

FULL HOUSE RESORTS INC
Form 10-K
March 10, 2014

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, 2013
- 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.

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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, 2013, was: \$47,027,115. As of March 1, 2014, there were 18,870,681 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 2014, 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 and Grand Lodge Casino leased operation in 2011 and the Silver Slipper Casino in 2012. With the 2012 sale of the management agreement for the FireKeepers Casino in Michigan, we have transitioned the primary source of our revenues to owned entities.

We currently own three casino properties, lease one casino property and we have one management contract to manage a group of related casino properties. These properties are located in four distinct regions of the United States - the Gulf Coast, the Midwest, Northern Nevada and the Southwest. We own Rising Star Casino Resort located in Rising Sun, Indiana, Silver Slipper Casino located in Bay St. Louis, Mississippi and Stockman's Casino located in Fallon, Nevada. We lease the Grand Lodge Casino 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 and the Cities of Gold and other gaming facilities, both located in Santa Fe, New Mexico, for the Pueblo of Pojoaque pursuant to an agreement with a three-year term expiring in September 2014.

Previously we managed the FireKeepers Casino near Battle Creek, Michigan for the Nottawaseppi Huron Band of Potawatomi, through a 50% joint venture, pursuant to a seven-year management agreement through March 30, 2012, when our interest in the joint venture was sold.

Properties Currently Operating

Gulf Coast Casino Operations

Silver Slipper Casino

Silver Slipper Casino is on the far west end of the Mississippi Gulf Coast in Bay St. Louis, Mississippi. The property has approximately 37,000 square feet of gaming space containing approximately 950 slot and video poker machines, 25 table games 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 Silver Slipper Casino, on October 1, 2012, for \$69.3 million, exclusive of net working capital balances, fees and expenses.

On August 26, 2013, we entered into an agreement with WHD Silver Slipper Casino, LLC related to construction of a six-story, 142-room hotel at our Silver Slipper Casino property (the “Silver Slipper Casino Hotel”). We have commenced construction of the Silver Slipper Casino Hotel and expect construction to be completed in late 2014 or early 2015. Upon completion, the hotel will have 142-rooms in a six-story tower overlooking the waterfront. We believe that the Silver Slipper Casino Hotel is a much-needed amenity and will favorably impact customer loyalty by allowing guests to extend their visits at Silver Slipper Casino.

Midwest Casino Operations

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 Rising Star Casino Resort in August 2011. The property has approximately 40,000 square feet of casino space and includes approximately 1,200 slot and video poker machines, 33 table games, a 190-room hotel, five dining outlets and an 18-hole Scottish links golf course.

In October 2011, Rising Sun/Ohio County First, Inc. (“RSOCF”) and Rising Sun Regional Foundation, Inc. teamed up to develop a new 104-room hotel tower on land adjacent to our Rising Star Casino Resort. On June 13, 2012, the City of Rising Sun Advisory 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 Advisory 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 three acres of land on which the hotel was developed. Construction commenced in December 2012, and the new hotel tower at Rising Star Casino Resort opened on November 15, 2013. The opening of the new hotel tower at Rising Star Casino Resort brought total room capacity to 294. We believe that the added hotel room inventory in close proximity to our casino facility will favorably impact revenues and visitor counts.

On August 16, 2013, we entered into a 10-year capital lease for the new hotel tower at Rising Star Casino Resort (the “Rising Star Hotel Agreement”) which commenced on November 15, 2013 and provides us with full management control and an option to purchase the new hotel tower at Rising Star Casino Resort at the end of the term. We have recorded the capital lease obligation and hotel assets in our financial statements. On November 15, 2013, we began operating the new hotel tower at Rising Star Casino Resort. The Rising Star Hotel Agreement provides that we will be the lessee of the new hotel tower at Rising Star Casino Resort and assume all responsibilities, revenues, expenses, profits and losses related to the hotel’s operations. The term of the Rising Star Hotel Agreement is for 10 years from November 15, 2013, with the landlord having a right to sell the hotel to us at the end of the term and our corresponding obligation to purchase it on the terms set forth in the Rising Star Hotel Agreement. During the term, we will have the exclusive option to purchase the new hotel tower at Rising Star Casino Resort at a pre-set price. On January 1, 2014, we began paying a fixed monthly rent payment of approximately \$77.5 thousand, which will continue throughout the term of the Rising Star Hotel Agreement unless we elect to purchase the hotel before the end of the lease period. In the event that we default on the lease agreement, the landlord’s recourse is limited to taking possession of the property, collection of all rent due and payable, and the right to seek remediation for any attorneys’ fees, litigation expenses, and costs of retaking and re-leasing the property.

Northern Nevada Casino Operations

Grand Lodge Casino

On September 1, 2011, we purchased the operating assets of Grand Lodge Casino and entered into a lease with Hyatt Equities, L.L.C. for the casino space in the Hyatt Regency Lake Tahoe Resort, Spa and Casino in Incline Village, Nevada on the north shore of Lake Tahoe. The initial term of the lease expires on August 31, 2018. The lease has an option, subject to mutual agreement, to renew for an additional five-year term. The Grand Lodge Casino has 18,900 square feet of casino space integrated with the Hyatt Regency Lake Tahoe Resort, Spa and Casino, featuring approximately 260 slot machines, 16 table games and a poker room.

Stockman’s Casino

We acquired Stockman’s Casino in Fallon, Nevada on January 31, 2007. Stockman’s Casino 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.

Southwest Casino 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 as a management contract, to advise on the operations of Buffalo Thunder Casino and Resort in Santa Fe, New Mexico, along with the Pueblo’s Cities of Gold and other gaming facilities which in aggregate have approximately 1,200 slot machines, 18 tables games (including poker) and a simulcast area. 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 Buffalo Thunder Casino and Resort became effective on September 23, 2011.

