of Beach Boulevard; thence N 08°44'09" W 449.69 feet along said now or formerly west right-of-way of Beach Boulevard to a point located on the former south right-of-way of Shipyard Road; thence continue N 08°44'09" W 516.96 feet along said now or former west right-of-way of Beach Boulevard to a point located on the new west right-of-way of Shipyard Road; thence N 10°03'05" E 149.65 feet along the new east right-of-way of Shipyard Road to the beginning of a curve to the left; thence northerly 24.70 feet along said curve of the new east right-of-way of Shipyard Road, said curve having a central angle of 08°34'43" with a radius of 165.00 feet, also having a chord bearing and distance of N 05°45'43" E 24.68 feet to the said Point of Beginning.

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PARCEL D [Intentionally Omitted]

PARCEL E [Intentionally Omitted]

PARCEL F Non-Exclusive Easement Interest

A parcel of land (easement) located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), also being located in that part of the NE ¼ of the NE ¼ lying north of Bayou Caddy in Section 30, Township 9 South, Range 14 West, Hancock County, Mississippi; and being more particularly described as follows:

For the Point of Beginning, Commence at an iron rod located at the southwest corner of Lot 9, Block 77, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269050.32, E. 796270.02 (M.S.P.C.S.-East Zone/NAD 83 in feet); thence N 76°46'38" W 133.64 feet; thence N 89°48'38" E 130.00 feet to the west line of said Lot 9, Block 77; thence S 80°41'59" E 50.69 feet; thence N 87°51'33" E 98.62 feet to a point in a canal; thence N 89°48'38" E 245.10 feet to a point located on the west line of property now or formerly to Terry M. Ladner, said point having the following coordinates, N. 269077.62, E. 796663.60; thence S 02°59'02" E 37.58 feet along said west line of property now or formerly to Terry M. Ladner (W.D. Book BB23, Pages 240-241), to a point located on the northwest right-of-way of Shipyard Road; thence S 66°39'08" W 27.82 feet along said northwest right-of-way of Shipyard Road to a point located on the east line of property now or formerly to Strong (W.D. Book AA5, Pages 33-35); thence N 02°50'06" W 10.18 feet along said east line of property now or formerly to Strong, to the southeast corner of a parcel of land conveyed by Strong to Cure, et al (W.D. Book BB94, Pages 576-578); thence S 88°53'02" W 90.00 feet along the south line of said parcel of land conveyed by Strong to Cure, et al; thence N 74°12'03" W 22.44 feet; thence N 87°11'53" W 69.68 feet; thence S 87°51'33" W 150.40 feet; thence N 76°46'38" W 39.06 feet to the said Point of Beginning.

PARCEL G Leasehold Interest

A parcel of land located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

Commence at an iron rod located at the southwest corner of Lot 9, Block 77, Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269050.32, E. 796270.02 (M.S.P.C.S.-East Zone/NAD 83 in feet); thence N 00°11'22" W 31.00 feet along the west line of Block 77 to the Point of Beginning; thence S 89°48'38" W 130.00 feet; thence N 81°05'57" W 50.64 feet; thence N 77°18'52" W 71.81 feet; thence N 85°02'49" W 100.40 feet; thence S 89°48'38" W 100.00 feet to the west line of Block 76, Gulfview Subdivision; thence N 00°11'22" W 443.51 feet along said west line of Block 76, to the northwest corner of Lot 8, Block 76, Gulfview Subdivision; thence N 89°48'38" E 450.00 feet along the north line of said Block 76 and the easterly projection thereof to the northwest corner of Lot 8, Block 77, Gulfview Subdivision; thence S 00°11'22" E 476.51 feet along the west line of said Block 77 to the said Point of Beginning.

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PARCEL H Non-exclusive Easement Interest / a.k.a Water Tower Site

A parcel of land located in that portion of the NW ¼ of the NW ¼ lying north of Bayou Caddy in Section 29, Township 9 South, Range 14 West, Hancock County, Mississippi; and being more particularly described as follows:

