

FULL HOUSE RESORTS INC

Form S-1

January 08, 2014

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As filed with the Securities and Exchange Commission on January 8, 2014

Registration No. 333-\_\_\_\_\_

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

FULL HOUSE RESORTS, INC.

(Exact name of registrant as specified in its charter)

Delaware

7011

13-3391527

(State or other jurisdiction of  
incorporation or organization)

(Primary Standard Industrial  
Classification Code Number)

(IRS Employer  
Identification Number)

4670 S. Fort Apache Road, Suite 190

Las Vegas, Nevada 89147

(702) 221-7800

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Elaine L. Guidroz, Esq.

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

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

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

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

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

Large accelerated  
filer

Non-accelerated  
filer

(Do not check if a smaller reporting  
company)

Accelerated filer

Smaller reporting  
company

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**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Proposed Maximum Aggregate Offering Price (1) (2)</b>	<b>Amount of Registration Fee (3)</b>
Common Stock, \$0.0001 par value per share	\$46,000,000	\$5,924.80

(1)

- Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2)

- Includes shares the underwriters have the option to purchase to cover over-allotments, if any.

(3)

- Calculated pursuant to Rule 457(o) under the Securities Act of 1933, as amended, based on an estimate of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 8, 2014  
PRELIMINARY PROSPECTUS

Full House Resorts, Inc.  
\_\_\_\_\_ Shares

Common Stock

We are offering \_\_\_\_\_ shares of our common stock. Our common stock is listed on the NASDAQ Capital Market under the symbol "FLL". The last sale price of our common stock on January \_\_, 2014 was \$\_\_\_\_\_.

	<b>Price to Public</b>	<b>Underwriting Discounts and Commissions</b>	<b>Proceeds, Before Expenses, to Full House Resorts, Inc.</b>
Per Share	\$	\$	\$
Total	\$	\$	\$

We have granted the underwriters for this offering an option to purchase up to an additional \_\_\_\_\_ shares of common stock at the public offering price, less the underwriting discount. The underwriters may exercise this option at any time and from time to time within 30 days after the date of this prospectus.

We expect that the shares of common stock will be ready for delivery to investors on or about \_\_\_\_\_, 2014.

Investing in our securities involves risks. You should consider the risks that we have described in Risk Factors beginning on page 9 of this prospectus before buying our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Neither the Nevada Gaming Commission, the Nevada State Gaming Control Board, nor any other gaming authority has passed upon the accuracy or adequacy of this prospectus or the investment merits of the securities offered hereby. Any representation to the contrary is unlawful.

Macquarie Capital

The date of this prospectus is \_\_\_\_\_, 2014

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You should rely only on the information contained in this prospectus. Neither the underwriters nor we have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither the underwriters nor we are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

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### Prospectus Summary

This summary highlights basic information about us and this offering. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully before making an investment decision. When we use the words “Company,” “we,” “us” or “our company” in this prospectus, we are referring to Full House Resorts, Inc., a Delaware corporation, and our subsidiaries, unless it is clear from the context or expressly stated that these references are only to Full House Resorts, Inc. Unless otherwise indicated, all information contained in this prospectus assumes that the underwriters will not exercise their over-allotment option. This prospectus contains forward-looking statements, which involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under “Risk Factors” and elsewhere in this prospectus.

### Our Company

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 2011 acquisition of Rising Star Casino Resort, the 2011 lease of the Grand Lodge Casino, the 2012 acquisition of Silver Slipper Casino, and the 2012 sale of the management agreement for the FireKeepers Casino. We actively explore, individually and with partners, new gaming-related opportunities with a focus on acquiring and developing casino properties. We currently own, lease and manage five casino properties in four distinct regions of the United States — the Gulf Coast, Midwest, Southwest and Northern Nevada.

#### Gulf Coast Casino Operations

##### Silver Slipper Casino

On October 1, 2012, we acquired Silver Slipper Casino located in Bay St. Louis, Mississippi. Silver Slipper Casino is approximately one hour (56 miles) from New Orleans, Louisiana. The property has over 37,000 square feet of gaming space containing approximately 1,000 slot and video poker machines, 31 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 patrons primarily from the New Orleans metropolitan area and other communities in southern Louisiana and southwestern Mississippi. In addition, we have commenced construction of a 142-room hotel adjacent to our casino. Construction of the hotel is expected to be completed in the fourth quarter of 2014.

#### 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., located in Rising Sun, Indiana. We renamed the property Rising Star Casino Resort in August 2011. The property has 40,000 square feet of casino space and includes over 1,200 slot and video poker machines, 34 table games, 190 hotel rooms, five dining outlets and an 18-hole Scottish links golf course. In addition, a third party has constructed a 104-room hotel on property adjacent to Rising Star Casino Resort which opened on November 15, 2013, bringing total room capacity to 294 rooms. On August 16, 2013, we entered into a 10-year lease which commenced on November 15, 2013 and provides us with full management control and option to own the hotel at the end of the lease term.

#### 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 LLC 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 term of the lease runs to

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August 31, 2018. The lease has an option, subject to mutual agreement, to renew the lease for an additional 5-year term. 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

On January 31, 2007, we acquired Stockman's Casino in Fallon, Nevada. Stockman's Casino has approximately 8,400 square feet of gaming space with approximately 263 slot machines, four table games and keno. The facility has a bar, a fine dining restaurant and a coffee shop.

Development / Management Operations

Buffalo Thunder Casino and Resort

In May 2011, we entered into an agreement with the Pueblo of Pojoaque in New Mexico to manage the tribe's gaming operations including Buffalo Thunder Casino and Resort in Santa Fe, New Mexico, the Pueblo's Cities of Gold Casino and other small gaming routes. The agreement was approved by the National Indian Gaming Commission as a management contract. For our management services, we receive a base consulting fee of \$100,000 per month plus quarterly success fees based on achieving certain financial targets. The Pueblo of Pojoaque agreement covers approximately 1,200 slot machines, 18 table games (including poker) and a simulcast area. The Pueblo of Pojoaque agreement expires on September 23, 2014 and we are currently in discussions with the Pueblo of Pojoaque regarding the potential extension of the agreement.

Prior Projects

Until March 30, 2012, we owned 50% of Gaming Entertainment (Michigan), LLC, a joint venture with RAM Entertainment, LLC, that held the management rights and responsibilities under an agreement to manage the FireKeepers Casino, a tribal gaming casino, located near Battle Creek, Michigan. During the development and construction of the FireKeepers Casino, Gaming Entertainment (Michigan), LLC provided site acquisition, design, budgeting, financing, construction oversight and pre-opening planning and implementation services. Following opening, Gaming Entertainment (Michigan), LLC managed FireKeepers Casino's operations and entered into a hotel consulting services agreement with respect to the FireKeepers Casino phase II development project. The Company and RAM sold Gaming Entertainment (Michigan), LLC and the related management agreement to FireKeepers Development Authority for approximately \$97.5 million on March 30, 2012.

Until August 31, 2011, we were a 50%-investor in Gaming Entertainment (Delaware), LLC, an unconsolidated joint venture with Harrington Raceway, Inc., which had a management contract with Harrington Casino located in Harrington, Delaware.

Operating and Marketing Strategy

Our marketing strategy is to target primarily local patrons that are able to easily drive to our casinos from the surrounding communities. We believe that patrons are attracted to our casinos based on our ability to create favorable experiences through customer service, employee engagement and entertainment. Our primary operating strategy is focused on maintaining and increasing the volume of patrons that currently frequent our casino properties. Our management philosophy is based on a decentralized model in which property level management maintains significant autonomy in daily operations, but are provided with corporate oversight of business planning, accounting and finance, human resources, risk management, procurement of shared resources, marketing strategy and capital allocation.

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Our Growth Strategy

Target the acquisition of high quality regional casino properties that provide an opportunity to create value for our shareholders

Our strategy is to identify high quality gaming opportunities with strong demographics, in attractive and accessible locations, at purchase valuations that provide opportunities for us to create shareholder value through improved management and/or capital investment. Our management team will focus on implementing best practices in accounting and finance, business planning, human resources, risk management, marketing, and procurement at our current properties and potential future acquisitions.

Pursue casino development opportunities in existing and new regional gaming jurisdictions

We believe that there are significant opportunities to grow our operations in existing and new regional casino markets throughout the United States. We evaluate projects on a number of factors, including forecasted profitability, development period, regulatory and political environment and our ability to secure the funding necessary to complete the development. 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.

Invest in organic growth opportunities at our existing properties

We are focused on maximizing the performance of our properties through capital spending programs designed to maintain asset quality and add or improves amenities. We are currently constructing a 142-room hotel adjacent to Silver Slipper Casino, which we believe will favorably impact customer loyalty and financial performance by allowing guests to extend their visits at Silver Slipper Casino. A third party also recently opened a 104-room hotel adjacent to Rising Star Casino Resort which we have leased and began operating in November 2013.

Risks That We Face

You should carefully consider the risks described under “Risk Factors” beginning on page 9 and the other information included in this prospectus before deciding to invest in our common stock. These risks could materially and adversely impact our business, results of operations and financial condition, which could cause the trading price of our common stock to decline and result in a partial or total loss of your investment.

Additional Information

We were incorporated in Delaware on January 5, 1987. Our principal executive offices are located at 4670 S. Fort Apache Road, Suite 190, Las Vegas, Nevada 89147, and our telephone number is (702) 221-7800. Our website is [www.fullhouserestorts.com](http://www.fullhouserestorts.com). The information contained in our website is not a part of this prospectus.



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The Offering

Issuer

Full House Resorts, Inc.

Common Stock offered

\_\_\_\_\_ shares

Common Stock outstanding prior to this offering

18,750,681 shares (1)

Common Stock to be outstanding after this offering

\_\_\_\_\_ shares (1)

Use of proceeds

We intend to use the net proceeds of this offering for future strategic acquisitions or investments and general corporate purposes, including paying down existing indebtedness and working capital. See "Use of Proceeds."

Listing

Our common stock is listed on the NASDAQ Capital Market under the symbol "FLL."

(1)

- Excludes the following:

- 

- 1,356,595 shares of common stock held as treasury stock.

- 

- 137,000 shares of common stock available for future issuance under our Amended and Restated 2006 Incentive Compensation Plan.

All information in this prospectus assumes no exercise by the underwriters of their right to purchase up to an additional \_\_\_\_\_ shares of common stock to cover over-allotments.

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## Summary Financial Data

The following summary consolidated historical financial information of the Company as of December 31, 2012 and 2011 and for the years then ended was derived from the audited consolidated financial statements of the Company included in this prospectus. The summary consolidated historical financial information of the Company as of and for the nine months ended September 30, 2013 and for the nine months ended September 30, 2012, was derived from the unaudited condensed consolidated financial statements of the Company included in this prospectus, which have been prepared on a basis consistent with the annual audited consolidated financial statements. In the opinion of management, such unaudited financial data reflect all adjustments necessary for a fair presentation of the results for such periods. The following summary historical financial information of Silver Slipper Casino Venture, LLC as of the nine months ended September 30, 2012 and year ended December 31, 2011 was derived from audited financial statements included in this prospectus. Silver Slipper Casino Venture, LLC was purchased by the Company on October 1, 2012. The pro forma combined financial information for the year ended December 31, 2012 presents the combined results, after adjustments, of the Company and Silver Slipper Casino Venture, LLC, as if the purchase had occurred on January 1, 2012.

The following information is only a summary and should be read in conjunction with the audited and unaudited consolidated financial statements and the related notes appearing elsewhere in this prospectus, the financial information included in this prospectus in the sections entitled "Selected Consolidated Financial Data," "Unaudited Pro Forma Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the section entitled "Risk Factors." The summarized unaudited pro forma results below have been updated with more current information than the pro forma information provided in Note 13 to the audited financial statements for Full House Resorts, Inc. as of and for the year ended December 31, 2012.

Full House Resorts, Inc. ("the Company") (1)				Silver Slipper Casino Venture, LLC (2)		Pro Forma Combined Pro Forma year ended December 31, 2012 (unaudited)
Nine Months Ended September 30, 2013 (unaudited)	Nine Months Ended September 30, 2012 (3) (unaudited)	Year Ended December 31, 2012 (3)	Year Ended December 31, 2011	Nine Months Ended September 30, 2012	Year Ended December 31, 2011	
(in thousands)						
\$113,272	\$91,300	\$128,760	\$105,461	\$42,735	\$57,260	\$171,495
3,913	50,771	49,638	19,173	509	5,435	49,761
(1,617)	28,666	27,834	2,343	(5,582)	(1,774)	22,097
\$(0.09)	\$1.53	\$1.49	\$0.13	\$—	\$—	\$1.18

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	<b>Full House Resorts, Inc. (“the Company”) (1)</b>		
	<b>As of September 30, 2013 (unaudited)</b>	<b>As of December 31, 2012 (3)</b>	<b>As of December 31, 2011</b>
	<b>(in thousands)</b>		
Balance Sheet Data:			
Cash and cash equivalents	\$25,364	\$20,603	\$14,707
Total assets	156,807	162,725	94,618
Long-term debt (including current maturities)	66,250	68,750	26,937
Current liabilities	14,175	15,332	17,186
Retained earnings	36,461	38,078	8,508
Total stockholders’ equity	80,122	81,133	55,445
Other Financial Data (6):			
Adjusted EBITDA	\$15,440	\$15,862	\$21,235
Property EBITDA	19,134	21,100	25,673

(1)

- Full House Resorts, Inc. consolidated.

(2)

- Silver Slipper Casino Venture, LLC operations. The entity was purchased by the Company on October 1, 2012.

(3)

- Results from 2012 include a pre-tax gain of \$41.2 million on the sale of the management rights and management agreement for the FireKeepers Casino to the FireKeepers Development Authority in March 2012.

(4)

- The Company results of operations for 2012 and 2011 may not be comparable. We acquired Rising Star Casino Resort in April 2011, sold the management rights and management agreement for the FireKeepers Casino in March 2012 and acquired Silver Slipper Casino in October 2012.

(5)

- Excluding the \$4.0 million goodwill impairment charge recognized in September 2013, net of tax effect, the Company’s net income and earnings per share would have been \$1.0 million and \$0.05 respectively, for the nine months ended September 30, 2013. During the periods indicated, there were no common equivalent shares that would have been dilutive and, therefore, the calculations for basic and diluted are equal.

(6)

- For the period ended on the reference date. An explanation of Adjusted EBITDA and Property EBITDA and a reconciliation to net income (loss) is set forth below.

We define EBITDA as net income (loss) plus (i) interest expense, net, (ii) provision for taxes and (iii) depreciation and amortization. We define Adjusted EBITDA as EBITDA, as further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance. These further adjustments are itemized below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. We define Property EBITDA as Adjusted EBITDA reduced by the corporate operating loss (adjusted for corporate stock compensation, severance costs and depreciation).