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.

Prior Projects

FireKeepers Casino

Until March 30, 2012, we owned 50% of Gaming Entertainment (Michigan), LLC (“GEM”), a joint venture with RAM Entertainment, LLC, (“RAM”) a privately-held investment company. GEM had the exclusive right to provide casino management services at the FireKeepers Casino near Battle Creek, Michigan for the Nottawaseppi Huron Band of Potawatomi (the “Michigan Tribe”) for seven years commencing August 5, 2009. On December 2, 2010, the FireKeepers Development Authority, a tribal entity formed by the Michigan Tribe, 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.

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 for \$97.5 million. In addition to the \$97.5 million sale price, the FireKeepers Development Authority 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 FireKeepers Development Authority. 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 | \$48.8 | |
| Plus: April 2012 wind-up fee received, net of \$0.03 million wind-up fee and holdback receivable | 0.9 | |
| Net proceeds | 49.7 | |
| Less: Our interest in joint venture | (5.7 |) |
| Full House gain on sale of joint venture | 44.0 | |
| Less: contract right owned by subsidiary | (2.8 |) |
| Consolidated gain on sale of joint venture | \$41.2 | |

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. We believe that we are in material compliance with such governmental regulations in each jurisdiction in which we conduct business.

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. 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 of securities subject to certain conditions. 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, which acquired and operates 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. The Indiana Gaming 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 Indiana Gaming 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 Gaming 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 Gaming 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 Gaming 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 Indiana Gaming Commission with the power and duties of administering, regulating and enforcing the system of riverboat gaming in Indiana. The Indiana Gaming 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 Indiana Gaming 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 Gaming 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 Gaming 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. Gaming Entertainment (Indiana) LLC applied for and, on March 15, 2011, was granted the transfer of a riverboat owner's license. Thereafter, Gaming Entertainment (Indiana) LLC has renewed its license annually on September 15 of each year.

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 Indiana Gaming 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. Gaming Entertainment (Indiana) LLC most recently had its power of attorney approval renewed on September 12, 2013.

The Indiana Gaming 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 Gaming 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 Indiana Gaming 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 Gaming 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 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 Indiana Gaming 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 Gaming 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 Gaming Commission adopted the 2012 Disparity Study. For expenditures in all areas, the Indiana Gaming 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 Gaming Commission and the Indiana Act authorizes the Indiana Gaming 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 5% of the first \$25.0 million of adjusted gross receipts for casinos with adjusted gross gaming receipts under \$75.0 million during the fiscal tax year ended June 30, 2014, with a deduction for free play 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 Indiana Gaming 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 Indiana Gaming Commission, by resolution, has authorized its executive director, subject to subsequent ratification by the Indiana Gaming Commission, to approve debt transactions after a review of the transaction documents and consultation with the Indian Gaming Commission chair and the Indiana Gaming Commission's financial consultant.

The Indiana Gaming 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 Indiana Gaming Commission or for any other fraudulent act. In addition, the Indiana Gaming Commission may revoke an owner's license if the Indiana Gaming 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 Casino 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 Casino 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 Gaming 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 Gaming 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.

Tribal Gaming

Gaming on tribal lands (lands over which tribes have jurisdiction and which meet the definition of tribal lands under the Indian Gaming Regulatory Act of 1988, (the "Regulatory Act")) is regulated by federal, state and tribal governments. The regulatory environment regarding tribal gaming is always changing. Changes in federal, state or tribal law or regulations may limit or otherwise affect tribal 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 tribal lands are subject to the Regulatory Act, which is implemented by the National Indian Gaming Commission (“NIGC”). The contracts also are subject to the provisions of statutes relating to contracts with tribes, which are supervised by the United States 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 tribal gaming facilities;
- perform background checks on persons associated with tribal gaming;
- inspect, copy and audit all records of tribal 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 tribal lands and for theft from tribal 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 tribal 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 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 tribal land into three categories. Class I Gaming includes traditional tribal 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 tribal land if performed according to a tribal ordinance which has been approved by the NIGC and if the state in which the tribal 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 tribal 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 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 tribal 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, tribal governments have primary regulatory authority over gaming on tribal 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 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 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 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 tribes recognized as of the date of that Act. Thus, a 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 (“Pueblo Gaming Commission”). The Pueblo 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 Pueblo 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 Pueblo 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 Pueblo Gaming Commission’s regulations.

The Pueblo 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 Pueblo 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 a 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 a tribal 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. 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. Because 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 tribal land, state-sponsored lotteries, video poker in restaurants, bars and hotels, internet gaming, pari-mutuel betting on horse racing, dog racing and jai alai, sports bookmaking, card rooms, and casinos at racetracks. Silver Slipper Casino, Rising Star Casino Resort, Grand Lodge Casino, Stockman's Casino 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 than we do.

Silver Slipper Casino 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 56,300 square feet of casino space, approximately 1,200 slot machines, 20 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, approximately 2,000 slot machines, over 40 table games, approximately 560 hotel rooms and four dining options. In August 2013, Island View Casino Resort officials announced plans for a \$50.0 million expansion to include an approximately 400 room beachfront hotel, restaurants and meeting and convention space. Construction will begin this fall and is expected to be completed by the summer of 2015. There are eight casinos in the Biloxi area, approximately an hour away on 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, 1,800 slot machines, 60 table games and a poker room. The Beau Rivage Casino & Hotel includes approximately 79,000 square feet of casino space, 2,000 slot machines, 80 table games and a poker room. Approximately a one and a half hour drive on I-10 West from Silver Slipper Casino 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 approximately 125,000 square feet of gaming space, 1,800 gaming machines, 150 table and poker games and ten restaurants. Each of these facilities is within the general market of Silver Slipper Casino and is expected to continue providing competition to our Silver Slipper Casino operation.