Commence at an iron rod located at the intersection of the northwest right-of-way of Shipyard Road with the east line of Block 98 Gulfview Subdivision, said iron rod also being located at the following coordinates, N. 269352.04, E. 797139.03 (M.S.P.C.S.-East Zone/NAD 83 in feet); thence S 00°11'22" E 36.71 feet to the intersection of the east line of Block 98, Gulfview Subdivision with the southeast right-of-way of Shipyard Road; thence N 54°53'02" E 36.68 feet along the southeast right-of-way of Shipyard Road; thence N 53°55'51" E 20.43 feet along the southeast right-of-way of Shipyard Road; thence S 00°04'51" E 333.61 feet to the Point of Beginning; thence N 71°38'14" E 27.58 feet; thence S 75°27'27" E 20.25 feet; thence S 18°21'46" E 49.85 feet to a point located on the south edge of an existing bulkhead, said point being located at the following coordinates, N. 268971.14, E. 797247.61; thence S 71°38'14" W 50.00 feet along said south edge of an existing bulkhead; thence N 18°21'46" W 44.43 feet; thence N 00°04'51" W 17.29 feet to the said Point of Beginning.

PARCEL I [Intentionally omitted.]

PARCEL J Leasehold Interest

Commencing at a concrete post which is the Southwest corner of Section 36, Tp.8S, R15W; thence East 828.5 feet along the Section line to an iron pipe, thence North 1037.5 feet, more or less, to an iron pipe on the South line of R.O.W. of U.S. Highway 90 as the point of beginning; thence North 88 degrees 7 minutes West 128 feet, more or less, along the South line of the above mentioned ROW to a point which is 43 feet East of the East Driveway; thence South 180 feet to a point; thence S 88 degrees 7 minutes E 128 feet, more or less, to a point which is due South of the point of beginning, thence N. 180 feet to the point of beginning; being a part of the SW ¼ of the SW ¼, Section 36, Township 8 S., Range 15 W., Hancock County, Mississippi.

PARCEL "K" (Leasehold Interest)

ADDED TO DESCRIPTION OF THE PROPERTY

Abandoned Roadway Parcel (Leasehold Interest)

FORMER R.O.W. FOR SHIPYARD ROAD (2006)

A parcel of land located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

Commence at the intersection of the north line of Lot 1, Block 100, Gulfview Subdivision with the west right-of-way of Beach Boulevard, said point being located at the following coordinates, N. 270521.13 feet, E. 797265.13 feet (M.S.P.C.S.-East Zone/NAD 83 in feet); thence S 08°44'36" E 323.60 feet along the west right-of-way of Beach Boulevard to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision; thence N 89°48'38" E 25.03 feet along the north line of said Lot 7 to the Point Of Beginning, said point also being located at the south end of right-of-way for Beach Boulevard, said point also being located on the now or former west right-of-way of Shipyard Road; thence continue N 89°48'38" E 30.02 feet along the north line of said Lot 7, also being along the south end of right-of-way for Beach Boulevard; thence southerly 24.70 feet along a curve concave to the west, having a central angle of 08°34'43" with a radius of 165.00 feet, also having a chord bearing and distance of S 05°45'43" W 24.68 feet to the end of said curve; thence S 10°03'05" W 191.64 feet to the beginning of a curve to the left; thence southerly 50.85 feet along said curve having a central angle of 18°47'54" with a radius of 155.00 feet, also having a chord bearing and distance of S 00°39'08" W 50.63 feet to the end of said curve; thence S 08°44'49" E 343.72 feet to the beginning of a curve to the right; thence southerly and southwesterly 92.72 feet along said curve having a central angle of 54°12'26" with a radius of 98.00 feet, also having a chord bearing and distance of S 18°21'24" W 89.30 feet to the end of said curve; thence S 45°27'37" W 165.84 feet; thence S 47°08'34" W 66.03 feet; thence S 53°55'51" W 26.24 feet; thence S 54°53'02" W 36.68 feet; thence S 54°53'02" W 405.48 feet to a point located at the northeast corner of property now or formerly to John Ladner & Terry L. Ladner (W.D. Book X5, Page 14); thence N 02°59'02" W 35.15 feet to a point located at the southeast corner of property now or formerly to Terry L. Ladner (W.D. Book BB23, Pages 240-241); thence N 54°50'16" E 407.80 feet; thence N 55°01'25" E 36.53 feet; thence N 47°09'52" E 66.93 feet; thence N 45°27'37" E 165.40 feet to the beginning of a curve to the left; thence northeasterly and northerly 64.33 feet along said curve having a central angle of 54°12'26" with a radius of 68.00 feet, also having a chord bearing and distance of N 18°21'24" E 61.96 feet to the end of said curve; thence N 08°44'49" W 343.72 feet to the beginning of a curve to the right; thence northerly 60.70 feet along said curve having a central angle of 18°47'54" with a radius of 185.00 feet, also having a chord bearing and distance of N 00°39'08" E 60.43 feet to the end of said curve; thence N 10°03'05" E 191.64 feet to the beginning of a curve to the left; thence northerly 19.34 feet along said curve having a central angle of 08°12'33" with a radius of 135.00 feet, also having a chord bearing and distance of N 05°56'49" E 19.33 feet to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision, said point also being located at the south end of right-of-way for Beach Boulevard, also said point being the said Point Of Beginning.