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Full House Resorts, Inc. ("the Company") (1)				Silver Slipper Casino Venture, LLC (2)		Pro Fo Combi Pro fo year en Decemb 201
Nine Months Ended September 30, 2013 (unaudited)	Nine Months Ended September 30, 2012 (unaudited)	Year Ended December 31, 2012	Year Ended December 31, 2011	Nine Months Ended September 30, 2012	Year Ended December 31, 2011	(unaud
(in thousands)						
\$(1,617	) \$28,666	\$27,834	\$2,343	\$(5,582	) \$(1,774	) \$22,097
5,615	805	2,731	2,838	5,367	7,153	10,271
6,906	4,736	6,884	7,001	3,705	4,735	12,448
(91	) 17,417	15,175	3,240	—	—	12,771
10,813	51,624	52,624	15,422	3,490	10,114	57,587
4,000	—	—	4,920	—	—	—
586	1,242	724	—	—	931	1,242
(9	) 1,558	735	—	—	133	1,558
—	1,711	513	—	—	1,711	1,711
—	(41,189	) —	—	—	(41,200	) (41,189
50	(431	) (84	) (1,079	) 724	56	(28
\$15,440	\$12,768	\$15,862	\$21,235	\$4,214	\$10,170	\$20,881
4,289	4,869	6,818	5,190			6,818
(586	) (931	) (1,242	) (724	)		(1,242
—	—	(330	)			(330
—	—	—			—	
(9	) (6	) (8	) (28	)		(8

**Full House Resorts, Inc. (“the Company”) (1)**

**Silver Slipper Casino Venture,  
LLC (2)**

**Pro Fo  
Combi**

\$19,134	\$16,700	\$21,100	\$25,673	\$4,214	\$10,170	\$26,119
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(1)

- Full House Resorts, Inc. consolidated.

(2)

- Silver Slipper Casino Venture, LLC operations. The entity was purchased by the Company on October 1, 2012.

Set forth above is a quantitative reconciliation of EBITDA, Adjusted EBITDA and Property EBITDA to the most directly comparable financial performance measure under generally accepted accounting

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principles (“GAAP”), which is net income. Adjusted EBITDA and Property EBITDA also include the following adjustments:

(3)

- Acquisition costs for the nine months ended September 30, 2013 and 2012, and the year ended December 31, 2012, related to Silver Slipper Casino. Acquisition costs for the year ended December 31, 2011 related to Rising Star Casino Resort and Grand Lodge Casino.

(4)

- We recognized net losses on the interest rate derivative related to our Wells Fargo debt, in addition to a loss of \$1.7 million resulting from the write-off of unamortized loan costs related to the extinguishment of the Wells Fargo debt in March 2012.

(5)

- Other items consist primarily of development project expenses for the nine months ended September 30, 2013; non-controlling interest depreciation adjustments for the nine months ended September 30, 2012; severance costs of \$0.3 million, offset by non-controlling interest depreciation adjustment for the year ended December 31, 2012; and a tribal note receivable impairment of \$.04 million and non-controlling interest depreciation adjustments of \$0.9 million for the year ended December 31, 2011.

We present EBITDA, Adjusted EBITDA and Property EBITDA because we believe it assists investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use EBITDA, Adjusted EBITDA and/or Property EBITDA: (i) as factors in evaluating management’s performance when determining incentive compensation, (ii) to evaluate the effectiveness of our business strategies and (iii) because our credit agreements use measures similar to these items to measure our compliance with certain covenants. EBITDA, Adjusted EBITDA and Property EBITDA have limitations as analytical tools. Some of these limitations are:

- 
- they do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- 
- they do not reflect changes in, or cash requirements for, our working capital needs;
- 
- they do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;
- 
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA, Adjusted EBITDA and Property EBITDA do not reflect any cash requirements for such replacements;

- - non-cash compensation is and will remain a key element of our overall long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing operating performance for a particular period;
- - they do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- - other companies in our industry may calculate EBITDA, Adjusted EBITDA and Property EBITDA differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, EBITDA, Adjusted EBITDA and Property EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA, Adjusted EBITDA and Property EBITDA only supplementally.

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Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information in this prospectus, before deciding whether to invest in our common stock. If any of the events highlighted in the following risks actually occurs, our business, results of operations and financial condition would likely suffer. In such an event, the trading price of our common stock would likely decline, and you could lose part or all of your investment in our common stock.

Risks Related to Our Business

Our success depends on our ability to continue to attract patrons and manage our risk and volatility.

Our success depends on our ability to continue to attract patrons, including frequent players and players who make large wagers, drive volume through marketing, offer competitive and diversified wagering products, and manage risk and volatility. Without a sufficiently high volume of wagers, we will not earn sufficient revenues. If we are unable to manage risk and volatility and we experience more losses than anticipated, our results of operations will be harmed. As a result, our revenues and earnings could fluctuate or decline and would be lower than our expectations or those of analysts or investors.

To increase awareness of our casinos, services and brand and attract profitable gaming patrons, we may need to significantly increase marketing expenses.

To successfully execute our business strategy, we must build awareness and understanding of our casinos, including our services and brands. In order to build this awareness, our marketing efforts must succeed and we must provide high-quality products and services. These efforts require us to incur significant expenses for advertising, free play and other marketing initiatives. Some of these initiatives have the effect of reducing our revenues or increasing our expenses. We cannot assure you that our marketing efforts will be successful or that the allocation of funds to these marketing efforts will be the most effective use of those funds.

The gaming industry is highly competitive, which could reduce our revenues or increase our expenses.

Gaming activities include traditional land-based casinos, riverboat and dockside gaming, casino gaming on tribal land, internet gaming, state-sponsored lotteries, video poker in restaurants, bars and hotels, pari-mutuel betting on horse racing, dog racing and jai alai, sports bookmaking, card rooms, and casinos at racetracks. Silver Slipper Casino, Rising Star Casino Resort, Grand Lodge Casino, Stockman's Casino and the tribal 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. Competition may cause our revenues to decline or require us to incur additional expenses to attract patrons.

Our failure to properly manage our growth effectively could have a material adverse effect upon our business, results of operations and financial condition.

Since 2011, we have acquired two significant properties, Silver Slipper Casino in Mississippi and Rising Star Casino Resort in Indiana, and we entered into a long term lease to lease Grand Lodge Casino at the Hyatt Regency Lake Tahoe Resort, Spa and Casino in Incline Village, Nevada. This growth and any future growth could place significant strain on our existing management team and other personnel, management systems and resources. Significant growth will also require us to improve our financial, accounting and operational systems and controls. Expansion into new geographic areas would further strain our limited managerial, operational and marketing resources. We cannot assure you that we will properly manage our growth effectively, and failure to do so may have a material adverse effect upon our business, results of operations and financial condition.

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Acquisitions, new venture investments and divestitures may not be successful.

As part of our strategy, we may seek to increase growth through strategic acquisitions and any such acquisition may be significant. Not only is the identification of good acquisition candidates difficult and competitive, but these transactions also involve numerous risks, including the ability to:

- 
- successfully integrate acquired companies, properties, systems or personnel into our existing business;
- 
- minimize any potential interruption to our ongoing business;
- 
- successfully enter markets in which we may have limited or no prior experience;
- 
- achieve expected synergies and obtain the desired financial or strategic benefits from acquisitions;
- 
- retain key relationships with employees, customers, partners and suppliers of acquired companies;
- 
- foresee uncertainty in key assumptions including projected future earnings growth of acquired operation, which could potentially result in impairment of goodwill; and
- 
- maintain uniform standards, controls, procedures and policies throughout acquired companies.

Companies, businesses or operations acquired or joint ventures created may not be profitable, may not achieve revenue levels and profitability that justify the investments made or carry other risks associated with such transactions. Future acquisitions could result in the incurrence of indebtedness, the assumption of contingent liabilities, material expense related to certain intangible assets and increased operating expense, which could adversely affect our results of operations and financial condition.

We, together with a third party, are currently pursuing potential gaming opportunities in Kentucky. However, any such opportunity is dependent on the outcome of a review by the Kentucky Supreme Court. In addition, to the extent that the economic benefits associated with any of our acquisitions diminish in the future, we may be required to record additional write downs of goodwill, intangible assets or other assets associated with such acquisitions, which could adversely affect our operating results.

Any potential future acquisitions or new ventures may divert the attention of management and may divert resources from matters that are core or critical to the business.

Our ability to retain our key employees and the ability of certain key employees to devote adequate time to us are critical to the success of our business, and failure to do so may adversely affect our revenues and as a result could have a material adverse effect on our business, results of operations and financial condition.

Our future success depends to a significant degree on the skills, experience and efforts of our senior executives, Andre Hilliou, our Chairman and Chief Executive Officer, Mark J. Miller, our Chief Operating Officer and Deborah Pierce,

our Chief Financial Officer. We have entered into employment agreements with each of Mr. Hilliou, Mr. Miller, and Ms. Pierce, which automatically renew for successive terms of two years for Mr. Hilliou and automatically renew for successive terms of one year for Mr. Miller and Ms. Pierce, unless terminated by us or the relevant executive.

The loss of any of our senior executives could adversely affect our operations. In addition, we compete with potential employers for employees, and we may not succeed in hiring and retaining the executives and other employees that we need. An inability to hire quality employees could have a material adverse effect on our business, financial condition and results of operations.

We are leveraged, which could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk and prevent us from meeting our obligations under our indebtedness.

As of September 30, 2013, we had long-term debt of approximately \$66.3 million (inclusive of current maturities). Our debt has financial covenants, including a total leverage ratio and fixed charge coverage ratio, which are impacted by the performance of our operations. If a default were to occur and we were unable to meet our obligations, we would be forced to restructure or refinance our indebtedness or sell additional equity or assets, which we may not be able to do on favorable terms or at all.

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Our indebtedness could have important consequences for investors, including:

- 
- it may limit our ability to borrow money, dispose of assets or sell equity to meet our working capital needs, fund capital expenditures and dividend payments, service our debt, or pursue strategic initiatives;
- 
- it may limit our flexibility in planning for, or reacting to, changes in our operations or business;
- 
- we may be more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;
- 
- it may make us more vulnerable to downturns in our business or the economy;
- 
- there would be a material adverse effect on our business, results of operations and financial condition if we were unable to service our indebtedness or obtain additional financing, as needed; and
- 
- our ability to complete the hotel at Silver Slipper Casino.

We may require additional capital to meet our financial obligations and support business growth, and this capital might not be available on acceptable terms or at all.

We intend to continue to make significant investments to support our business growth and may require additional funds to respond to business challenges, including the need to make significant capital improvements at our properties, improve our operating infrastructure or acquire complementary businesses, personnel and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be harmed.

The casino, hotel and resort industry is capital intensive and we may not be able to finance expansion and renovation projects, which could put us at a competitive disadvantage.

Our casino and casino/hotel properties have an ongoing need for renovations and other capital improvements to remain competitive, including replacement, from time to time, of furniture, fixtures and equipment. We are currently constructing a 142-room hotel at our Silver Slipper Casino property that is expected to cost approximately \$17.7 million to construct. We may also need to make capital expenditures at our casino properties to comply with applicable laws and regulations.

Renovations and other capital improvements of the casino properties require significant capital expenditures. In addition, renovations and capital improvements of the casino properties usually generate little or no cash flow until the projects are completed. We may not be able to fund such projects solely from cash provided from operating activities. Consequently, we may have to rely upon the availability of debt or equity capital to fund renovations and capital improvements, and our ability to carry them out will be limited if we cannot obtain satisfactory debt or equity financing, which will depend on, among other things, market conditions. We cannot assure you that we will be able to obtain additional equity or debt financing or that we will be able to obtain such financing on favorable terms. Our failure to renovate our casino properties may put us at a competitive disadvantage.

Any increase in the price of gasoline may have an adverse impact on the results of our operations.

Many of our customers drive to our properties; therefore, an increase in gasoline prices may adversely impact our operations. Gasoline prices have been volatile in recent years. We cannot assure you that gasoline prices will hold steady or decline, and continued increases may adversely affect our customers' discretionary income and, ultimately, our revenue.

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Our business may be adversely affected by legislation prohibiting tobacco smoking.

Legislation in various forms to ban indoor tobacco smoking has recently been enacted or introduced in many states and local jurisdictions. If additional restrictions on smoking are enacted in jurisdictions in which we operate, we could experience a significant decrease in gaming revenue and particularly, if such restrictions are not applicable to all competitive facilities in that gaming market, our business could be materially adversely affected.

Adverse weather conditions in Indiana, the Sierra Nevada Mountains, the Reno-Lake Tahoe area, and the Gulf Coast could have a material adverse effect on the results of operations and financial condition of our casinos, which could lead to an adverse impact on our results of operation and financial condition.

Adverse winter weather conditions, particularly snowfall, can deter customers of Rising Star Casino Resort and our Northern Nevada casinos from traveling or make it difficult for them to frequent these facilities. If these locations were to experience prolonged adverse winter weather conditions, the results of operations and financial condition of these casinos could also be materially adversely affected, thereby adversely affecting our overall results of operations and financial condition. Adverse tropical storm or hurricane weather conditions, particularly high winds and rainfall in the Gulf Coast can deter customers of Silver Slipper Casino from travelling and make it difficult for them to frequent Silver Slipper Casino. If the Gulf Coast were to experience tropical storm or hurricane weather conditions, the results of operations could be adversely affected and there could be significant damage to the facility.

Riverboats and dockside facilities are subject to risks relating to weather and must comply with applicable regulations. We own and operate riverboat and dockside casino facilities at our Rising Star Casino Resort, which are subject to risks in addition to those associated with land-based casinos, including loss of service due to casualty, extended or extraordinary maintenance, flood or other severe weather. Reduced patronage and the loss of a dockside or riverboat casino from service for any period of time could adversely affect our results of operations. The riverboats are subject to inspection every year and were inspected in June 2013. The next inspection is anticipated to occur in June 2014.

The concentration and evolution of the slot machine industry could impose additional costs on us.

A majority of our revenues are attributable to slot machines at our casinos. It is important, for competitive reasons, that we offer the most popular and up-to-date slot machine games, with the latest technology to our customers.

In recent years, slot machine manufacturers have frequently refused to sell slot machines featuring the most popular games, instead requiring participating lease arrangements. Generally, a participating lease is substantially more expensive over the long-term than the cost to purchase a new slot machine.

For competitive reasons, we may be forced to purchase new slot machines, slot machine systems, or enter into participating lease arrangements that are more expensive than our current costs associated with the continued operation of our existing slot machines. If the newer slot machines do not result in sufficient incremental revenues to offset the increased investment and participating lease costs, it could adversely affect our profitability.

We may experience construction delays and cost overruns in connection with constructing a hotel at Silver Slipper Casino or during other expansion or development projects that could adversely affect our operations.

A hotel at Silver Slipper Casino is currently under construction. In addition, from time to time we may commence other construction projects at our properties. We also evaluate other expansion opportunities as they become available and we may in the future engage in additional construction projects. Construction projects entail significant risks, which can substantially increase costs or delay completion of a project. Such risks include shortages of materials or skilled labor, unforeseen engineering, environmental or geological problems, work stoppages, weather interference and unanticipated cost increases. Most of these factors are

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beyond our control. In addition, difficulties or delays in obtaining any of the requisite licenses, permits or authorizations from regulatory authorities can increase the cost or delay the completion of an expansion or development. Significant budget overruns or delays with respect to expansion and development projects could adversely affect our results of operations.

We are or may become involved in legal proceedings, that, if adversely adjudicated or settled, could impact our financial condition.