Rising Star Casino Resort 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 142,500 square feet of casino space, over 2,900 slot machines, 80 table games, poker room and five dining options. To the south of the Rising Star Casino Resort is the Belterra Casino, approximately thirty minutes away, with approximately 50,000 square feet of casino space, 1,400 slot machines and 53 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, approximately 70 table games and a poker room. The Horseshoe Casino Cincinnati opened on March 4, 2013 and features approximately 96,000 square feet of casino space, 1,800 slot machines, 120 table games and a poker room. Miami Valley opened in December 2013. There are also two proposed racinos within the general market of Rising Star Casino Resort which are expected to open in 2014 and provide increased competition to our Rising Star Casino Resort operation. While Kentucky has limited legal gaming, the cities of Lexington and Louisville are within the market of Rising Star Casino Resort and there is a possibility that Kentucky will expand legalized gaming in the near future.

Grand Lodge Casino is one of four 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 200 slot machines, approximately eight table games and a sports book. In South Lake Tahoe, approximately a 45 minute drive from Incline Village, there are four gaming properties, which do not directly compete with the North Lake Tahoe area. There are also numerous Native American casinos serving the Northern California market.

Stockman's Casino is located on the west side of Fallon, Nevada 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 approximately nine casinos currently operating in the Fallon, Nevada market, our major competitors are three other casinos that are smaller than Stockman's Casino 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 Casino and Resort and the Cities of Gold and other gaming 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, two 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 approximately 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. There are three casinos located in Albuquerque, New Mexico, approximately a 1.5 hour drive away. The largest of these casinos is the Isleta Resort & Casino with 300,000 square feet of casino space, over 1,600 slot machines, approximately 30 table games, poker room, bingo and five dining options. Each of these facilities is within the general market of Buffalo Thunder Casino and Resort and the Cities of Gold and other gaming facilities and is expected to provide competition.

Employees

As of March 1, 2014, we had 16 full-time corporate employees, four of whom are executive officers and an additional three are senior management. The Silver Slipper Casino had approximately 400 full-time and 80 part-time employees, Rising Star Casino Resort had approximately 500 full-time and 150 part-time employees, Grand Lodge Casino had approximately 105 full-time and 30 part-time employees and Stockman's Casino had approximately 95 full-time and 20 part-time employees. The Buffalo Thunder management contract oversees approximately 460 full-time and 15 part-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 with Capital One Bank, N.A. ("First Lien Credit Agreement") and our Second Lien Credit Agreement with ABC Funding, LLC ("Second Lien Credit Agreement"), 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 Silver Slipper Casino located in Bay St. Louis, Mississippi. The Silver Slipper Casino property consists of 38 acres of land we lease 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. Silver Slipper Casino includes approximately 37,000 square feet of gaming space and an adjacent surface lot. We also lease approximately five acres of land occupied by Silver Slipper Casino gaming office and warehouse space, as well as a small parcel of land with a building. In addition, we have commenced construction of a 142-room hotel adjacent to Silver Slipper Casino. Construction of the hotel is expected to be completed in late 2014 or early 2015.

Rising Star Casino Resort

We own Rising Star Casino Resort located in Rising Sun, Indiana on the Ohio River. The property consists of a dockside barge structure with approximately 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. In addition, a third party constructed a new 104-room hotel on property adjacent to Rising Star Casino Resort, bringing total room capacity to 294. We operate this new hotel pursuant to a 10-year capital lease that includes an option to purchase the new hotel at any time during the term of the lease.

Stockman's Casino

We own Stockman's Casino located in Fallon, Nevada. Stockman's Casino 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

Pursuant to a lease expiring on August 31, 2018, we lease the Grand Lodge Casino 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. The lease has an option, subject to mutual agreement, to renew the lease for an additional five-year term. The Grand Lodge Casino has 18,900 square feet of gaming area and the casino is integrated into the Hyatt Regency Lake Tahoe Resort, Spa and Casino.

Corporate Offices

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 since 2002. The lease agreement expires on 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 common stock traded on the NYSE Amex under the symbol "FLL" until February 12, 2013. On February 13, 2013, our common 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 until February 12, 2013 and the NASDAQ Capital Market for the periods thereafter.

| | High | Low |
|------------------------------|---------|---------|
| Year Ended December 31, 2013 | | |
| First Quarter | \$ 3.58 | \$ 2.75 |
| Second Quarter | 3.32 | 2.58 |
| Third Quarter | 3.05 | 2.61 |
| Fourth Quarter | 3.03 | 2.70 |
| Year Ended December 31, 2012 | | |
| First Quarter | \$ 3.59 | \$ 2.45 |
| Second Quarter | 3.15 | 2.76 |
| Third Quarter | 4.00 | 2.60 |
| Fourth Quarter | 3.82 | 2.73 |

On March 3, 2014, the last sale price of our common stock as reported by the NASDAQ Capital Market was \$2.47.

As of March 3, 2014, we had 107 registered holders of record of our common stock. We believe that there are over 1,300 beneficial owners.