PARCEL L

LESS AND EXCEPTED FROM PARCELS A, B, C AND K:  
RELOCATED ROADWAY PARCEL

NEW R.O.W. FOR SHIPYARD ROAD (2006)

A parcel of land located in Gulfview Subdivision (Subdivision Plat Book 1, Page 27), Hancock County, Mississippi; and being more particularly described as follows:

Commence at the intersection of the north line of Lot 1, Block 100, Gulfview Subdivision with the west right-of-way of Beach Boulevard, said point being located at the following coordinates, N. 270521.13 feet, E. 797265.13 feet (M.S.P.C.S.-East Zone/NAD 83 in feet); thence S 08°44'36" E 323.60 feet along the west right-of-way of Beach Boulevard to a point located on the north line of Lot 7, Block 100, Gulfview Subdivision; thence N 89°48'38" E 40.60 feet along the north line of said Lot 7, also being along the south end of right-of-way for Beach Boulevard; thence S 11°36'42" W 25.62 feet; thence S 10°02'59" W 190.35 feet to the beginning of a curve to left; thence southerly 54.43 feet along said curve having a central angle of 19°00'52" with a radius of 164.00 feet, also having a chord bearing and distance of S 00°32'33" W 54.18 feet to the end of said curve; thence S 08°57'53" E 96.61 feet; thence S 08°44'21" E 141.83 feet to the beginning of a curve to the right; thence southerly and southwesterly 65.31 feet along said curve having a central angle of 49°53'41" with a radius of 75.00 feet, also having a chord bearing and distance of S 16°12'30" W 63.27 feet to the end of said curve; thence S 41°09'20" W 137.98 feet to the beginning of a curve to the right; thence southwesterly and westerly 34.94 feet along said curve having a central angle of 40°02'27" with a radius of 50.00 feet, also having a chord bearing and distance of S 61°10'34" W 34.24 feet to the end of said curve; thence S 81°11'47" W 53.04 feet to the beginning of a curve to the left; thence westerly and southwesterly 49.90 feet along said curve having a central angle of 57°10'47" with a radius of 50.00 feet, also having a chord bearing and distance of S 52°36'23" W 47.85 feet to the end of said curve; thence S 24°01'00" W 90.89 feet to the beginning of a curve to the right; thence southerly and southwesterly 39.03 feet along said curve having a central angle of 30°00'50" with a radius of 74.50 feet, also having a chord bearing and distance of S 39°01'25" W 38.58 feet to the end of said curve; thence S 54°01'50" W 168.09 feet to the beginning of a curve to the left; thence southwesterly and southerly 27.52 feet along said curve having a central angle of 39°55'07" with a radius of 39.50 feet, also having a chord bearing and distance of S 34°04'16" W 26.97 feet to the end of said curve; thence S 14°06'43" W 78.39 feet to the beginning of a curve to the right; thence southerly and southwesterly 54.02 feet along said curve having a central angle of 40°43'33" with a radius of 76.00 feet, also having a chord bearing and distance of S 34°28'30" W 52.89 feet to the end of said curve; thence S 54°50'16" W 91.05 feet to a point located on the east line of property now or formerly to John Ladner & Terry Ladner (W.D. Book X5, Page 14); thence N 02°59'02" W 42.53 feet to a point located on the east line of property now or formerly to Terry M. Ladner (W.D. Book BB23, Pages 240-241); thence N 54°50'16" E 68.40 feet to the beginning of a curve to the left; thence northeasterly and northerly 28.43 feet along said curve having a central angle of 40°43'33" with a radius of 40.00 feet, also having a chord bearing and distance of N 34°28'30" E 27.84 feet to the end of said curve; thence N 14°06'43" E 78.39 feet to the beginning of a curve to the right; thence northerly and northeasterly 52.60 feet along said curve having a central angle of 39°55'07" with a radius of 75.50 feet, also having a chord bearing and distance of N 34°04'16" E 51.54 feet to the end of said curve; thence N 54°01'50" E 168.09 feet to the beginning of a curve to the left; thence northeasterly and northerly 20.17 feet along said curve having a central angle of 30°00'50" with a radius of 38.50 feet, also having a chord bearing and distance of N 39°01'25" E 19.94 feet to the end of said curve; thence N 24°01'00" E 121.25 feet to the beginning of a curve to the right; thence northeasterly and easterly 56.39 feet along said curve having a central angle of 57°10'47" with a radius of 56.50 feet, also having a chord bearing and distance of N 52°36'23" E 54.07 feet to the end of said curve; thence N 81°11'47" E 60.17 feet to the beginning of a curve to the left; thence easterly and northeasterly 39.48 feet along said curve having a central angle of 40°02'27" with a radius of 56.50 feet, also having a chord bearing and distance of N 61°10'34" E 38.69 feet to the end of said curve; thence N 41°09'20" E 103.84 feet to the beginning of a curve to the left; thence northeasterly and northerly 33.96 feet along said curve having a central angle of 49°53'41" with a radius of 39.00 feet, also having a chord bearing and distance of N 16°12'30" E 32.90 feet to the end of said curve; thence N 08°44'21" W 141.76 feet; thence N 08°57'53" W 96.54 feet to the beginning of a curve to the right; thence northerly 66.37 feet along said curve having a central angle of 19°00'52" with a radius of 200.00 feet, also having a chord bearing and distance of N 00°32'33" E 66.07 feet to the end of said curve; thence N 10°02'59" E 190.36 feet; thence North 18.68 feet to a point located on the north line of Lot 7, Block 100, Gulf-view Subdivision, said point also being located at the south end of right-of-way for Beach Boulevard, also said point being the said Point of Beginning.