From time to time, we are defendants in various lawsuits and gaming regulatory proceedings relating to matters incidental to our business. As with all litigation, no assurance can be provided as to the outcome of these matters and, in general, litigation can be expensive and time consuming. We may not be successful in the defense or prosecution of our current or future legal proceedings, which could result in settlements or damages that could significantly impact our business, financial condition and results or operations.

**Risks Related to Our Industry**

We are subject to extensive governmental regulation, the enforcement of which could adversely impact our business, results of operation and financial condition.

The operation of gaming properties is subject to extensive federal, state, local and foreign regulations and taxes. The jurisdictions in which we operate or intend to operate require licenses, permits, documentation of qualification, including evidence of financial stability, and other forms of approval of us and our officers, directors, major stockholders and key employees, along with our products. Licenses, approvals or findings of suitability may be revoked, suspended, limited or conditioned. We cannot assure you that we will be able to obtain or maintain all necessary registrations, licenses, permits or approvals, that the licensing process will not result in delays or adversely affect our operations and our ability to maintain key personnel, or that complying with these regulations will not significantly increase our costs.

The Indiana, Mississippi and Nevada gaming laws and regulations require us to obtain approval from the gaming regulators for our gaming operations. The regulations also require that we and our officers, directors, major stockholders and key employees obtain and maintain additional licenses, permits or other forms of approvals. If we are unable to obtain or maintain approval of our operations as required by the regulations, or if we or the individuals with whom we are associated are unable to obtain or maintain approvals, licenses or permits required by the regulations, we will be unable to continue some or all of our operations.

In addition, we are subject to anti-money laundering rules arising under federal law and related Indiana, Mississippi and Nevada law and regulations concerning transactions with players, including requirements to record and submit detailed reports to the federal government of currency transactions involving greater than \$10,000 at our operations, as well as certain suspicious financial activity that may occur in our gaming operations.

Compliance with regulatory investigations and approval requirements may impose substantial costs on our business and disrupt our operations.

The gaming authorities in certain jurisdictions may investigate companies or individuals who have a material relationship with us or our equity holders to determine whether the selected individual or stockholder is acceptable to the gaming authorities. While any such investigated company, individual or stockholder is obligated to pay the costs of the investigation, such an investigation will be time consuming and may be disruptive to our operations. Failure of companies, individuals or stockholders to cooperate with any such investigation could negatively impact our ability to obtain or maintain our licenses.

Some jurisdictions require gaming licensees to obtain government approval before engaging in certain transactions, such as business combinations, reorganizations, borrowings, stock offerings and share repurchases. Obtaining such pre-approvals can also be time consuming and costly.

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We are under continuous scrutiny by the applicable regulatory authorities. Our failure to obtain or maintain regulatory approval in any jurisdiction may prevent us from obtaining or maintaining regulatory approval in other jurisdictions. The failure to maintain a license in a single jurisdiction or a denial of a license by any new jurisdiction may cause a negative “domino effect” in which the loss of a license in one jurisdiction could lead to regulatory investigation and possible loss of a license or other disciplinary action in other jurisdictions.

A decline in the popularity of gaming or the purchasing power of our customers could reduce the number of customers at our properties, which would adversely affect our business.

Our business depends on consumer demand for gaming. Gaming is a discretionary leisure activity, and participation in discretionary leisure activities has in the past, and may in the future, decline during economic downturns because consumers have less disposable income. Gaming activity may also decline based on changes in consumer confidence related to general economic conditions or outlook, fears of war, future acts of terrorism, or other factors. A reduction in tourism could also result in a decline in gaming activity. Finally, a legislature or regulatory authority may prohibit all or some gaming activities in its jurisdiction. A decline in gaming activity as a result of these or any other factors could have a material adverse effect upon our business, results of operations and financial condition.

Changes in consumer preferences could also harm our business. Gaming competes with other leisure activities as a form of consumer entertainment, and may lose popularity as new leisure activities arise or as other leisure activities become more popular. In addition, gaming in traditional gaming establishments may compete with internet-based gaming products, when and if legalized. To the extent that the popularity of gaming in traditional gaming establishments declines as a result of these factors, the demand for our gaming system may decline and our business may be adversely affected.

Continued weakness in the United States and global economy may adversely affect consumer spending and tourism trends.

Discretionary consumer spending has been adversely affected by continued economic weakness in the United States and worldwide. Consumers are traveling less and spending less when they do travel. Likewise, corporate spending on conventions and business development is being significantly curtailed as businesses cut their budgets. Since our business model relies on significant expenditure on discretionary items, continuation or deepening of the weak economic conditions will further adversely affect our operations. Adverse conditions in the local, regional, national and global markets would have a material adverse effect upon our business, results of operations and financial condition. In particular, we have seen slow or declining growth in some of our markets.

Acts of terrorism and war, natural disasters and severe weather may negatively impact our future profits.

Terrorist attacks and other acts of war or hostility have created many economic and political uncertainties. We cannot predict the extent to which terrorism, security alerts or war, popular uprisings or hostilities throughout the world will directly or indirectly impact our business, results of operations and financial condition. As a consequence of the threat of terrorist attacks and other acts of war or hostility in the future, premiums for a variety of insurance products have increased, and some types of insurance are no longer available.

In addition, natural and man-made disasters such as major fires, floods, hurricanes, earthquakes and oil spills could also adversely impact our business. As our business depend in part on our players’ ability to travel, severe or inclement weather would have a material adverse effect upon our business, results of operations and financial condition.

Work stoppages, organizing drives and other labor problems could negatively impact our future profits.

Labor unions are making a concerted effort to recruit more employees in the gaming industry. In addition, organized labor may benefit from new legislation or legal interpretations by the current presidential administration. We cannot provide any assurance that we will not experience additional or more successful union activity in the future.



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Additionally, lengthy strikes or other work stoppages at any of our casino properties or construction projects could have an adverse effect on our business and result of operations.

**Risks Related to This Offering**

We do not expect to pay any cash dividends for the foreseeable future. Accordingly, investors in this offering may never obtain a return on their investment.

You should not rely on an investment in our common stock to provide dividend income. We do not anticipate that we will pay any cash dividends to holders of our common stock in the foreseeable future. Instead, we plan to retain any earnings to maintain and expand our existing operations.

We may invest or spend the proceeds of this offering in ways with which you may not agree or in ways which may not yield a return.

The net proceeds from the sale of shares by us in this offering may be used for general corporate purposes, including paying down existing indebtedness and working capital. We may also use a portion of the net proceeds to acquire or invest in complementary businesses, technologies or other assets. Our management will have considerable discretion in the application of the net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. The net proceeds to us from this offering may be invested with a view towards long-term benefits for our stockholders, and this may not increase our operating results or the market value of our common stock. Until the net proceeds are used, they may be placed in investments that do not produce significant income or that may lose value.

An active, liquid trading market for our common stock may not develop or be sustained.

We completed our initial public offering in 1993. Given the relatively limited public float since that time, trading in our common stock has been limited and, at times, volatile. An active trading market for our common stock may not develop or be sustained, and the trading price of our common stock may fluctuate substantially.

If we are unable to implement and maintain effective internal control over financial reporting in the future, the accuracy and timeliness of our financial reporting may be adversely affected.

If we are unable to maintain adequate internal controls for financial reporting in the future, investor confidence in the accuracy of our financial reports may be impacted or the market price of our common stock could be negatively impacted. Our internal controls could be affected by personnel changes or information technology issues, many of which are out of our control.

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Special Note Regarding Forward-Looking Statements

Certain statements made in this prospectus constitute forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words “may,” “could,” “would,” “should,” “believe,” “expect,” “anticipate,” “plan,” “estimate,” “target,” “project,” “potential,” “intend” or similar expressions. These statements include, among others, statements regarding our expected business outlook, anticipated financial and operating results, business strategy and means to implement the strategy, the amount and timing of capital expenditures, the likelihood of our success in building our business, financing plans, budgets, working capital needs and sources of liquidity. We believe it is important to communicate our expectations to our stockholders. However, there may be events in the future that we are not able to predict accurately or over which we have no control.

Forward-looking statements, estimates and projections are based on management’s beliefs and assumptions, are not guarantees of performance and may prove to be inaccurate. Forward-looking statements also involve risks and uncertainties that could cause actual results to differ materially from those contained in any forward-looking statement and which may have a material adverse effect on our business, financial condition, results of operations and liquidity. A number of important factors could cause actual results or events to differ materially from those indicated by forward-looking statements. These risks and uncertainties include, but are not limited to, those factors listed in this prospectus under “Risk Factors” and 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 license or legislation and regulations;
- - ability to obtain and maintain gaming and other governmental licenses;
- - regulatory approvals;
- - impact of weather;
- - competitive environment, including increased competition in our target market areas;
- - increases in the effective rate of taxation at any of our properties or at the corporate level; and
- - risks, uncertainties and other factors described from time to time in this and our other SEC filings and reports.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus. Forward-looking statements involve known and unknown risks and uncertainties that may cause our actual future results to differ materially from those projected or contemplated in the forward-looking statements.

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All forward-looking statements included herein attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events. You should be aware that the occurrence of the events described in the “Risk Factors” section and elsewhere in this prospectus could have a material adverse effect on us.

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Use of Proceeds

We estimate that we will receive approximately \$\_\_\_\_\_ million in net proceeds from the sale of our common stock in this offering, or approximately \$\_\_\_\_\_ million if the underwriter's option to purchase additional shares is exercised in full, at an assumed public offering price of \$\_\_\_\_\_ per share, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds of this offering for future strategic acquisitions or investments and general corporate purposes, including paying down existing indebtedness and working capital. In addition, the amount and timing of what we actually spend for these purposes may vary significantly and will depend on a number of factors, including our future revenue and cash generated by operations and the other factors described in "Risk Factors." Accordingly, our management will have discretion and flexibility in applying the net proceeds of this offering.

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**Capitalization**

The following table sets forth our consolidated capitalization as of September 30, 2013 on:

- 
- an actual basis; and
- 
- as adjusted basis to give further effect to the sale by us of \_\_\_\_\_ shares of our common stock in this offering at an offering price of \$\_\_\_\_ per share, assuming that the underwriters have not exercised their option to purchase additional shares. This table should be read together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes included elsewhere in this prospectus.

	<b>September 30, 2013</b>	
	<b>(Unaudited)</b>	
	<b>(In thousands)</b>	
	<b>Actual</b>	<b>As Adjusted</b>
Cash and cash equivalents	\$25,364	\$
Indebtedness under our credit facilities (1)	\$66,250	
Stockholders’ equity:		
Common stock, par value \$0.0001 per share:		
100,000,000 shares authorized: 20,107,276 shares issued and 18,750,681 shares outstanding (2); _____ shares issued, pro forma	2	
Additional paid-in capital	45,313	
Treasury stock, 1,356,595 common shares	(1,654 )	
Retained earnings	36,461	
Total stockholders’ equity	80,122	
Total capitalization	\$146,372	\$

- (1)
- We have subsequently repaid \$8.8 million under these credit facilities in the fourth quarter of 2013.

- (2)
- Excludes the following:
    - 
    - 1,356,595 shares of common stock held as treasury stock.
    - 
    - 137,000 shares of common stock available for future issuance under our Amended and Restated 2006 Incentive Compensation Plan.



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UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma statement of operations data for the year ended December 31, 2012 has been derived from the Company's audited consolidated financial statements and the audited Silver Slipper Casino Venture, LLC financial statements included elsewhere in this prospectus and have been prepared to give pro forma effect to the acquisition of Silver Slipper Casino Venture, LLC, ("the Acquisition") as if the acquisition occurred January 1, 2012. The unaudited pro forma statements of operations were derived by adjusting the audited financial statements of the Company and the audited financial statements of Silver Slipper Casino Venture, LLC. The adjustments are based on currently available information and reflect the fact that the Company has accounted for the acquisition of Silver Slipper Casino Venture, LLC in accordance with ASC 805 Business Combinations. The pro forma statements of operations were derived using the estimated fair value of the assets and liabilities acquired in the transaction. The unaudited pro forma results below have been updated with more current information than the pro forma information provided in Note 13 to the audited financial statements for Full House Resorts, Inc. as of and for the year ended December 31, 2012.

The unaudited pro forma statements of operations for the year ended December 31, 2012 have been adjusted to exclude material non-recurring items as well as expenses directly attributable to the acquisition, including:

- 
- Additional depreciation and amortization that resulted from the fair value adjustments for purchase accounting and amortization of new intangibles related to the Acquisition;
- 
- Elimination of Silver Slipper Casino Venture, LLC depreciation expense recorded in the nine months ended September 30, 2012.
- 
- Elimination of Silver Slipper Casino Venture, LLC annual management fee recorded in the nine months ended September 30, 2012, which were paid to the prior owners of Silver Slipper Casino Venture, LLC;
- 
- Increase in interest expense resulting from new indebtedness incurred in connection with the Acquisition; and
- 
- Elimination of Silver Slipper Casino Venture, LLC interest expense recorded in the nine months ended September 30, 2012.



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For the Twelve Months Ended December 31, 2012

(in thousands)

	<b>Full House Resorts, Inc. ("the Company") (1)</b>	<b>Silver Slipper Casino Venture, LLC (2)</b>	<b>Pro Forma Adjustments</b>	<b>Pro Forma Combined</b>
Revenues				
Casino	\$112,649	\$38,783	\$—	\$151,432
Food and beverage	6,223	3,483	—	9,706
Management fees	7,180	—	—	7,180
Other	2,708	469	—	3,177
	128,760	42,735	—	171,495
Operating costs and expenses				
Casino	62,976	16,336	—	79,312
Food and beverage	5,973	3,620	—	9,593
Other operations	5,614	177	—	5,791
Project development and acquisition costs	1,861	—	—	1,861
Selling, general and administrative	37,003	17,068	(153 ) (1)	53,918
Management fee	—	1,320	(1,320 ) (2)	—
Depreciation and amortization	6,884	3,705	1,859 (3)	12,448
	120,311	42,226	386	162,923
Operating gains (losses)				
Gain on sale of joint venture	41,189	—	—	41,189
Operating income	49,638	509	(386 )	49,761
Other income (expense)				
Interest expense	(2,731 )	(5,367 )	(2,173 ) (4) (5) (6)	(10,271 )
Gain on derivative instruments	8	—	—	8
Interest and other income	(6 )	(724 )	—	(730 )
Loss on extinguishment of debt	(1,719 )	—	—	(1,719 )
Income before income taxes	45,190	(5,582 )	(2,559 )	37,049
Income taxes	15,175	—	(2,404 ) (7)	12,771
Net income	30,015	(5,582 )	(155 )	24,278
Income attributable to non-controlling interest in consolidated joint venture	(2,181 )	—	—	(2,181 )
Net income attributable to the Company	\$27,834	\$(5,582 )	\$(155 )	\$22,097
Net income attributable to the Company per common	\$1.49			\$1.18

	<b>Full House Resorts, Inc. ("the Company") (1)</b>	<b>Silver Slipper Casino Venture, LLC (2)</b>	<b>Pro Forma Adjustments</b>	<b>Pro Forma Combined</b>
share				
Weighted-average number of common shares outstanding	18,677,544			18,677,544
See notes to pro forma financial statements.				
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FULL HOUSE RESORTS, INC.