Dividend Policy

We have not paid any dividends on our common stock to date. The payment of dividends in the future will be contingent upon the terms of our indebtedness, and our revenues and earnings, if any, capital requirements, growth opportunities and general financial condition. It is the present intention of our Board of Directors to retain all earnings, if any, for use in our business operations, debt reduction and growth initiatives and, accordingly, our Board of Directors does not anticipate paying any dividends 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," "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 potential acquisitions and investments;
- 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 licenses 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 risks 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 are a leading multi-jurisdictional developer, owner and operator of gaming-related enterprises in regional markets. We have successfully transitioned from a gaming management company to a company with operations that consist primarily of owned casino properties. The repositioning of our business plan is highlighted by the acquisition of Rising Star Casino Resort and the lease of Grand Lodge Casino in 2011 and the acquisition of Silver Slipper Casino and the sale of the management agreement for the FireKeepers Casino in 2012. We actively explore, individually and with partners, new gaming-related opportunities with a focus on acquiring and developing casino properties.

We currently own three casino properties, lease one casino property and we have one management contract to manage a group of related casino properties. These properties are located in four distinct regions of the United States – the Gulf Coast, the Midwest, Northern Nevada and the Southwest.

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 Silver Slipper Casino in Bay St. Louis, Mississippi. The purchase was closed on October 1, 2012, for a price of approximately \$69.3 million exclusive of cash and working capital in the amount of \$6.4 million and \$2.9 million, respectively. 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 our consolidated financial statements set forth in Item 8. Financial Statements and Supplementary Data, and we used the debt to fund the Silver Slipper Casino purchase price.

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 National Indian Gaming Commission as a management contract, to advise on the operations of Buffalo Thunder Casino and Resort in Santa Fe, New Mexico, along with the Pueblo's Cities of Gold and other gaming facilities which in aggregate have approximately 1,200 slot machines, 18 tables games (including poker) and a simulcast area. Our management and related agreements with Buffalo Thunder Casino and Resort became effective on September 23, 2011. As of September 1, 2011, we own the operating assets of Grand Lodge Casino, and have a lease terminating August 31, 2018 with Hyatt Equities, L.L.C. for the casino space in the Hyatt Regency Lake Tahoe Resort, Spa and Casino in Incline Village, Nevada on the north shore of Lake Tahoe.

Until March 30, 2012, we owned 50% of GEM, a joint venture with RAM, a privately-held investment company, where we were the primary beneficiary and, therefore, we included GEM in our consolidated financial statements. On February 17, 2012, we and RAM signed a letter of intent with the FireKeepers Development Authority to propose terms of a potential sale of GEM and its management rights and responsibilities under the current management agreement and allow the FireKeepers casino to become self-managed by the FireKeepers Development Authority, in return for \$97.5 million. The sale closed on March 30, 2012 and effectively terminated the existing management agreement, which was scheduled to run through August 2016. We also received a \$1.2 million wind-up fee equivalent to what our management fee would have been for the month of April 2012.

We conduct gaming operations in four gaming jurisdictions and are subject to regulatory oversight in each of those jurisdictions. Accordingly, we are required to submit regular reports to the gaming authorities in each jurisdiction regarding our operations and from time to time make applications regarding our operations, including financial arrangements entered into by us, and obtaining gaming licenses or findings of suitability of key personnel working at our properties. Such reporting and applications may affect our abilities to obtain financings or loans for our existing operations or expansion opportunities. We believe that we and our operations are in material compliance with all such

gaming regulations.

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Critical Accounting Estimates and Policies

Use of Estimates

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States. Certain of our accounting policies require that we apply significant judgment in defining the appropriate assumptions for calculating financial estimates. The significant accounting estimates inherent in the preparation of our financial statements primarily include our valuation of goodwill and purchase price allocations made in connection with our acquisitions, the estimated useful lives assigned to our depreciable and amortizable assets, asset impairment, bad debt expense, our opinion of collectability of receivables and fair value estimates related to valuation of receivables. Other accounting estimates include management's 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. 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 made 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.

Property and Equipment

We define a fixed asset as a unit of property that: (a) has an economic useful life that extends beyond 12 months; and (b) was acquired or produced for a cost greater than \$2,500 for a single asset, or greater than \$5,000 for a group of assets acquired or produced for a specific capital project. See Note 6 and Note 7 to the consolidated financial statements set forth in Item 8. Financial Statements and Supplementary Data. Fixed assets are capitalized and depreciated for book and tax purposes. Fixed assets acquired or produced for a cost less than \$2,500, our minimum threshold amount for capitalization, are reflected as an expense in our financial statements.

Fixed assets are recorded at historical cost as of the date acquired and depreciated beginning on the date the fixed asset is placed in service. A fixed asset costing less than the threshold stated above is recorded as an expense for financial statement and tax purposes. A fixed asset with an economic useful life that is less than 12 months is expensed for financial statement and tax purposes, regardless of the acquisition or production cost. 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 FASB ASC Topic 360-10.

The interest cost associated with major development and construction projects is capitalized and included in the cost of the project. Interest expense is capitalized at the applicable weighted-average borrowing rates of interest. Interest capitalization ceases once a project is substantially complete or no longer undergoing construction activities to prepare it for its intended use.

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 appropriate under the circumstances. Our capital lease asset and liabilities are initially measured at the beginning of the lease term at the present value of the minimum lease payments. Assets under a capital lease which meet the transfer-of-ownership or bargain-purchase option criteria of FASB ASC Topic 840, "Leases", are amortized over the estimated useful lives of the assets. 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.

Goodwill

Goodwill represents the excess of the purchase price over fair value of net assets acquired in connection with Silver Slipper Casino, Rising Star Casino Resort and Stockman's Casino. In accordance with the authoritative guidance for goodwill and other intangible assets, we test our goodwill and indefinite-lived intangible assets for impairment annually or if a triggering event occurs. We evaluate goodwill utilizing the market approach and income approach applying the discounted cash flows in accordance with the provisions of FASB ASC Topic 350, "Intangibles-Goodwill and Other" on an annual basis.