## LIST OF SUBSIDIARIES OF FULL HOUSE RESORTS, INC.

<u>NAME OF SUBSIDIARY</u>	<u>JURISDICTION OF INCORPORATION</u>
Full House Subsidiary, Inc.	Delaware
Full House Subsidiary II, Inc.	Nevada
Stockman's Casino	Nevada
Gaming Entertainment (Indiana) LLC	Nevada
Gaming Entertainment (Nevada) LLC	Nevada
Silver Slipper Casino Venture LLC	Delaware



CONSENT OF PIERCY BOWLER TAYLOR & KERN CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Full House Resorts, Inc.  
Las Vegas, Nevada

We consent to the incorporation by reference in the registration statement of Full House Resorts, Inc. on Form S-8 (File No. 333-29299) of our report dated March 5, 2013, included in this Annual Report on Form 10-K, on the consolidated financial statements of Full House Resorts, Inc. and Subsidiaries as of and for the years ended December 31, 2012 and 2011.

/s/ Piercy Bowler Taylor & Kern

Piercy Bowler Taylor & Kern,  
Certified Public Accountants  
Las Vegas, Nevada

March 5, 2013

## CERTIFICATION

I, Andre M. Hilliou, certify that:

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

Dated: March 5, 2013

By: /s/ ANDRE M. HILLIOU  
Andre M. Hilliou  
Chief Executive Officer

## CERTIFICATION

I, Deborah J. Pierce, certify that:

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

Dated: March 5, 2013

By: /s/ DEBORAH J. PIERCE  
Deborah J. Pierce  
Chief Financial Officer

## CERTIFICATION

I, Mark J. Miller, certify that:

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

Dated: March 5, 2013

Mark J. Miller  
Chief Operating Officer

By: /s/ MARK J. MILLER

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Annual Report on Form 10-K of Full House Resorts, Inc. for the year ended December 31, 2012 as filed with the Securities and Exchange Commission (the "Report"), I, Andre M. Hilliou, Chief Executive Officer of Full House Resorts, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: March 5, 2013

By: /s/ ANDRE M. HILLIOU

Andre M. Hilliou  
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Annual Report on Form 10-K of Full House Resorts, Inc. for the year ended December 31, 2012 as filed with the Securities and Exchange Commission (the "Report") I, Deborah J. Pierce, Chief Financial Officer of Full House Resorts, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: March 5, 2013

By: /s/ DEBORAH J. PIERCE

Deborah J. Pierce  
Chief Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Annual Report on Form 10-K of Full House Resorts, Inc. for the year ended December 31, 2012 as filed with the Securities and Exchange Commission (the "Report"), I, Mark J. Miller, Chief Operating Officer of Full House Resorts, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: March 5, 2013  
Mark J. Miller  
Chief Operating Officer

By: /s/ MARK J. MILLER