NOTES TO PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(UNAUDITED)

(1)

- To eliminate Silver Slipper bonus payouts associated with the purchase.

(2)

- To eliminate Silver Slipper management fee expense, which was incurred under the prior ownership, as outside management fees terminated on the closing of the acquisition.

(3)

- To amortize the \$5.9 million player loyalty program over 3 years and \$1.4 million of capital leases over 45.6 years and adjust fixed asset depreciation that resulted from the fair value adjustments for purchase accounting.

(4)

- To amortize \$5.9 million of loan acquisition costs over the term of the First and Second Lien credit agreements.

(5)

- To accrue interest on the \$50.0 million and \$20.0 million First and Second Lien Credit Agreements, respectively, as well as accrue the Capital One commitment fee on the \$5.0 million and \$10.0 million line of credit, interest cap premium related to the loans and amortization on the yearly administrative fees.

(6)

- To eliminate Silver Slipper interest expense.

(7)

- To record the pro forma federal income tax expense at 34%, Mississippi state income tax expense at 5.0% and Mississippi franchise taxes for the twelve months ended December 31, 2012. The tax calculations also include state income tax expense for other applicable states, which are consolidated with Full House Resorts, Inc.'s operations.

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## Price Range of Common Stock and Dividends

## Price Range of Our Common Stock

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.

	<b>High</b>	<b>Low</b>
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

As of December 31, 2013, we had 111 registered holders of record of our common stock. We believe that there are over 2,900 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 and growth initiatives and, accordingly, our Board of Directors does not anticipate paying any dividends in the foreseeable future.

**TABLE OF CONTENTS****Selected Financial Data**

The following selected consolidated historical financial information of the Company as of December 31, 2012 and 2011 and for the years then ended was derived from the audited consolidated financial statements of the Company included in this prospectus. The selected consolidated historical financial information of the Company as of and for the nine months ended September 30, 2013 was derived from the unaudited condensed consolidated financial statements of the Company included in this prospectus.

The results of operations for the interim periods are not necessarily indicative of the results of operations which might be expected for the entire year. This information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements of the Company and the notes thereto included elsewhere in this prospectus.

	<b>Full House Resorts, Inc.  (“the Company”) (1)</b>			<b>Silver Slipper Casino  Venture, LLC (2)</b>	
	<b>Nine Months  Ended  September 30,  2013  (unaudited)</b>	<b>Year Ended  December 31,  2012 (3)</b>	<b>Year Ended  December 31,  2011</b>	<b>Nine Months  Ended  September 30,  2012</b>	<b>Year Ended  December 31,  2011</b>
<b>Statement of  Operations  Data: (4)</b>	<b>(In thousands, except per share data)</b>				
Revenues	\$113,272	\$128,760	\$105,461	\$42,735	\$57,260
Operating income	3,913	49,638	19,173	509	5,435
Net (loss) income	(1,617 )	27,834	2,343	(5,582 )	(1,774 )
Basic per share (loss) income (5)	\$(0.09 )	\$1.49	\$0.13	n/a	n/a

	<b>Full House Resorts, Inc. (“the Company”) (1)</b>		
	<b>As of  September 30,  2013</b>	<b>As of  December 31,  2012 (3)</b>	<b>As of  December 31,  2011</b>
<b>Balance Sheet Data:</b>			
Cash and cash equivalents	\$25,364	\$20,603	\$14,707
Total assets	156,807	162,725	94,618
Current liabilities	14,175	15,332	17,186
Retained earnings	36,461	38,078	8,508
Total stockholders’ equity	80,122	81,133	55,445

(1)

- Full House Resorts, Inc. consolidated.

(2)

- Silver Slipper Casino Venture, LLC operations. The entity was purchased by the Company on October 1, 2012.

(3)

- Results from 2012 for the Company include a pre-tax gain of \$41.2 million on the sale of the management rights and management agreement for the FireKeepers Casino to the FireKeepers Development Authority in March 2012.

(4)

- Results of operations for 2012 and 2011 for the Company may not be comparable. The Company acquired Rising Star Casino Resort in April 2011, sold the management rights and management agreement for the FireKeepers Casino in March 2012 and acquired Silver Slipper Casino in October 2012.

(5)

- Excluding the \$4.0 million goodwill impairment charge recognized in September 2013, net of tax effect, net income and net income per share for the Company would have been \$1.0 million and \$0.05 respectively, for the nine months ended September 30, 2013. During the periods indicated, there were no common equivalent shares that would have been dilutive and, therefore, the calculations for basic and diluted are equal.

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

The following is a discussion and analysis of the results of operations, financial condition, and liquidity and capital resources for the nine months ended September 30, 2013 and 2012 and the fiscal years ended December 31, 2012 and 2011 for the Company, including its consolidated subsidiaries. Some of the information contained in this discussion includes forward-looking statements that involve risks and uncertainties. You should review "Special Note Regarding Forward-Looking Statements" and "Risk Factors" for a discussion of important factors that could cause actual results to differ materially from the results described in, or implied by, such forward-looking statements.

#### 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 recent 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, lease and manage five casino properties in four distinct regions of the United States — the Gulf Coast, Midwest, Southwest and Northern Nevada.

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 the consolidated financial statements of the Company as of December 31, 2012 included in this prospectus, 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 Sports Bar casino facilities. 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 LLC 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 August 31, 2011, we were a non-controlling 50%-investor in Gaming Entertainment (Delaware), LLC ("GED"), a joint venture with Harrington Raceway, Inc. GED had a 15-year management contract expiring in August 2011 with Harrington Casino at the Delaware State Fairgrounds in Harrington, Delaware.

Until March 30, 2012, we owned 50% of Gaming Entertainment (Michigan) ("GEM"), a joint venture with RAM Entertainment, LLC, a privately-held investment company, where we were the primary beneficiary and, therefore, we consolidated GEM in our consolidated financial statements. On February 17, 2012, the Company 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.

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### Critical Accounting Estimates and Policies

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

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

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

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

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

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



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accordance with the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification™ (“ASC”) Topic 350, “Intangibles-Goodwill and Other.” Our review of goodwill as of September 30, 2013, and September 30, 2011, respectively, resulted in a \$4.0 million and a \$4.5 million goodwill impairment for Stockman’s Casino and related assets. These calculations, which are subject to change as a result of future economic uncertainty, contemplate changes for both current year and future year estimates in earnings and the impact of these changes to the fair value of Stockman’s Casino, Rising Star Casino Resort and Silver Slipper Casino, although there is always some uncertainty in key assumptions including projected future earnings growth. If our estimates of projected cash flows related to our assets are not achieved, we may be subject to future impairment charges, which could have a material adverse impact on our consolidated financial statements.

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

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

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

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

**Long-term Assets Related to Tribal Casino Projects**

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

**Notes Receivable**

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

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

**Contract Rights**

Contract rights were recognized as intangible assets related to the acquisition of the management agreements and prior to our sale of GEM and the FireKeepers management agreement, were periodically evaluated for impairment based on the estimated cash flows from the management contract on an undiscounted basis and amortized using the straight-line method over the lesser of seven years or contractual lives of the agreements, typically beginning upon commencement of casino operations. In the event the carrying value of the intangible assets were to exceed the undiscounted cash flow, the difference between the estimated fair value and carrying value of the assets would be charged to operations. The cash flow estimates for each project were developed based upon published and other information gathered pertaining to the applicable markets. The cash flow estimates were initially prepared (and were periodically updated) primarily for business planning purposes with the tribes and were secondarily used in connection with our impairment analysis of the carrying value of contract rights, land held for development, and other capitalized costs, if any, associated with our tribal casino projects. The primary assumptions used in estimating the undiscounted cash flow from the projects included the expected number of Class III gaming devices, table games, and poker tables, and the related estimated win per unit per day. Generally, within reasonably possible operating ranges, our impairment decisions were not particularly sensitive to changes in these assumptions because estimated cash flows greatly exceed the carrying value of the related intangibles and other capitalized costs.

We sold \$7.5 million in contract rights with our interest in GEM, to the FireKeepers Development Authority on March 30, 2012, and the remaining \$2.8 million in contract rights was expensed.

**Summary of Assets Related to Tribal Casino Projects**

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

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

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

**Derivative Instruments and Hedging Activities****Derivative Instruments — Interest Rate Swap Agreements**

We adopted the accounting guidance for derivative instruments and hedging activities (ASC Topic 815, “Derivatives and Hedging”), as amended, to account for our interest rate swap, prior to the payoff of the interest rate swap on March 30, 2012. The accounting guidance required us to recognize our derivative instruments as either assets or liabilities in our consolidated balance sheet at fair value. The accounting for changes in fair value (i.e. gains or losses) of a derivative instrument agreement depended on whether it had been designated and qualified as part of a hedging relationship and further, on the type of hedging relationship. The derivative instrument was not designated as a hedge for accounting purposes. The change in fair value was recorded in the consolidated statement of operations in the period of change. Additionally,

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the difference between amounts received and paid under such agreements, as well as any costs or fees, were recorded as a reduction of, or an addition to, interest expense as incurred over the life of the agreement. Fluctuations in interest rates caused the fair value of our derivative instrument to change each reporting period. Effective March 30, 2012 the interest rate swap was terminated, and \$0.5 million was paid, which reflected the fair value of the interest rate swap on that date, and we ceased to recognize the interest rate swap as a liability on the balance sheet in long-term debt.

### Derivative Instruments — Interest Rate Cap Agreements

Currently, we are subject to interest rate risk under our Capital One First Lien Credit Agreement. In November 2012 in accordance with the terms of the First Lien Credit Agreement, we entered into a prepaid interest rate cap agreement with Capital One for a notional amount of \$15.0 million at a LIBOR cap rate of 1.5%. We prepaid \$26,500 related to the agreement, which is effective from November 2, 2012 and terminates on October 1, 2014. Any future settlements resulting from the interest rate cap will be recognized in interest expense during the period in which the change occurs.

### Recently Issued Accounting Pronouncements

Authoritative standards issued after January 1, 2013 have been reviewed by the Company's management. As a result, we determined that the new standards currently 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, Buffalo Thunder Casino and Resort in New Mexico and, during 2011, the Harrington Casino in Delaware. 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. We have owned Stockman's Casino since 2007. 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.

### Nine Months Ended September 30, 2013, Compared to Nine Months Ended September 30, 2012

#### Revenue

For the nine months ended September 30, 2013, total revenues increased \$22.0 million (24%) as compared to 2012, principally related to \$40.0 million in revenue at Silver Slipper Casino, purchased on October 1, 2012, offset by a \$12.7 million (19%) decrease in our Midwest segment revenues and a \$5.5 million (83%) 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 \$12.7 million decrease in our Midwest segment revenues was the result of lower casino revenues, which decreased \$12.4 million (20%), which includes the impact of a casino in Cincinnati, Ohio, which opened in March 2013, as well as two casinos which opened in Columbus, Ohio during 2012 as well as continued economic weakness.

#### Operating Costs and Expenses

For the nine months ended September 30, 2013, total operating costs and expenses increased \$23.6 million (29%), as compared to 2012, chiefly as a result of the purchase of Silver Slipper Casino operations with \$36.3 million in operating costs, offset by a \$10.9 million (18%) decrease in our Midwest

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segment costs and a \$0.8 million (93%) decrease in our development/management segment operating costs. Operating costs also decreased \$0.6 million (12%) in our corporate segment due to a \$0.3 million (7%) decrease in selling, general and administrative expenses as explained below.

The \$10.9 million decrease in our Midwest segment operating expenses was largely due to \$7.8 million (21%) lower casino expenses, \$1.7 million (11%) lower selling, general and administrative expenses (as explained below), \$1.2 million (35%) lower depreciation expense and \$0.3 million (11%) lower food and beverage expenses. Rising Star Casino Resort's casino expenses decreased \$7.8 million over the prior year period, largely due to a \$5.4 million (28%) decrease in gaming taxes, a \$1.3 million (15%) decrease in complimentary expense and a \$0.6 million (9%) decrease in casino payroll and related expenses. The lower gaming taxes 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 \$0.8 million for the nine months ended September 30, 2013. Gaming taxes were also lower for the nine months ended September 30, 2013 due to lower taxable gaming revenues. Rising Star Casino Resort's depreciation expenses decreased \$1.2 million over the prior year period, as a result of fixed assets that became fully depreciated. Rising Star Casino Resort's food and beverage expenses decreased \$0.3 million over the prior year period due to the decline in business which lowered food and beverage cost of sales. The \$0.8 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.

**Project Development and Acquisition Costs**

For the nine months ended September 30, 2013, project development costs decreased \$0.3 million (84%), as compared to 2012, mainly as a result of Silver Slipper Casino acquisition costs incurred in the prior year period. Project development and acquisition costs are allocated to our development/management operations segment.

**Selling, General and Administrative Expense**

For the nine months ended September 30, 2013, selling, general and administrative expenses increased \$11.4 million (47%) as compared to 2012. Selling, general and administrative expenses were \$13.7 million for the nine months ended September 30, 2013 at Silver Slipper Casino, which was acquired October 1, 2012, offset by a \$1.7 million (11%) decrease in our Midwest segment expenses and also a \$0.3 million (7%) decrease in our Corporate segment expenses due to lower payroll and other employee related expenses.

The \$1.7 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 \$0.9 million (14%) lower payroll and other employee related expenses, \$0.3 million lower maintenance expenses related to dredging and a \$0.4 million (35%) decline in advertising expenses.

**Operating Gains (Losses)**

For the nine months ended September 30, 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 of the Company as of September 30, 2013. 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.

**Other (Expense) Income**

For the nine months ended September 30, 2013 we incurred a \$4.8 million increase in interest expense related to the First and Second Lien Credit Agreements with Capital One and ABC Funding, LLC, respectively, whose proceeds were used to purchase Silver Slipper Casino. In the nine months ended September 30, 2012, we incurred a \$1.7 million loss on extinguishment of debt related to the write-off of the Wells Fargo loan costs. These other (expense) income items are allocated to our corporate operations segment.

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## Income Taxes

The estimated effective tax rate for the nine months ended September 30, 2013 is approximately 5% compared to 38% for the same period in 2012. The lower tax rate in the current year is primarily a function of pre-tax book loss of \$1.7 million compared to pre-tax book income of \$48.3 million for the nine months ended September 30, 2013 and September 30, 2012, respectively, and its impact on permanent items, including the non-deductibility of gaming taxes in calculating state tax, and the deductibility of restricted stock partially as a result of permanent differences related to the deductibility of executive compensation. State tax expense is typically high 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 current deferred tax asset of \$2.1 million and the long-term deferred tax asset of \$1.0 million as of September 30, 2013, as we believe the deferred tax assets are fully realizable.

## Noncontrolling Interest

For the nine months ended September 30, 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. Our interest in GEM was sold on March 30, 2012.

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

## Revenues

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

The \$16.9 million decrease in our development/management segment revenues was predominantly attributable to the \$18.0 million (77%) decrease in FireKeepers management fees, offset by a \$0.8 million (87%) increase in Buffalo Thunder Casino and Resort management fees. FireKeepers' management fees were lower due to the sale of our interest in GEM and the FireKeepers management agreement which closed March 30, 2012. Our management agreement with Pueblo of Pojoaque to manage the Buffalo Thunder Casino and Resort and the Cities of Gold and Sports Bar casino facilities, both located in Santa Fe, New Mexico, became effective September 2011 and will end in September 2014.