Intangible Assets

Our indefinite-lived intangible assets include 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 Casino Resort gaming license was estimated using a derivation of the income approach to valuation. The other gaming license values are based on actual costs. 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. 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.

The player loyalty programs represent the value of repeat business associated with Silver Slipper Casino’s and Rising Star Casino Resort’s loyalty programs. The values of the loyalty programs were determined using a derivation of the income approach to valuation. The valuation analyses for the active rated players were based on projected revenues and attrition rates. Silver Slipper Casino and Rising Star Casino Resort maintain historical information for the proportion of revenues attributable to the rated players for gross gaming revenue. The value of the player loyalty programs are amortized over a life of three years. 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.

Revenue Recognition and Promotional Allowances

Slot coin-in is the gross amount wagered for the period cited. The win or hold percentage is the net amount of gaming wins and losses, with liabilities recognized for accruals related to the anticipated payout of progressive jackpots, 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). Changes in our slot win percentages can have a significant impact to earnings.

For table games, customers usually purchase gaming chips at the gaming tables. The cash and markers (extensions of credit granted to certain credit worthy customers) are deposited in the gaming table's drop box. Table game win is the amount of drop that is retained and recorded as casino gaming revenue, with liabilities recognized for funds deposited by customers before gaming play occurs and for unredeemed gaming chips. As we are focused on regional gaming markets, our table win percentages are fairly stable as the majority of these markets do not regularly experience high-end play, which can lead to volatility in win percentages. Therefore, changes in table game win percentages do not typically have a material impact to our earnings.

Key performance indicators related to gaming revenue are slot coin-in and table game drop (volume indicators) and "win" or "hold" percentage. Our typical property slot win percentage is in the range of 4% to 9% of slot coin-in, and our typical table game win percentage is in the range of 5% to 25% of table game drop.

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 \$6.0 million and \$6.7 million have been recognized as a direct reduction of casino revenue in 2013 and 2012, respectively. 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 \$19.8 million in 2013 and \$15.4 million in 2012. The estimated cost of providing room, food and beverage and other incentives is included primarily in casino expenses.

We recognize the impact on gaming revenues on an annual basis to reflect an estimate of the change in the value of outstanding chips and tokens that are not expected to be redeemed. This estimate is determined by measuring the difference between the total value of chips and tokens placed in service less the value of chips and tokens in the inventory of chips and tokens under our control. This measurement was not consistently performed in past years, but will be performed on an annual basis in the future utilizing methodology in which a consistent formula is applied to estimate the percentage value of the chips and tokens not in custody that are not expected to be redeemed. In addition to the formula, certain judgments are made with regard to various denominations and souvenir chips and tokens.

Customer Loyalty Programs

We currently offer incentives to our customers through customer loyalty programs at each of our properties – the Silver Slipper Casino Players Club, the Rising Star Rewards Club™, the Grand Lodge Players Advantage Club® and the Stockman’s Winner’s Club. Under these programs, customers earn points based on their level of play that may be redeemed for various benefits, such as free play, cash back, complimentary dining, or hotel stays, among others, depending on each property’s specific offers. The reward credit balance under the plans will be forfeited if the customer does not earn any reward credits over a specified time period, or after a specified time period of inactivity, up to a 13-month time period, depending on the specific property’s customer loyalty program.

We accrue a liability for the estimated cost of providing these benefits as the benefits are earned. Estimates and assumptions are made regarding cost of providing the benefits, breakage rates, and the mix of goods and services customers will choose. We use historical data to assist in the determination of estimated accruals. Changes in estimates or customer redemption habits could produce significantly different results. At December 31, 2013 and December 31, 2012, we had accrued \$1.2 million and \$1.3 million, respectively, for the estimated cost of providing these benefits. Such amounts are included in “Accrued player club points and progressive jackpots” in our Consolidated Balance Sheets.

Loyalty programs are just a part of the total marketing program. The amount of marketing reinvestment (complimentaries to players, promotional awards, entertainment, etc.) is based on the specific property and competitive assumptions. We track the percentage of promotional and marketing costs compared to gaming revenue for an efficient use and return on our marketing investment. Each of our properties has been faced with a highly competitive promotional environment due to the high amounts of incentives offered by the competition. The Rising Star Casino Resort has been significantly impacted by the substantial promotions offered at the new Ohio casinos.

Share-based Compensation

Share-based compensation expense from stock awards is included in general and administrative expense. See Note 12 to the consolidated financial statements set forth in Item 8. Financial Statements and Supplementary Data. Vesting is contingent upon certain conditions, including continuous service of the individual recipients. Unvested stock grants made in connection with our incentive compensation plan are viewed as a series of individual awards and the related share-based compensation expense is amortized into compensation expense on a straight-line basis as services are provided over the vesting period, and reported as a reduction of stockholders’ equity. We grant shares of restricted stock, rather than options, to key members of management and the board of directors.

Recently Issued Accounting Pronouncements

We have reviewed authoritative standards issued after December 31, 2013. As a result, we determined that the new standards are not likely to have any significant impact on our future financial statements.

Results of Operations

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 Buffalo Thunder Casino and Resort in New Mexico. The FireKeepers management agreement ended March 30, 2012, with the sale of our interest in GEM. The Buffalo Thunder Casino and Resort management agreement is in effect through September 2014. There can be no assurance that the Buffalo Thunder management agreement will be extended. Consistent with our long-term strategy, we have acquired gaming properties and have transitioned from primarily a management company to primarily an owner/operator of regional casino operations. With the acquisition of Rising Star Casino Resort in 2011 and Silver Slipper Casino in 2012, and the leasing of Grand Lodge Casino in 2011, our results of continuing operations have been significantly impacted and our revenues are currently primarily derived from owned operations.

For purposes of our discussion, references to (i) Midwest segment refers to Rising Star Casino Resort, (ii) Gulf Coast segment refers to Silver Slipper Casino and (iii) Northern Nevada segment refers to Grand Lodge Casino and Stockman's Casino.

We believe the impact of the lost revenues from the sale of our interest in GEM and the FireKeepers management agreement was diminished with the acquisition of the Silver Slipper Casino, as well as the Rising Star Casino Resort and Grand Lodge Casino operations.

Indiana gaming tax legislation was recently passed, which allows a portion of the free play to be tax-free, resulting in a savings of \$1.0 million for the year ended December 31, 2013, for the Rising Star Casino Resort. In addition, as part of the legislation, if Rising Star Casino Resort's gross gaming revenues are less than \$75.0 million during the State of Indiana's fiscal year ended June 30, 2014, we may be entitled to additional tax relief currently estimated at \$2.5 million per year, beginning on July 1, 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenues

For the year ended December 31, 2013, total revenues increased \$16.0 million, or 12% as compared to 2012, principally related to \$51.6 million in revenue in our Gulf Coast segment, representing a full year of operations at Silver Slipper Casino, which we purchased on October 1, 2012, offset by a \$17.1 million, or 20%, decrease in our Midwest segment revenues as a result of increased competition and a \$5.6 million, or 77%, decrease in our development/management segment revenues as a result of the sale of our interest in GEM and the FireKeepers management agreement on March 30, 2012.

The \$17.1 million decrease in our Midwest segment revenues was the result of lower casino revenues at the Rising Star Casino Resort, primarily as a result of increased competition due to the opening of an Ohio racino in December 2013, a new casino in Cincinnati, Ohio, in March 2013, and two casinos in Columbus, Ohio in 2012, coupled with an overall soft market growth.

The \$16.0 million increase in total revenues for the year ended December 31, 2013 consisted of the following changes by revenue type: an \$18.9 million, or 17%, increase in casino revenues, a \$1.7 million, or 28%, increase in food and beverage revenues, a \$0.1 million, or 18%, increase in hotel revenues, and a \$0.7 million, or 32%, increase in other revenues, offset by a \$5.5 million, or 77%, decrease in management fees, as discussed above. The increases in casino and food and beverage revenues were due to the revenue at the Silver Slipper Casino, representing a full year of operations, offset by a \$16.5 million, or 21%, decrease in casino revenues and \$0.7 million, or 18%, decrease in food and beverage revenues at the Rising Star Casino Resort, due to increased competition as discussed above. The Rising Star Casino Resort's hotel revenue for the year ended December 31, 2013 was \$0.6 million, an increase of \$0.1 million, or 18%, over the prior year due to the addition of the 104 new rooms in November. The Rising Star Casino Resort had an occupancy rate of 90%, an average daily rate ("ADR") of \$63 and hotel revenue per available room ("RevPAR") of \$57, for the year ended December 31, 2013, as compared to an occupancy rate of 97%, an ADR of \$63 and RevPAR of \$61, for the year ended December 31, 2012. The Rising Star Casino Resort's hotel revenue consisted of approximately 89% of complimentary room sales for the year ended December 31, 2013, as compared to approximately 90% of complimentary room sales for the year ended December 31, 2012.

Operating Costs and Expenses

For the year ended December 31, 2013, total operating costs and expenses increased \$17.5 million, or 15%, as compared to 2012, as a result of the purchase of the Silver Slipper Casino operations with \$47.7 million in operating costs for the full year. Casino expenses increased by 7.6% to approximately \$67.8 million in 2013 and food and beverage expenses increased by 31.4% to approximately \$7.8 million in 2013, principally due to a full year of operations at Silver Slipper Casino in 2013. Hotel expenses increased \$0.1 million, or 20%, primarily due to the addition of the new 104-room hotel tower at the Rising Star Casino Resort in November 2013. The increase in Silver Slipper Casino operating costs was offset by a \$13.8 million, or 17%, decrease in our Midwest segment costs and a \$2.2 million, or 97%, decrease in our development/management segment operating costs. Operating costs also decreased \$1.5 million, or 22%, in our corporate segment primarily due to a \$1.2 million, or 18%, decrease in selling, general and administrative expenses as explained below. The \$2.2 million decrease in our development/management segment operating costs was predominantly attributable to the sale of our interest in GEM and the FireKeepers management agreement on March 30, 2012.

The \$13.8 million decrease in our Midwest segment operating expenses was the result of cost containment measures and a decrease in business volume. The decrease in Midwest segment operating costs were spread between expense categories with \$10.2 million, or 21%, in lower casino expenses, \$2.0 million, or 10%, in lower selling, general and administrative expenses (as explained below), \$1.1 million, or 27%, in lower depreciation expense and \$0.4 million, or 12%, in lower food and beverage expenses. Rising Star Casino Resort's casino expenses decreased \$10.2 million over the prior year, largely due to a \$7.3 million, or 30%, decrease in gaming taxes, a \$1.5 million, or 13%, decrease in complimentary expense and a \$0.7 million, or 8%, decrease in casino payroll and related expenses. Gaming taxes were lower for the year ended December 31, 2013 due to lower taxable gaming revenues and also were partially attributable to new Indiana gaming tax legislation, which allows a portion of the free play to be tax-free resulting in a savings of \$1.0 million for the year ended December 31, 2013. Rising Star Casino Resort's depreciation expenses decreased \$1.1 million over the prior year period, as a result of some shorter-lived fixed assets that became fully depreciated. Rising Star Casino Resort's food and beverage expenses decreased \$0.4 million over the prior year period due to the decline in business which lowered food and beverage cost of sales.