## Operating Costs and Expenses

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

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

TABLE OF CONTENTS**Project Development and Acquisition Cost**

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

**Selling, General and Administrative Expense**

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

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

**Operating Gains (Losses)**

For the twelve months ended December 31, 2012, operating gains increased by \$42.8 million as compared to 2011 consisting primarily of the gain on sale of the joint venture of \$41.2 million, related to the sale of our interest in GEM. In the prior year, we incurred a \$4.9 million impairment loss, related to a \$4.5 million goodwill impairment in the Nevada segment and \$0.4 million Nambé Pueblo note receivable impairment, offset by \$3.3 million equity in the net income of GED, an unconsolidated joint venture relating to GED. The GED management contract was terminated in August 2011.

**Other Income (Expense)**

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

**Income Taxes**

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

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### Noncontrolling Interest

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

### Liquidity and Capital Resources

#### Economic Conditions and Related Risks and Uncertainties

The United States has experienced a widespread and severe economic slowdown accompanied by, among other things, weakness in consumer spending including gaming activity and reduced credit and capital financing availability, all of which have far-reaching effects on economic conditions in the country for an indeterminate period. Our operations are currently concentrated in Indiana, the Gulf Coast, Northern Nevada and New Mexico.

Accordingly, future operations could be affected by adverse economic conditions and increased competition particularly in those areas and their key feeder markets in neighboring states. The effects and duration of these conditions and related risks and uncertainties on our future operations and cash flows, including our access to capital or credit financing, cannot be estimated at this time, but may be significant.

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 recurring income and significant positive cash flow. There can be no assurance that the Pueblo of Pojoaque management agreement ending in September 2014, or the Grand Lodge lease ending in August 2018 will be extended beyond their current terms.

On a consolidated basis, cash provided by operations for the first nine months of 2013 was \$11.0 million. Cash of \$3.6 million was used in investing activities, largely due to the purchase of \$3.3 million in property and equipment at our various properties, including \$0.4 million for Silver Slipper Casino Hotel pre-construction costs. Cash of \$2.7 million was used in financing activities to repay \$2.5 million in debt and pay \$0.2 million in loan fees connected with Silver Slipper Casino Hotel financing.

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

As of September 30, 2013, we had approximately \$25.4 million in cash and equivalents. Management estimates that approximately \$14.0 million of cash is required for day to day operations. We elected, at our discretion, to prepay on November 1, 2013 the sum of \$2.5 million in principal payments due January 1, 2014 and April 1, 2014 under our First Lien Credit Agreement. We also elected in December 2013, at our discretion, to prepay principal payments due July 1, 2014 through July 1, 2015 totaling \$6.3 million under our First Lien Credit Agreement.

### Projects

Our future cash requirements also include funding approximately \$7.3 million in remaining construction costs, net of \$0.4 million of pre-construction costs funded for the nine months ended September 30, 2013, for a six-story, 142-room hotel at our Silver Slipper Casino property (the "Silver Slipper Casino Hotel") being built between the south side of the casino and the waterfront, with rooms

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facing views of the bay. 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 the fourth quarter of 2014. We intend to finance \$10.0 million of the construction cost with the proceeds of the August 2013 amendment to increase the term loan under our First Lien Credit Agreement, which remains undrawn and available, with the remaining \$7.7 million of the construction cost to be funded from available cash.

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 (the "Rising Star Hotel"). Construction commenced in December 2012 and the Rising Star Hotel 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 lease agreement (the "Rising Star Hotel Agreement") which commenced on November 15, 2013 provides us with full management control and option to own the Rising Star Hotel at the end of the lease term. We have recorded the capital lease and hotel assets on our financial statements. On November 15, 2013, we began operating the Rising Star Hotel. The Rising Star Hotel Agreement provides that we will be the lessee of the Rising Star Hotel and assume all responsibilities, revenues, expenses, profits and losses related to the Rising Star Hotel's operations. The term of the Rising Star Hotel Agreement is for 10 years from November 15, 2013, the date the Rising Star Hotel first opened to the public (subject to certain early termination rights of the parties under the Rising Star Hotel Agreement) with the landlord having a right to sell the Rising Star 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 Rising Star Hotel at a pre-set price. Beginning on January 1, 2014, we will pay a fixed monthly rent payment of approximately \$0.1 million during the term of the Rising Star Hotel Agreement unless we elect to purchase the hotel before the end of the lease period.

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

**Other Projects**

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

We believe that there are significant opportunities to grow our operations in existing and new regional casino markets throughout the United States. We evaluate projects on a number of factors, including forecasted profitability, development period, regulatory and political environment and our ability to secure the funding necessary to complete the development. 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.



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Banking Relationships

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

The initial funding date of the Wells Fargo Credit Agreement occurred 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. Using proceeds from the sale of our interest in GEM and the FireKeepers management agreement, we paid off the remaining \$25.3 million debt related to the Wells Fargo Credit Agreement and extinguished the facility on March 30, 2012, which consisted of \$24.8 million of our existing long term debt and \$0.5 million due on the interest rate swap agreement related to the Wells Fargo Credit Agreement.

On October 1, 2012, we closed on the acquisition of all of the equity membership interests in Silver Slipper Casino Venture LLC dba Silver Slipper Casino located in Bay St. Louis, Mississippi. The purchase price of approximately \$69.3 million, exclusive of cash and working capital in the amount \$6.4 million and \$2.9 million, respectively, was funded by our First Lien Credit Agreement with Capital One Bank, N.A. and our Second Lien Credit Agreement with ABC Funding, LLC. The \$5.0 million revolving loan under the First Lien Credit Agreement remains undrawn and available. The First and Second Lien Credit Agreements are secured by substantially all of our assets and therefore, our wholly-owned subsidiaries guarantee our obligations under the agreements. The Second Lien Credit Agreement is subject to the lien of the First Lien Credit agreement.

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

The First and Second Lien Credit Agreements contain customary negative covenants, including, but not limited to, restrictions on our and our subsidiaries’ ability to: incur indebtedness; grant liens; pay dividends and make other restricted payments; make investments; make fundamental changes; dispose of assets; and change the nature of our business. The First and Second Lien Credit Agreements require that we maintain specified financial covenants, including a total leverage ratio, a first lien leverage ratio, a fixed charge coverage ratio and a capital expenditures ratio each as set forth in the agreements. We measure compliance with our covenants on a quarterly basis, and we were in compliance as of September 30, 2013; however, there can be no assurances that we will remain in compliance with all covenants in the future, particularly in light of the current difficult economic conditions and related uncertainties. The First and Second Lien Credit Agreements also include customary events of default, including, among other things: non-payment; breach of covenant; breach of representation or warranty; cross-default under certain other indebtedness or guarantees; commencement of insolvency proceedings; inability to pay debts; entry of certain material judgments against us or our subsidiaries; occurrence of certain ERISA events; re-purchase of our own stock and certain changes of control.

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 the First and Second Lien Credit Agreements. The First Lien Amendment modifications include 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. Also, certain financial ratio covenants were revised under the First and Second Lien Credit Agreements to accommodate the additional extension of credit under the First Lien Credit Agreement and our lease/purchase agreement related to the Rising Star Hotel, as discussed in Note 10 to the consolidated financial statements, as reflected in our Form 10-Q for the period ended September 30, 2013. The

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\$10.0 million increase to the term loan under our First Lien Credit Agreement remains undrawn and available and will be used to fund a portion of the approximately \$17.7 million construction of the six-story, 142-room Silver Slipper Casino Hotel. The remaining \$7.7 million of the construction cost will be funded from available cash. As of September 30, 2013, we had funded \$0.4 million in pre-construction costs for the Silver Slipper Casino Hotel. We have commenced construction of the Silver Slipper Casino Hotel, which is expected to be completed in the fourth quarter of 2014.

Off-balance Sheet Arrangements

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

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Business

Background

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

We currently own, lease and manage five properties in four distinct regions of the United States — the Gulf Coast, Midwest, Southwest and Northern Nevada. 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 one property, 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 Sports Bar casino facilities, both located in Santa Fe, New Mexico, for the Pueblo of Pojoaque pursuant to an agreement with a three year term expiring in May 2014.

Previously we managed, through a 50% joint venture, FireKeepers Casino near Battle Creek, Michigan for the Nottawaseppi Huron Band of Potawatomi pursuant to a seven-year management agreement that terminated on March 30, 2012.

Properties Currently Operating

Gulf Coast Casino Operations

Silver Slipper Casino

Silver Slipper Casino is on the far west end of the Mississippi Gulf Coast (22 miles west of Gulfport, 34 miles west of Biloxi) in Bay St. Louis, Mississippi and is approximately one hour (56 miles) from New Orleans, Louisiana. The property has over 37,000 square feet of gaming space containing approximately 1,000 slot and video poker machines, 31 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. In November 2004, Silver Slipper Casino entered into a lease agreement with Cure Land Company, LLC for approximately 38 acres of land (“Land Lease”), which includes approximately 31 acres of protected marsh land as well as a seven acre casino parcel, on which Silver Slipper Casino was subsequently built. In December 2010, Silver Slipper Casino entered into a lease agreement with Cure Land Company, LLC for approximately five acres of land occupied by Silver Slipper Casino gaming office and warehouse space. On January 31, 2012, Silver Slipper Casino entered into a lease agreement with Chelsea Company, LLC for a small parcel of land with a building which may be occupied by a future proposed Silver Slipper Casino welcome center. On January 11, 2013, Silver Slipper Casino terminated a previous restaurant lease agreement with Diamondhead Country Club & Property Owners Association (“DCCPOA”) and entered into a contract to purchase services to be provided by DCCPOA related to its golf and country club.

The Land Lease includes an exclusive option to purchase the leased land (“Purchase Option”), as well as an exclusive option to purchase a four-acre portion of the leased land (“4 Acre Parcel Purchase Option”), which may be exercised at any time in conjunction with a hotel development during the term of the lease for \$2.0 million. On February 26, 2013, Silver Slipper Casino entered into a third amendment to the Land Lease which amended the term and Purchase Option provisions of the Land Lease. The term of the Land

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

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 and expect construction to be completed in the fourth quarter of 2014. 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 40,000 square feet of casino space and includes over 1,200 slot and video poker machines, 34 table games, 190 hotel rooms, 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 on land adjacent to our Rising Star Casino Resort (the “Rising Star Hotel”). 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 3.0 acres of land on which the hotel was developed. Construction commenced in December of 2012, and the Rising Star Hotel opened on November 15, 2013. The opening of the Rising Star Hotel brought total room capacity to 294 rooms. 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 lease agreement on related to the Rising Star Hotel (the “Rising Star Hotel Agreement”) and will record the capital lease and hotel assets on our financial statements. On November 15, 2013, we began operating the Rising Star Hotel. The Rising Star Hotel Agreement provides that we will be the lessee of the Rising Star Hotel and assume all responsibilities, revenues, expenses, profits and losses related to the Rising Star Hotel’s operations. The term of the Rising Star Hotel Agreement is for 10 years from November 15, 2013, the date the Rising Star Hotel first opened to the public (subject to certain early termination rights of the parties under the Rising Star Hotel Agreement) with the landlord having a right to sell the Rising Star 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 Rising Star Hotel at a pre-set price. Beginning on January 1, 2014, we will pay a fixed monthly rent payment of approximately \$0.1 million during the term of the Rising Star Hotel Agreement unless we elect to purchase the hotel before the end of the lease period.

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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 LLC 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 5-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 263 slot machines, four table games and keno. The facility has a bar, a fine dining restaurant and a coffee shop.

Development / Management Operations

Buffalo Thunder Casino and Resort

In May 2011, we entered into a three-year agreement with the Pueblo of Pojoaque, which has been approved by the National Indian Gaming Commission 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 Sports Bar casino facilities. We receive a base consulting fee of \$0.1 million per month plus quarterly success fees based on achieving certain financial targets and incur only minimal incremental operating costs related to the contract. Our management and related agreements with Buffalo Thunder Casino and Resort became effective on September 23, 2011. Our management agreement covers approximately 1,200 slot machines, 18 tables games (including poker) and a simulcast area.

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

Prior Projects

FireKeepers Casino

Until March 30, 2012, we owned 50% of Gaming Entertainment (Michigan), LLC ("GEM"), a joint venture with RAM Entertainment, LLC, a privately-held investment company. GEM had the exclusive right to provide casino management services at the FireKeepers Casino 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 Entertainment, LLC 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.

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

Harrington Raceway and Casino, Delaware

We were a 50%-investor in Gaming Entertainment (Delaware), LLC (“GED”), an unconsolidated joint venture with Harrington Raceway, Inc., which had a management contract with Harrington Casino. Harrington Casino, a division of Harrington Raceway, Inc., operated video lottery terminals under the supervision of the Delaware State Lottery Office, and commenced operations on August 20, 1996. GED’s management contract terminated on August 31, 2011. GED provided over \$11.0 million in financing and managed the development of the project. GED’s fee was based primarily on a percentage of revenues and operating profits of Harrington Casino, which was subject to an annual limitation.

Nambé Pueblo, New Mexico

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

Government Regulation

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

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

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

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

Nevada Regulatory Matters

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

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

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- 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;
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- 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

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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:

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

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

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

- 
- pay to the unsuitable person any dividends, interest or any distribution whatsoever;
- 
- recognize any voting right by such unsuitable person in connection with such securities;
-

- pay the unsuitable person remuneration in any form; or
- 
- make any payment to the unsuitable person by way of principal, redemption, conversion; exchange, liquidation or similar transaction.

We are required to maintain a current stock ledger in Nevada which may be examined by the Nevada Gaming Commission at any time, and to file with the Nevada Gaming Commission, at least annually, a list of our stockholders. The Nevada Gaming Commission has the power to require our stock certificates to bear a legend indicating that the securities are subject to the Nevada Gaming Control Act and the regulations of the Nevada Gaming Commission. As a licensee or registrant, we may not make certain public offerings of our securities without the prior approval of the Nevada Gaming Commission. Also, changes in control through merger, consolidation, acquisition of assets, management or consulting agreements or any form of takeover cannot occur without prior investigation by the Nevada State Gaming Control Board and approval by the Nevada Gaming Commission.

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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:

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- assure the financial stability of corporate gaming licensees and their affiliates;
- 
- preserve the beneficial aspects of conducting business in the corporate form; and
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- 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:

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- knowingly violates any laws of the foreign jurisdiction pertaining to the foreign gaming operation;
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- 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.

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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, 2012.

The Indiana Act requires that a licensed owner undergo a complete investigation every three years. If for any reason the license is terminated, the assets of the riverboat gaming operation cannot be disposed of without the approval of the 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 November 15, 2012.

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.

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

A licensee may enter into debt transactions that total \$1.0 million or more only with the prior approval of the 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 Indiana 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



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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

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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

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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

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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.

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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:

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- inspect and examine certain tribal gaming facilities;
- 
- perform background checks on persons associated with tribal gaming;
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- 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;



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- 
- 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.

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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.