Project Development and Acquisition Costs

For the year ended December 31, 2013, project development costs decreased \$1.8 million, or 96%, as compared to 2012, mainly as a result of the Silver Slipper Casino acquisition costs incurred in the prior year. Project development and acquisition costs are allocated to our development/management segment.

Selling, General and Administrative Expense

For the year ended December 31, 2013, selling, general and administrative expenses increased \$10.0 million, or 27%, as compared to 2012. Selling, general and administrative expenses were \$18.2 million for the year ended December 31, 2013 at the Silver Slipper Casino, which was acquired on October 1, 2012, which were partially offset by a \$2.0 million, or 10%, decrease in our Midwest segment expenses and also a \$1.2 million, or 18%, decrease in our corporate segment expenses due to lower compensation and other employee related expenses.

The \$2.0 million decrease in our Midwest segment's selling, general and administrative expenses was due to Rising Star Casino Resort's cost control initiatives which resulted in \$1.2 million, or 13%, lower payroll and other employee related expenses, \$0.3 million, or 93%, lower maintenance expenses related to dredging and a \$0.5 million, or 29%, decline in advertising expenses.

Operating Gains (Losses)

For the year ended December 31, 2013, we incurred an impairment loss of \$4.0 million related to Stockman's Casino goodwill as discussed in Note 5 to the consolidated financial statements set forth in Item 8. Financial Statements and Supplementary Data. This contrasts with a \$41.2 million gain on sale of the joint venture, related to the sale of our interest in GEM in the prior year period.

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Other (Expense) Income

For the year ended December 31, 2013, we incurred a \$4.5 million increase in interest expense related to our First Lien Credit Agreement and Second Lien Credit Agreement, whose proceeds were used to purchase Silver Slipper Casino. We capitalized \$0.03 million in interest related to the construction of a hotel at Silver Slipper Casino, as discussed in Note 11 to the consolidated financial statements set forth in Item 8. Financial Statements and Supplementary Data. In the year ended December 31, 2012, we incurred a \$1.7 million loss on extinguishment of debt related to the write-off of the loan costs related to our prior credit agreement with Wells Fargo Bank, National Association (the “Wells Fargo Credit Agreement”). These other (expense) income items are allocated to our corporate operations segment.

Income Taxes

The estimated effective tax rate for the year ended December 31, 2013 is approximately 8% compared to 35% for the same period in 2012. The lower tax rate in 2013 is primarily a function of pre-tax book loss of \$4.3 million for the year ended December 2013 compared to pre-tax book income of \$45.2 million for the year ended December 31, 2012. The lower tax rate in 2013 was primarily due to the pre-tax book loss of \$4.3 million and the impact of permanent items, including the non-deductibility of gaming taxes in calculating state tax and the deductibility of executive compensation related to the vesting of restricted stock during the year. State tax expense is typically higher than the statutory rate as a result of the non-deductibility of gaming taxes in certain states. The tax deduction for restricted stock, which vested in June 2013, was lower than the cumulative expense recognized on the income statement over the three year vesting period. There is no valuation allowance on the deferred tax asset of \$1.3 million as of December 31, 2013, as we believe the deferred tax assets are fully realizable. Subsequent to year end, we filed our tax return for 2013, and we received in early March 2014 a refund of 2.0 million for a net operating loss carryback.

Noncontrolling Interest

For the year ended December 31, 2012, we recorded net income attributable to non-controlling interest in consolidated joint venture of \$2.2 million as a result of our interest in GEM, which was sold on March 30, 2012.

Liquidity and Capital Resources

Economic Conditions and Related Risks and Uncertainties

The United States has experienced, since 2007, 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, the Midwest, Northern Nevada and the Southwest. 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.

Silver Slipper Casino, Rising Star Casino Resort, Grand Lodge Casino, and Stockman’s Casino operations, along with the Buffalo Thunder Casino and Resort management agreement, are currently our primary sources of income and operating cash flow. There can be no assurance that the Pueblo of Pojoaque management agreement ending in September 2014, or the Grand Lodge Casino lease ending in August 2018 will be extended beyond their current

terms. The Buffalo Thunder management agreement generated \$1.7 million in management income in 2013.

On a consolidated basis, cash provided by operations during the year ended December 31, 2013 was \$12.3 million. Cash of \$6.5 million was used in investing activities, largely due to the purchase of \$6.2 million in property and equipment at our various properties, including \$2.2 million in construction costs for the Silver Slipper Casino Hotel. Cash of \$11.5 million was used in financing activities to repay \$11.3 million in debt and pay \$0.2 million in loan fees connected with the Silver Slipper Casino Hotel financing.

As of December 31, 2013, we had approximately \$14.9 million in cash and equivalents. During the year ended December 31, 2012, we prepaid, at our discretion, the principal payment of \$1.3 million due April 1, 2013 on the First Lien Credit Agreement, in order to reduce interest costs. As a practice, we consistently prepaid our quarterly payments before their due dates in 2013, and during the year ended December 31, 2013, we prepaid, at our discretion, the sum of \$8.8 million in quarterly principal payments, which were due through July 1, 2015. The next scheduled principal payment is due October 1, 2015.

Projects

Our future cash requirements include funding needs of approximately \$5.2 million towards future construction costs for the Silver Slipper Casino Hotel. Construction and financing costs of \$2.5 million were funded from available cash during the year ended December 31, 2013, for the Silver Slipper Casino Hotel. On August 26, 2013, we entered into an agreement with WHD Silver Slipper Casino, LLC related to construction of the Silver Slipper Casino Hotel. We have commenced construction of the Silver Slipper Casino Hotel, which is expected to be completed in late 2014 or early 2015 and is budgeted to cost approximately \$17.7 million. The progress on the Silver Slipper Casino Hotel has been slower than expected as we encountered soil conditions which may extend the opening of the hotel to early 2015. In connection with the financing of the Silver Slipper Casino Hotel, on August 26, 2013, we entered into a First Amendment to the First Lien Credit Agreement (“First Lien Amendment”) and an Amendment No. 1 to the Second Lien Credit Agreement (“Second Lien Amendment”) which amended certain provisions of our First and Second Lien Credit Agreements, respectively. The First Lien Amendment modifications included a \$10.0 million increase to the term loan portion of the First Lien Credit Agreement to \$56.3 million, a 1% lower interest rate and an extended maturity date to June 29, 2016. We intend to finance \$10.0 million of the construction cost of the Silver Slipper Casino Hotel with the proceeds of the increase in the term loan under our First Lien Credit Agreement as described in Note 8 to the consolidated financial statements set forth in Item 8. Financial Statements and Supplementary Data, which remains undrawn and available within the limits and terms of the First Lien Credit Agreement, with the remaining \$7.7 million of the construction cost funded or to be funded from available cash as discussed previously.

We believe the Silver Slipper Casino Hotel is a much-needed amenity which will allow guests to extend their visits and enjoy more of what Silver Slipper Casino has to offer and favorably impact customer loyalty and revenues.

In October 2011, Rising Sun/Ohio County First, Inc., an Indiana non-profit corporation, and Rising Sun Regional Foundation, Inc. teamed up to develop a new 104-room hotel on land adjacent to our Rising Star Casino Resort. Construction commenced in December 2012, and the new hotel tower at Rising Star Casino Resort opened November 15, 2013. We believe that the added hotel room inventory in proximity to our casino facility will favorably impact revenues and visitor counts.

On August 16, 2013, we entered into a 10-year capital lease for the new hotel tower at Rising Star Casino Resort (the "Rising Star Hotel Agreement") which commenced on November 15, 2013 and provides us with full management control and an option to purchase the new hotel tower at Rising Star Casino Resort at the end of the lease term. We have recorded the capital lease obligation and hotel assets in our financial statements. On November 15, 2013, we began operating the new hotel tower at Rising Star Casino Resort. The Rising Star Hotel Agreement provides that we, as the lessee, assume all responsibilities, revenues, expenses, profits and losses related to the hotel's operations. The term of the Rising Star Hotel Agreement is for 10 years from November 15, 2013, with the landlord having a right to sell the hotel to us at the end of the term and our corresponding obligation to purchase it on the terms set forth in the Rising Star Hotel Agreement. During the term, we will have the exclusive option to purchase the new hotel tower at Rising Star Casino Resort at a pre-set price. On January 1, 2014, we began paying a fixed monthly rent payment of approximately \$77.5 thousand, which will continue throughout the term of the Rising Star Hotel Agreement unless we elect to purchase the hotel before the end of the lease period. In the event that we default on the lease agreement, the landlord's recourse is limited to taking possession of the property, collection of all rent due and payable, and the right to seek remediation for any attorneys' fees, litigation expenses, and costs of retaking and re-leasing the property.

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, there can be no assurances of our ability to continue expanding.

Other Projects

We evaluate projects on a number of factors, including 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.

We believe that there are significant opportunities to grow our operations in existing and new regional casino markets throughout the United States. Our expansion efforts have principally focused on opportunities in the Southern United States. We believe that our expertise as a multi-jurisdictional casino operator and our experience with the development of the FireKeepers Casino position us well to expand our operations with new project openings.

We, together with Keeneland Association, Inc., are currently pursuing potential gaming opportunities in Kentucky, including the installation of instant racing machines at racetrack properties. The installation of instant racing machines at racetrack properties in Kentucky has been challenged by opponents of the instant racing machines who filed an action alleging that the machines are unlawful gambling. The Kentucky Court of Appeals had vacated the lower court's decision that had upheld regulations adopted by the Kentucky Horse Racing Commission authorizing the use of instant racing machines by race tracks in Kentucky, and the Kentucky Horse Racing Commission and others, including Keeneland Association, Inc., appealed the vacation of the lower court's decision to the Kentucky Supreme Court. On February 20, 2014, the Kentucky Supreme Court held, among other matters, that the Kentucky Horse Racing Commission acted in its regulatory authority when it licensed the operation of pari-mutuel wagering on instant racing, also known as historical horse racing, but remanded the matter to the Circuit Court, to determine if instant racing constitutes a pari-mutuel form of wagering authorized by Kentucky law.

On February 26, 2014, we entered into an exclusivity agreement with Keeneland Association, Inc. to own, manage, and operate instant racing and, if authorized, traditional casino gaming at race tracks in Kentucky, subject to completion of definitive documents for each opportunity. In addition, we and Keeneland Association, Inc. have a letter of intent that provides for an exclusive option to purchase the Thunder Ridge Raceway in Prestonsburg, Kentucky. The purchase will be subject to the completion of definitive documentation and to the approval of the Kentucky Horse Racing Commission, including the approval to transfer the racing license to a to-be-constructed quarter horse racetrack near Corbin, Kentucky to be owned 75% by us and 25% by Keeneland Association, Inc.

Banking Relationships

On October 29, 2010, we, as borrower, entered into the Wells Fargo Credit Agreement with the financial institutions listed therein and Wells Fargo Bank, National Association. 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 on March 31, 2011, when we borrowed \$33.0 million on the term loan which was used to fund our acquisition of Rising Star Casino Resort. The purchase occurred on April 1, 2011. The Wells Fargo Credit Agreement was secured by substantially all of our assets.&#