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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, 2,000 slot machines, over 40 table games, approximately 560 hotel rooms and four dining options. There are eight casinos in the Biloxi area, approximately an hour away on 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,

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the only land casino in downtown New Orleans which features 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 is the Belterra Casino, approximately thirty minutes away, with 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, 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, eight table games and a sports book. In South Lake Tahoe, approximately a 45 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 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 Sports Bar Casino facilities are two of four casinos located in the Santa Fe, New Mexico area. The closest competitor is the Camel Rock Casino in Santa Fe, New Mexico, approximately a ten minute drive, which is smaller with approximately 500 slot machines, 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 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, 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 Casino facilities and is expected to provide competition.

**Employees**

As of December 31, 2013, we had sixteen full-time corporate employees, four of whom are executive officers and an additional three are senior management. Our Silver Slipper Casino property has approximately 400 full-time and 80 part-time employees, Rising Star Casino Resort has approximately 500 full-time and 130 part-time employees, Grand Lodge Casino has approximately 100 full-time and 30 part-time employees and Stockman's Casino has approximately 85 full-time and 20 part-time employees. The Buffalo Thunder management contract oversees approximately 520 full-time employees, none of which are our direct employees. We believe that our relationship with our employees is good. None of our employees are currently represented by a labor union, although such representation could occur in the future.

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### Description of Property

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. and our Second Lien Credit Agreement with ABC Funding, LLC.

#### 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 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 which will be occupied by Silver Slipper Casino welcome center, which will offer incentives and present promotions to guests. 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 the fourth quarter of 2014.

#### Rising Star Casino and 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 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 rooms. We operate this new hotel pursuant to a 10-year 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. We may elect to extend the term 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.

#### 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.

#### Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

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Our bylaws provide that the number of directors constituting our board of directors shall be fixed from time to time by the board. Our board of directors currently consists of five directors. The directors are Kenneth R. Adams, Carl G. Braunlich, Kathleen Marshall, Andre M. Hilliou and Mark J. Miller.

The names, ages and positions of all our directors and executive officers are listed below, followed by a brief account of their business experience during at least the past five years.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Kenneth R. Adams	71	Director
Carl G. Braunlich	61	Vice Chairman
Andre M. Hilliou	66	Chairman/Chief Executive Officer
Kathleen Marshall	58	Director
Mark J. Miller	56	Director/Chief Operating Officer
T. Wesley Elam	59	Sr. Vice President
Elaine L. Guidroz	36	Secretary and General Counsel
Deborah J. Pierce	65	Chief Financial Officer

Kenneth R. Adams joined our Board in January 2007. Mr. Adams is a principal in the gaming consulting firm, Ken Adams Ltd., which he founded in 1990. He is also an editor of the Adams' Report monthly newsletter, the Adams' Daily Report electronic newsletter and the Adams Analysis, each of which focus on the gaming industry. Since 2012, Mr. Adams has been a partner in the Colorado Grande in Cripple Creek, Colorado, a limited stakes casino with a restaurant and bar. Since August 1997, Mr. Adams has been a partner in Johnny Nolon's Casino in Cripple Creek, Colorado, a limited stakes casino with a restaurant and bar. From 2001 until 2008, he served on the Board of Directors of Vision Gaming & Technology, Inc., a privately-held gaming machine company, and he formerly served on the Board of Directors of the Downtown Improvement Agency in Reno, Nevada.

Dr. Carl G. Braunlich has been one of our directors since May 2005. Since August 2006, he has been an Associate Professor at University of Nevada, Las Vegas. Dr. Braunlich holds a Doctor of Business Administration in International Business from United States International University, San Diego, CA. Prior to joining the faculty of University of Nevada, Las Vegas, Dr. Braunlich was a Professor of Hotel Management at Purdue University since 1990. Previously he was on the faculty at United States International University. Dr. Braunlich has held executive positions at the Golden Nugget Hotel and Casino in Atlantic City, New Jersey and at Paradise Island Hotel and Casino, Nassau, Bahamas. He has been a consultant to Wynn Las Vegas, Harrah's Entertainment, Inc., Showboat Hotel and Casino, Bellagio Resort and Casino, International Game Technology, Inc., Atlantic Lottery Corporation, Nova Scotia Gaming Corporation and the Nevada Council on Problem Gambling. He was on the Board of Directors of the National Council on Problem Gambling and has served on several Problem Gambling Committees, including those of the Nevada Resort Association and the American Gaming Association.

Andre M. Hilliou became President and Chief Executive Officer of Full House in March 2004 and has been one of our directors since May 2005. From 2001 until joining us, he served as Chairman and Chief Executive Officer of Vision Gaming and Technology. Mr. Hilliou held executive positions with various companies including Chief Executive Officer of American Bingo and Gaming, Inc. and Chief Executive Officer of Aristocrat, Inc. He also spent approximately 11 years with Showboat, Inc., reaching the level of Senior Vice President of Operations for its Atlantic City, New Jersey property, and Chief Executive Officer of Showboat's Sydney Harbour Casino.

Kathleen Marshall joined our Board in January 2007. Ms. Marshall has also been appointed the Chairperson of our Audit Committee. Ms. Marshall is a Certified Public Accountant who since October 2008 has served as Director of Business Development of Global Connect, LLC a web-based voice messaging company. Prior to that, from July 2003 through August 2008 served as Vice President of Finance



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for Atlantic City Coin & Slot Service Co. Inc., which designs, manufactures and distributes electronic gaming devices. Between January and June 2003, Ms. Marshall worked as a consultant. From April 1999 to December 2002, she served as Vice President of Finance for the Atlantic City Convention and Visitors Authority, a government agency responsible for enhancing the economy of the region with coordination of the operations of the Atlantic City Convention Center. Prior to that, Ms. Marshall held various finance positions with several Atlantic City Casinos, including Atlantic City Showboat, Inc. and Caesars Atlantic City, Inc.

Mark J. Miller has served as a member of our Board since May 2007 and has served as our Chief Operating Officer since May 2009. He also served as our Chief Financial Officer from February 2007 until December 2012. Mr. Miller served as one of our Directors from May 2005 until the announcement of his employment with Full House in January 2007. He rejoined the Board of Directors in May 2007. From September 2003 until December 2006, Mr. Miller served as Executive Vice President and Chief Financial Officer of Aero Products International, a leading maker of premium, air-filled bedding products. From December 1998 until May 2003, Mr. Miller was Executive Vice President and Chief Financial Officer and then, Chief Operating Officer of American Skiing Company, owner and operator of nine well-known ski resorts. From 1994 until 1998, he was an Executive Vice President of Showboat, Inc. with operational support responsibility for new casino development. Previously, Mr. Miller served in various positions within the Showboat organization, including President and Chief Executive Officer of Atlantic City Showboat, Inc. Mr. Miller holds a Master Degree in Accountancy from Brigham Young University and is a Certified Public Accountant. Mr. Miller has extensive experience as a casino developer, operator and as a financial officer for publicly traded companies.

T. Wesley Elam currently serves as our Senior Vice President. From December 2012 through March 2013, Mr. Elam served as our Senior Vice President of Western Division and Managed Properties. From April 2005 through December 2012, Mr. Elam served as our Vice President of Operations and Project Management. Prior to joining us, he served as general manager of the Argosy Casino in Baton Rouge, Louisiana beginning in December 1998. From September 1994 until August 1998 he served as Chief Operating Officer for the Star City Casino in Sydney, Australia, responsible for the openings and operations of both the temporary and permanent casino/hotel. Prior to that, he served as controller for Casino Windsor, Ontario, Canada, overseeing the construction and opening of the temporary casino, which was a six-month fast track project. Previously, he served in various executive positions with responsibilities for opening and operations of the Trump Taj Mahal Casino, Showboat Casino, Trump Castle Casino and Tropicana Casino. Mr. Elam holds a Bachelor of Science degree in Business Administration from the Thomas Edison State College.

Elaine L. Guidroz was appointed as our Secretary in December 2012. She has served as our General Counsel since January 2013. Prior to serving as General Counsel, Ms. Guidroz has served as Associate General Counsel since February 2012. Ms. Guidroz began her gaming career in 2004 where she served as In-House Counsel to Grand Victoria Casino & Resort, owned and managed by Hyatt Gaming Management, Inc. From 2006 through 2011, Ms. Guidroz served as General Counsel and Compliance Officer to Grand Victoria Casino & Resort. Prior to joining Grand Victoria, Ms. Guidroz was in private practice in Indianapolis, Indiana, where she focused primarily on insurance defense matters. Ms. Guidroz received her Juris Doctorate, magna cum laude, from Indiana University McKinney School of Law. Ms. Guidroz also holds a Masters of Business Administration from Xavier University Williams College of Business, and a Bachelor of Arts from the University of North Carolina-Chapel Hill. Ms. Guidroz is admitted to practice law in the states of Indiana and Kentucky.

Deborah J. Pierce became our Chief Financial Officer on December 7, 2012. From January 2005 until joining us, Ms. Pierce served as Chief Financial Officer for 155 East Tropicana, LLC and its successor Nav-115 E. Tropicana, LLC, commonly known as Hooters Casino Hotel, located in Las Vegas, Nevada. Throughout her career, Ms. Pierce has held financial executive positions with various companies including, Vice President of Finance for Tropicana Hotel Casino and Silverton Casino Hotel, both in Las Vegas, and Chief Financial Officer of Midby & Associates, a developer and owner of the Gold River Hotel Casino in Laughlin, Nevada. From 1998 to 2003, Ms. Pierce served as Vice President of Finance for Ameristar

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Casinos, Inc., assisting in the acquisition and development of its Missouri properties, along with other financial duties. Ms. Pierce is a Certified Public Accountant and has worked for 11 years in public accounting for KPMG and Laventhol, both large audit firms. Ms. Pierce also served as Chairman of the Nevada Economic Forum, a governor appointment.

The term of office of each director ends at the next annual meeting of stockholders or when his or her successor is elected and qualified. Our officers serve at the discretion of the board of directors.

Independence of Directors

Under the corporate governance standards of the NASDAQ Stock Market LLC (“NASDAQ”) at least a majority of our board of directors and all of the members of our audit committee, compensation committee and the nominating committee must meet the test of independence as defined by the listing requirements of NASDAQ. Our board of directors, in the exercise of its reasonable business judgment, has determined that Mr. Adams, Dr. Braunlich and Ms. Marshall qualify as independent directors pursuant to NASDAQ and SEC rules and regulations. In making the determination of independence, our board considered whether an independent director has a material relationship with us, either directly or as a partner or shareholder of an organization that has a relationship with us or any other relationships that, in our board’s judgment, would interfere with the director’s independence.

Involvement in Certain Legal Proceedings

To the best of our knowledge, during the past ten years, none of the following occurred, except as noted, with respect to our present directors or executive officers: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time, except that Ms. Pierce was Chief Financial Officer of 155 East Tropicana, LLC when it filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code on August 1, 2011; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities or banking activities; and (4) being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

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## Executive Compensation

## Summary Executive Compensation Table

The following table summarizes the “total compensation” of our Chief Executive Officer, and our two highest paid executives other than our Chief Executive Officer, or, collectively, the named executive officers, for the fiscal year ended December 31, 2013.

## Summary Compensation Table

<b>Name and Principal Positions</b>	<b>Year</b>	<b>Salary</b>	<b>Stock Awards (1)</b>	<b>Non-Equity Incentive Plan Compensation (2)</b>	<b>All Other Compensation (3)</b>	<b>Total</b>
Andre M. Hilliou Chief Executive Officer	2013	\$322,362	\$242,500	\$363,797	\$4,800	\$933,459
Mark J. Miller Executive Vice President / Chief Operating Officer	2012	\$322,362	\$582,000	\$473,184	\$4,800	\$1,382,346
Deborah J. Pierce Chief Financial Officer (4)	2013	\$322,362	\$242,500	\$394,018	\$—	\$958,880
	2012	\$322,362	\$582,000	\$497,362	\$—	\$1,401,724
	2013	\$250,000	\$53,668	\$39,983	\$—	\$343,651

(1)

- The amounts shown in this column represent the aggregate grant date fair value of restricted stock calculated pursuant to the guidance set forth under FASB ASC Topic 718 for the year ended related to restricted stock awards granted in and prior to 2013 pursuant to our various share-based payment plans, and include amounts from awards. Assumptions used in the calculation of these amounts are included in Note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

(2)

- The amount shown in this column for each named executive officer is the attributable performance-based bonus granted under the 2006 Incentive Compensation Plan. These amounts correspond to the year in which they were earned.

(3)

- The amounts shown in this column represent incidental expenses relating to maintaining an office for Mr. Hilliou separate from the Company’s headquarters.

(4)

- Ms. Pierce was appointed as our Chief Financial Officer in December 2012.

In 2010, the compensation committee engaged HVS Executive Search to assess the competitiveness of executive compensation. HVS reviewed and provided recommendations regarding base salary, short-term and long-term incentives and other compensation of our named executive officers. During 2013, the compensation committee approved and the executive officers were paid the salaries, incentive compensation, and restricted stock awards reported in the above table, which were determined to be at the low end of executive compensation for equivalent positions for companies of similar size and status, based upon the 2010 study by HVS Executive Search. The 2010 study by HVS Executive Search is still relied upon by the compensation committee, as no substantial changes have been made in base compensation or in incentive compensation to our executive officers.

#### Director Compensation

For service as a director, each non-employee director receives cash compensation of \$20,000 per year plus \$1,000 for each meeting attended in excess of four meetings. The chairperson of each committee of the board, other than the nominating committee, receives cash compensation of \$10,000 per year for such service and each committee member receives \$1,000 for each committee meeting attended. In addition, non-employee directors also receive 2,000 shares of fully vested common stock per annum.

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The table below summarizes the compensation paid by us to our non-employee directors for services rendered for 2013. Directors who are employed by us do not receive additional compensation for serving as directors.

## Director Compensation — 2013

Name	Fees Earned or Paid in Cash	Stock Awards (1)	Total
Carl G. Braunlich	\$51,999	\$6,380	\$58,379
Kenneth R. Adams	\$37,000	\$6,380	\$43,380
Kathleen Marshall	\$42,000	\$6,380	\$48,380

(1)

- The amounts shown in this column represent the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2013 in accordance with FASB ASC Topic 718 related to restricted stock awards granted in 2013 pursuant to our various share-based payment plans, and include amounts from awards. Assumptions used in the calculation of these amounts are included in Note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

## Employment Agreements

On April 20, 2007, we entered into employment agreements with both Mr. Hilliou and Mr. Miller. On July 17, 2007, the Company and Mr. Hilliou and Mr. Miller amended their agreements. On December 7, 2012, we entered into an employment agreement with Ms. Pierce. The term of Mr. Hilliou's agreement is two years, and the terms of each of Mr. Miller's, and Ms. Pierce's agreements are one year. Each agreement includes automatic successive renewals unless either we or the relevant executive provides notice of termination at least 90 days prior to the end of the then current term. The agreements set an initial annual base salary of \$250,000 for each of Mr. Hilliou, Mr. Miller and Ms. Pierce, in each case subject to increase by our board of directors (or CEO with respect to Ms. Pierce) at the beginning of each calendar year. Both Mr. Hilliou and Mr. Miller have a current annual base salary of \$322,362. With respect to bonuses, and subject to the executive's achievement of certain annual objectives established by our compensation committee, (i) Mr. Hilliou is eligible to receive an annual incentive bonus equal to up to 200% of his base salary, (ii) Mr. Miller is eligible to receive an annual incentive bonus equal to up to 100% of his base salary, and (iii) Ms. Pierce is eligible to receive an annual incentive bonus in accordance with our Amended and Restated 2006 Incentive Compensation Plan. In addition to the shares of restricted stock previously granted to each executive, each executive may receive additional grants as determined by our compensation committee. In the event of termination of any of these employment agreements upon the death of the executive or by us because of illness or incapacity of the executive that continues for 90 days, in addition to all amounts owed through the date of termination, we shall pay to the executive an amount equal to his or her prior year's annual bonus pro-rated through the date of termination. In the event the agreement is terminated by us for "cause", or by the executive without "good reason", we shall only be obligated to pay the executive all base salary and benefits accrued through the date of termination and the executive shall forfeit any unvested shares of restricted stock. In the event the agreement is terminated by us without "cause" or by the executive for "good reason", in addition to amounts owed through the date of termination, we shall:

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- With respect to Mr. Hilliou and Ms. Pierce, continue to pay the executive's base salary for a period of six months plus an additional one month of base salary for each year of employment (up to a maximum of 12 months base salary), and with respect to Mr. Miller continue to pay the executive's base salary for a period of one year,
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- Pay an annual bonus for the year of termination equal to: (i) with respect to Mr. Hilliou, the average of his annual bonus for the previous two years, pro-rated through the date of termination (subject to a minimum of 100%), (ii) with respect to Mr. Miller, the average of his annual bonus for the previous three years, pro-rated through the date of termination (subject to a minimum of 50%), and (iii) with respect to Ms. Pierce, her annual bonus for the previous year, pro-rated through the date of termination, and

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- Continue, at our expense, all of the executive's health, dental and other insurance benefits until the earlier of the end of the term or the date the executive becomes subsequently employed.

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For purposes of the employment agreements, “cause” means (1) the executive’s material fraud, dishonesty, willful misconduct, or willful and continuing failure in the performance of his or her duties under the employment agreement; (2) the executive’s breach of any material provision of the employment agreement which has not been cured within 30 days following the notice thereof, or (3) the commission by the executive of any felony criminal act or the commission of any crime involving fraud, dishonesty or moral corruptness, including denial or removal of the executive’s licensing from any governmental gaming agency or licensing authority. For purposes of the employment agreements “good reason” means (1) our failure to comply with any material provision of the employment agreement which has not been cured within 30 days following the notice thereof, or (2) our direction to the executive to do, perform, or omit to perform any act, or the executive’s knowledge of such acts or omissions performed by our other employees without appropriate redress, which acts or omissions are known to be fraudulent, illegal or could otherwise materially impact negatively upon the executive’s personal and professional reputation.

Change of Control Provisions

Each of the employment agreements provides that upon a change of control, the executive may terminate his or her employment agreement only if the change of control materially affects the executive’s position and compensation under the agreement. To the extent any executive so terminates his or her agreement, or in the event the executive is not retained under contract following a change of control:

- 
- We will pay to the executive a cash payment equal to the greater of (a) one year’s base salary or in the case of Mr. Hilliou two year’s base salary and (b) the remaining base salary due under the agreement;
- 
- We will pay to the executive a cash payment equal to his or her average annual bonuses paid under the employment agreement for the three (one for Ms. Pierce) prior years (or the average of the annual bonuses paid to date, if the term of employment is less than three years); and
- 
- All unvested shares or other stock-based grants awarded pursuant to our 2006 Incentive Compensation Plan or other benefit plan will accelerate and vest upon the date of the change of control.

For purposes of the employment agreements, a “change of control” means (1) a person, entity or group acquires beneficial ownership of 50% or more of our then outstanding voting securities, (2) individuals who constitute our board as of April 17, 2007 (December 7, 2012 for Ms. Pierce) and directors whose nominations are approved by a majority of such incumbent board members cease to constitute a majority of our board of directors, or (3) approval by our stockholders of (A) a business combination in which our stockholders prior to the transaction do not own at least 50% of the combined voting power of the voting securities of combined business and at least a majority of our incumbent board comprises a majority of the board of the combined business, (B) a liquidation or dissolution of our company, or (C) a sale of all or substantially all of our assets.

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The following describes the amounts payable upon termination of employment of the named executive officers Mr. Hilliou, Mr. Miller and Ms. Pierce as if such employment terminated on December 31, 2013.

<b>Employee</b>	<b>Payment</b>	<b>Continued Medical Benefits (1)</b>	<b>Accelerated Vesting of Restricted Stock (2)</b>	<b>Total Payments</b>
Andre M. Hilliou				
Death or Disability	\$700,700	—	—	\$700,700
Without Cause or with Good Reason	\$527,430	\$5,597	—	\$533,027
Change of control	\$881,553	—	—	\$881,553
Mark J. Miller				
Death or Disability	\$378,338	—	—	\$378,338
Without Cause or with Good Reason	\$567,250	\$17,346	—	\$584,596
Change of control	\$567,250	—	—	\$567,250
Deborah J. Pierce				
Death or Disability	\$269,991	—	\$140,000	\$409,991
Without Cause or with Good Reason	\$164,983	\$12,152	\$140,000	\$317,135
Change of control	\$289,983	—	\$140,000	\$429,983

(1)

- Following a termination by us without cause or by the executive with good reason, we have agreed to provide the executive, his or her spouse and his or her dependents medical and dental benefits for the term or until the executive is otherwise employed. The amounts in this column represent the estimated cost to us of those payments over a twelve month period.

(2)

- Represents the value of the unvested shares owned by the executive as of December 31, 2013 calculated by multiplying the number of shares by the closing price of our stock on that date of \$2.80.

**2006 Incentive Compensation Plan**

On May 29, 2006, our stockholders approved our 2006 Incentive Compensation Plan. The plan is administered by our compensation committee. In consideration of their services, officers, directors, employees and consultants of us or a related entity are eligible to receive a variety of awards under the plan, including, incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, deferred stock, dividend equivalents, bonus stock and performance awards. On April 26, 2011, our stockholders approved our Amended and Restated 2006 Incentive Compensation Plan which increased the shares of common stock available under the plan by 800,000 to 2,000,000.

**Restricted Stock**

Upon stockholder approval of our 2006 Incentive Compensation Plan in May 2006, we granted 275,000 shares of restricted stock to Andre Hilliou and 35,000 shares of restricted stock to T. Wesley Elam. In March 2007, we granted 110,000 shares of restricted stock to Mark Miller. All of the above shares of restricted stock are fully vested. On April 26, 2011, our stockholders approved an additional 800,000 shares of common stock to be available under our Amended and Restated 2006 Incentive Compensation Plan. On June 1, 2011, we granted 300,000 shares of restricted stock to each of Andre Hilliou and Mark Miller, with both grants vesting on June 1, 2013. We also granted 50,000



shares of restricted stock to T. Wesley Elam, vesting in equal annual installments beginning on June 1, 2012. On January 15, 2013, we granted 50,000 shares of restricted stock to Deborah J. Pierce, our Chief Financial Officer, vesting in three equal annual installments beginning on January 15, 2014. On June 5, 2013, we granted 15,000 shares of restricted stock to Elaine L. Guidroz, our Secretary and General Counsel, vesting in three equal annual installments beginning on June 1, 2014. As of December 31, 2013, we had issued 1,863,000 shares of restricted stock under the plan, as amended, and there are 137,000 shares of common stock available for future issuance under the plan.

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## Equity Compensation Plan Information

The following table sets forth certain information as of December 31, 2013, about our equity compensation plans under which our equity securities are authorized for issuance.

<b>Plan Category</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	
	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>	
Equity compensation plans approved by security holders	\$—	\$—	137,000	(1)
Equity compensation plans not approved by security holders	None	None	None	
Total	\$—	\$—	137,000	

(1)

- These shares were available for future issuance under our Amended and Restated 2006 Incentive Compensation Plan.

## Certain Relationships and Related Party Transactions

None.

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## Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information as of December 31, 2013 concerning the beneficial ownership of our common stock by:

- 
- each person known by us to be the beneficial owner of more than 5% of our outstanding common stock,
- 
- each of our directors and named executive officers, and
- 
- all of our directors and executive officers as a group.

Unless otherwise listed above, the address for each of our officers and directors is c/o Full House Resorts, 4670 South Fort Apache Road, Suite 190, Las Vegas, Nevada 89147.

Name and Address of Beneficial Owner	Number of Shares Owned (1)	Percentage of Class Outstanding Before the Offering (1)	Percentage of Class Outstanding After the Offering (1)
Common Stock:			
Andre Hilliou	631,700	(2)	3.37 %
Mark J. Miller	464,796	(3)	2.48 %
Deborah J. Pierce	50,800	(4)	*
Carl G. Braunlich	18,000		*
Kathleen Marshall	16,000		*
Kenneth R. Adams	24,900		*
All Officers and Directors as a Group (8 Persons)	1,333,231		7.11 %
Allen E. Paulson Living Trust 514 Via De La Valle, Suite 210 Solana Beach, California 92075	1,776,887	(5)	9.48 %
RMB Capital Management, LLC and Iron Road Capital Partners, LLC 115 S. LaSalle Street 34th Floor Chicago, IL 60603	954,466	(6)	5.09 %

\*

- Less than 1% of the outstanding shares of common stock.

(1)

- Shares are considered beneficially owned, for purposes of this table only, if held by the person indicated as beneficial owner, or if such person, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, has or shares the power to vote, to direct the voting of and/or dispose of or to direct the disposition of, such security, or if the person has a right to acquire beneficial ownership within 60 days,

unless otherwise indicated in these footnotes. Any securities outstanding which are subject to options or warrants exercisable within 60 days are deemed to be outstanding for the purpose of computing the percentage of outstanding securities of the class owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of the class owned by any other person.

(2)

- All shares are owned through the Hilliou Living Trust, of which Mr. Hilliou is co-trustee and co-beneficiary.

(3)

- All shares are owned through the Miller Family Living Trust of which Mr. Miller is a trustee and beneficiary.

(4)

- Includes 50,000 shares of restricted stock which vest in equal amounts on January 15, 2014, January 15, 2015 and January 15, 2016.

(5)

- Based on information disclosed in Form 4, as filed with the SEC on March 24, 2011. Vicki Paulson and Crystal Christensen are the co-trustees of the Allen E. Paulson Living Trust.

(6)

- Based on information disclosed in Schedule 13G, as filed with the SEC on February 14, 2013.

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Description of Capital Stock

We are authorized to issue 100,000,000 shares of common stock, \$0.0001 par value, and 5,000,000 shares of preferred stock, \$0.0001 par value. The following description of our capital stock is intended to be a summary and does not describe all provisions of our certificate of incorporation or by-laws or Delaware law applicable to us. For a more thorough understanding of the terms of our capital stock, you should refer to our certificate of incorporation and by-laws.

Common Stock

The holders of our common stock are entitled to one vote per share on all matters to be voted upon by stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, holders of common stock are entitled to receive ratably dividends as may be declared by our board of directors out of funds legally available for that purpose. In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding preferred stock. The common stock has no cumulative voting, preemptive or conversion rights, other subscription rights, or redemption or sinking fund provision.

Preferred Stock

We are authorized to issue 5,000,000 shares of preferred stock, \$0.0001 par value per share. No shares of preferred stock are issued and outstanding. The issuance of additional shares of preferred stock could adversely affect the rights of the holders of common stock and therefore, reduce the value of the common stock.

Anti-Takeover Devices

Our certificate of incorporation and bylaws include a number of provisions that may have the effect of delaying, deferring or preventing another party from acquiring control of us and encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our Board of Directors rather than pursue non-negotiated takeover attempts. These provisions include the items described below.

Undesignated Preferred Stock

Our certificate of incorporation authorizes “blank-check” preferred stock, which means that our Board of Directors has the authority to designate one or more series of preferred stock without stockholder approval. These series of preferred stock may have superior rights, preferences and privileges over our common stock, including dividend rights, voting rights and liquidation preferences. The ability of our Board of Directors to issue shares of our preferred stock without stockholder approval could deter takeover offers and make it more difficult or costly for a third party to acquire us without the consent of our Board of Directors.

Section 203 of the Delaware General Corporation Law

In addition, our certificate of incorporation does not opt out of Section 203 of the Delaware General Corporation Law, which protects a corporation against an unapproved takeover by prohibiting a company from engaging in any business combination with any interested stockholder (defined as a stockholder owning more than 15% of the outstanding shares) for a period of three years from the time such stockholder became a 15% holder unless approved by our Board of Directors.

Transfer Agent and Registrar

We have appointed American Stock Transfer and Trust Co, 6201 15th Avenue, Brooklyn, New York 11219 (Telephone: (800) 937-5449) as our transfer agent and registrar.

Listing

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”.

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### Shares Eligible for Future Sale

#### General

We cannot predict what effect, if any, market sales of shares of common stock or the availability of shares of common stock for sale will have on the market price of our common stock prevailing from time to time. Nevertheless, sales of substantial amounts of common stock, including shares issued upon the exercise of outstanding options, in the public market, or the perception that such sales could occur, could materially and adversely affect the market price of our common stock and could impair our future ability to raise capital through the sale of our equity or equity-related securities at a time and price that we deem appropriate. Future sales, or the perception of future sales, by us or our existing stockholders in the public market following this offering could cause the market price for our common stock to decline.”

As of September 30, 2013, we had a total of 18,750,681 shares of common stock outstanding. Of the outstanding shares, the 800,000 shares sold in our initial public offering, the 7,100,000 shares sold in our December 2006 equity offering and the number of shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except that any shares held by our “affiliates,” as that term is defined under Rule 144, may be sold only in compliance with the limitations described below.

The remaining outstanding shares of common stock will be deemed “restricted securities” as that term is defined under Rule 144. Restricted securities may be sold in the public market only if they are registered or if they qualify for an exemption from registration, including the exemptions under Rule 144 under the Securities Act.

The restricted shares held by our affiliates will be available for sale in the public market at various times after the date of this prospectus pursuant to Rule 144 following the expiration of the applicable lock-up period.

In addition, a total of 2,000,000 shares of our common stock is reserved for issuance under our 2006 Incentive Compensation Plan, which was amended and restated on April 26, 2011, of which 137,000 shares of common stock remain available for future issuance at December 31, 2013. See “Executive Compensation — Equity Compensation Plan Information.”

#### Rule 144

##### Affiliate Resales of Restricted Securities

In general, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, a person who is an affiliate of ours, or who was an affiliate at any time during the 90 days before a sale, who has beneficially owned shares of our common stock for at least six months would be entitled to sell in “broker’s transactions” or certain “riskless principal transactions” or to market makers, a number of shares within any three-month period that does not exceed the greater of:

- 
- 1% of the number of shares of our common stock then outstanding, which will equal approximately \_\_\_\_\_ shares immediately after this offering; or
- 
- the average weekly trading volume in our common stock on The NASDAQ Capital Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Affiliate resales under Rule 144 are also subject to the availability of current public information about us. In addition, if the number of shares being sold under Rule 144 by an affiliate during any three-month period exceeds 5,000 shares or has an aggregate sale price in excess of \$50,000, the seller must file a notice on Form 144 with the Securities and Exchange Commission and The NASDAQ Capital Market concurrently with either the placing of a sale order with the broker or the execution of a sale directly with a market maker.

##### Non-Affiliate Resales of Restricted Securities

In general, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, a person who is not an affiliate of ours at the time of sale, and has not been an affiliate at any time during the three months preceding a sale, and who has beneficially owned shares of our



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common stock for at least six months but less than a year, is entitled to sell such shares subject only to the availability of current public information about us. If such person has held our shares for at least one year, such person can resell under Rule 144(b)(1) without regard to any Rule 144 restrictions, including the 90-day public company requirement and the current public information requirement.

Non-affiliate resales are not subject to the manner of sale, volume limitation or notice filing provisions of Rule 144.

Lock-Up Agreements

In connection with this offering, each of our executive officers and directors have agreed not to offer, sell, contract to sell or otherwise dispose of, or enter into any transaction that is designed to, or could be expected to, result in the disposition of any shares of our common stock or other securities convertible into or exchangeable or exercisable for shares of our common stock or derivatives of our common stock owned by these persons prior to this offering or common stock issuable upon exercise of options or warrants held by these persons for a period of 90 days after the effective date of the registration statement of which this prospectus is a part without the prior written consent of the representatives. This consent may be given at any time without public notice. If (1) during the last 17 days of the 90-day restricted period, we issue an earnings release or material news or a material event relating to us occurs; or (2) prior to the expiration of the 90-day restricted period, we announce that we will release earnings results during the 16-day period following the last day of the 90-day restricted period, then in each case the lock-up restrictions will continue to apply until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of material news or a material event. See "Underwriting."

Amended and Restated 2006 Incentive Compensation Plan

Our Amended and Restated 2006 Incentive Compensation Plan is designed to assist us, our subsidiaries and other designated affiliates, which we refer to as related entities, in attracting, motivating, retaining and rewarding high-quality executives and other employees, officers, directors, consultants and other persons who provide services to us or our related entities, by enabling these persons to acquire or increase a proprietary interest in us in order to strengthen the mutuality of interests between these persons and our stockholders, and providing such persons with performance incentives to expend their maximum efforts in the creation of stockholder value. The total number of shares of common stock available for issuance under our Amended and Restated 2006 Incentive Compensation Plan is 2,000,000, of which 137,000 shares are available for future issuance as of December 31, 2013.



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Material U.S. Federal Income and estate Tax Consequences  
to non-U.S. Holders

The following is a general discussion of the material U.S. federal income tax considerations with respect to the ownership and disposition of our common stock applicable to non-U.S. holders (as defined below). This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended, or the Code, existing and proposed U.S. Treasury regulations promulgated thereunder, and administrative rulings and court decisions in effect as of the date hereof, all of which are subject to change at any time, possibly with retroactive effect. We have not sought and will not seek any rulings from the Internal Revenue Service, or IRS, regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the ownership and disposition of our common stock.

For the purposes of this discussion, the term “non-U.S. holder” means a beneficial owner of our common stock that is neither an entity treated as a partnership for U.S. federal income tax purposes nor:

- 
- an individual who is a citizen or resident of the United States;
- 
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia;
- 
- an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- 
- a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more “United States persons” (as defined in the Code) have the authority to control all substantial decisions of the trust, or (2) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a domestic trust for U.S. federal income tax purposes.

It is assumed for purposes of this discussion that a non-U.S. holder holds shares of our common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all aspects of U.S. federal income taxation that may be important to a non-U.S. holder in light of that holder’s particular circumstances, including the impact of the tax on net investment income imposed by Section 1411 of the Code. Further, it does not address consequences that may be applicable to non-U.S. holders subject to special treatment under U.S. federal income tax law (including, for example, financial institutions, dealers in securities, traders in securities that elect mark-to-market treatment, insurance companies, tax-exempt entities, holders who acquired our common stock pursuant to the exercise of employee stock options or otherwise as compensation, entities or arrangements treated as partnerships for U.S. federal income tax purposes, holders liable for the alternative minimum tax, controlled foreign corporation, passive foreign investment companies, certain former citizens or former long-term residents of the United States, and holders who hold our common stock as part of a hedge, straddle, constructive sale or conversion transaction). In addition, except as discussed below under “Federal Estate Tax,” this discussion does not address U.S. federal tax laws other than those pertaining to the U.S. federal income tax, nor does it address any aspects of U.S. state, local or non-U.S. taxes.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds shares of our common stock, the tax treatment of a person treated as a partner in that partnership generally will depend on the status of the

partner, the activities of the partnership and certain determinations made at the partner level. Persons that for U.S. federal income tax purposes are treated as a partner in a partnership holding shares of our common stock should consult their own tax advisors.

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THIS SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE DESCRIPTION OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK. HOLDERS OF OUR COMMON STOCK SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM (INCLUDING THE APPLICATION AND EFFECT OF ANY STATE, LOCAL, NON-U.S. INCOME AND OTHER TAX LAWS) OF THE OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK.

**Dividends**

Although we do not intend to pay dividends on our common stock, subject to the discussion below on effectively connected income, distributions, if any, made to a non-U.S. holder of our common stock out of our current or accumulated earnings and profits generally will constitute dividends for U.S. tax purposes and will be subject to withholding tax at a thirty percent rate or such lower rate as may be specified by an applicable income tax treaty. To obtain a reduced rate of withholding under a treaty, a non-U.S. holder generally will be required to provide us with a properly-executed IRS Form W-8BEN, or other appropriate form, certifying the non-U.S. holder's entitlement to benefits under that treaty. U.S. Treasury regulations provide special rules to determine whether, for purposes of determining the applicability of a tax treaty, dividends paid to a non-U.S. holder that is an entity should be treated as paid to the entity or to those holding an interest in that entity. If a non-U.S. holder holds our common stock through a financial institution or other agent acting on the holder's behalf, the holder will be required to provide appropriate documentation to such agent. The holder's agent will then be required to provide certification to us or our paying agent, either directly or through other intermediaries.

We generally are not required to withhold tax on dividends paid to a non-U.S. holder that are effectively connected with the non-U.S. holder's conduct of a trade or business within the United States if a properly-executed IRS Form W-8ECI, stating that the dividends are so connected (and are not exempt from U.S. federal income tax on net income under a treaty as described below), is filed with us. Effectively connected dividends will be subject to U.S. federal income tax on net income, generally in the same manner and at the regular graduated rates as if the non-U.S. holder were a U.S. citizen or resident alien or a domestic corporation, as the case may be, unless a specific treaty exemption applies. If the non-U.S. holder is eligible for the benefits of a tax treaty between the United States and the holder's country of residence, any effectively connected dividends would generally be subject to net U.S. federal income tax only if they are also attributable to a permanent establishment maintained by the holder in the United States. A corporate non-U.S. holder receiving effectively connected dividends may also be subject to an additional "branch profits tax", which is imposed, under certain circumstances, at a rate of thirty percent (or such lower rate as may be specified by an applicable treaty) of the corporate non-U.S. holder's effectively connected earnings and profits, subject to certain adjustments.

If you are eligible for a reduced rate of withholding tax pursuant to a tax treaty, you may generally obtain a refund of any excess amounts currently withheld if you timely file an appropriate claim for refund with the IRS.

To the extent distributions on our common stock, if any, exceed our current and accumulated earnings and profits, they will constitute a return of capital and will first reduce your basis in our common stock, but not below zero, and then will be treated as gain from the sale of such stock.

**Gain on Disposition of Common Stock**

Subject to the discussion below regarding backup withholding and legislation relating to foreign accounts, a non-U.S. holder generally will not be subject to U.S. federal income tax with respect to gain realized on a sale or other taxable disposition of our common stock unless (i) the gain is effectively connected with a trade or business of such holder in the United States and, if required by an applicable income tax treaty, attributable to a permanent establishment maintained in the United States by the non-U.S. holder, (ii) the non-U.S. holder is a nonresident alien individual and is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are met, or (iii) our common stock constitutes a U.S. real property interest by reason of our status as a "United States real property holding corporation" within the meaning of Section 897(c)(2) of the Code (a "USRPHC").

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If you are a non-U.S. holder to whom (i) above applies, you generally will be required to pay tax on the net gain derived from the sale at generally applicable U.S. federal income graduated tax rates, subject to an applicable income tax treaty providing otherwise, and corporate non-U.S. holders may be subject to the branch profits tax at a thirty percent rate or such lower rate as may be specified by an applicable income tax treaty. If you are an individual non-U.S. holder described in (ii) above, you will be required to pay a flat thirty percent tax (or a reduced rate under an applicable income tax treaty) on the gain derived from the sale, which gain may be offset by U.S. source capital losses if you have timely filed tax returns with respect to such losses (even though you are not considered a resident of the United States).

With respect to (iii) above, it is unclear whether we are, or will be, a USRPHC. The determination of whether we are a USRPHC depends on the fair market value of our U.S. real property interests relative to the fair market value of our non-U.S. real property interests and our other business assets. If we are treated as a USRPHC, gain realized by a non-U.S. holder on a disposition of our common stock will not be subject to U.S. federal income tax so long as (1) the non-U.S. holder owned directly, indirectly and constructively, no more than five percent of our common stock at all times within the shorter of (a) the five-year period preceding the disposition or (b) the holder's holding period and (2) our common stock is "regularly traded," as defined by applicable Treasury regulations, on an established securities market. No assurance can be provided that our common stock will be regularly traded on an established securities market for purposes of the rules described above. If we were to constitute a USRPHC and an exception from U.S. federal income tax does not apply (e.g., because our common stock does not qualify as regularly traded on an established securities market or, if it does so qualify, you own more than five percent of our common stock during the relevant period), any gain derived from the sale would be treated as effectively connected with a trade or business in the United States, generally taxable in the manner described in (i) above, and a withholding tax could apply.

### Information Reporting and Backup Withholding

Generally, we must report to the IRS the amount of dividends paid, the name and address of the recipient, and the amount, if any, of tax withheld. A similar report is sent to the holder. Pursuant to tax treaties or certain other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence or establishment. Backup withholding will generally not apply to payments of dividends made by us or our paying agents to a non-U.S. holder if the holder has provided the required certification that it is not a U.S. person (which is generally provided by furnishing a properly-executed IRS Form W-8BEN or IRS Form W-8ECI), unless the payer otherwise has knowledge or reason to know that the payee is a U.S. person, or the non-U.S. holder otherwise establishes an exemption. The backup withholding rate is currently twenty-eight percent.

Under current U.S. federal income tax law, information reporting and backup withholding will not apply to the proceeds of a sale or other taxable disposition of our common stock effected by or through a U.S. office of a broker provided the non-U.S. holder certifies as to its non-U.S. status or otherwise establishes an exemption and the broker does not have actual knowledge or reason to know that the holder is a U.S. person. Generally, U.S. information reporting and backup withholding will not apply to a payment of disposition proceeds where the transaction is effected outside the United States through a non-U.S. office of a non-U.S. broker.

Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may be obtained, provided that the required information is timely furnished to the IRS.

### Legislation Relating to Foreign Accounts

Legislation enacted in 2010 may impose withholding taxes on certain types of payments made to "foreign financial institutions" (as specifically defined in this legislation) and certain other non-U.S. entities (including financial intermediaries). The legislation imposes a thirty percent withholding tax on dividends, or gross proceeds from the sale or other disposition of, common stock paid to a "foreign financial institution" or to a "non-financial foreign entity" (each as specially defined for this purpose), unless (i) the foreign financial institution undertakes certain diligence and reporting obligations, (ii) the non-financial

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foreign entity either certifies it does not have any “substantial United States owners” (as specially defined) or furnishes identifying information regarding each substantial United States owner, or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (i) above, it must enter into an agreement with the U.S. Treasury requiring, among other things, that it undertake to identify accounts held by certain “specified United States persons” or “United States-owned foreign entities” (each as specially defined), annually report certain information about such accounts, and withhold thirty percent on certain payments to account holders whose actions prevent it from complying with these reporting and other requirements and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing these rules may be subject to different rules. Under certain transition rules, any obligation under this legislation to withhold with respect to dividends on our common stock will not begin until July 1, 2014 and with respect to gross proceeds of a sale or other disposition of our common stock will not begin until January 1, 2017. Prospective investors should consult their tax advisors regarding this legislation.

**Federal Estate Tax**

An individual who at the time of death is not a citizen or resident of the United States and who is treated as the owner of, or has made certain lifetime transfers of, an interest in our common stock will be required to include the value thereof in his or her taxable estate for U.S. federal estate tax purposes, and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise. The test for whether an individual is a resident of the United States for federal estate tax purposes differs from the test used for U.S. federal income tax purposes. Some individuals, therefore, may be “non-U.S. holders” for U.S. federal income tax purposes, but not for U.S. federal estate tax purposes, and vice versa.

**THE PRECEDING DISCUSSION OF U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY. IT IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF OWNING AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAW.**

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**Underwriting**

Subject to the terms and conditions of the underwriting agreement, the underwriter named below, through their representatives, Macquarie Capital and \_\_\_\_\_, have severally agreed to purchase from us the following respective number of shares of common stock at a public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus:

<b>Underwriter</b>	<b>Number of Shares</b>
Macquarie Capital (USA) Inc.	
Total	

The underwriting agreement provides that the obligations of the several underwriters to purchase the shares of common stock offered hereby are subject to certain conditions precedent and that the underwriters will purchase all of the shares of common stock offered by this prospectus, other than those covered by the option to purchase additional shares described below, if any of these shares are purchased.

We have been advised by the representatives of the underwriters that the underwriters propose to offer the shares of common stock to the public at the public offering price set forth on the cover of this prospectus and to dealers at a price that represents a concession not in excess of \$\_\_\_\_\_ per share under the public offering price. After the public offering, the representatives of the underwriters may change the offering price and other selling terms.

We have granted to the underwriters an option, exercisable not later than 30 days after the date of this prospectus, to purchase up to \_\_\_\_\_ additional shares of common stock at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus. To the extent that the underwriters exercise this option, each of the underwriters will become obligated, subject to conditions, to purchase approximately the same percentage of these additional shares of common stock as the number of shares of common stock to be purchased by it in the above table bears to the total number of shares of common stock offered by this prospectus. We will be obligated, pursuant to the option, to sell these additional shares of common stock to the underwriters to the extent the option is exercised. If any additional shares of common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

The underwriting discounts and commissions per share are equal to the public offering price per share of common stock less the amount paid by the underwriters to us per share of common stock. We have agreed to pay the underwriters the following discounts and commissions, assuming either no exercise or full exercise by the underwriters of the underwriters' option:

	<b>Fees Per Share</b>	<b>Total Fees</b>	
		<b>Without Exercise of Option</b>	<b>With Full Exercise of Option</b>
Discounts and commissions paid by us	\$	\$	\$

In addition, we estimate that the total expenses of this offering, excluding underwriting discounts and commissions, will be approximately \$\_\_\_\_\_, all of which will be paid by us.

We have agreed to indemnify the underwriters against some specified types of liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect of any of these liabilities.

Each of our executive officers and directors have agreed not to offer, sell, contract to sell or otherwise dispose of, or enter into any transaction that is designed to, or could be expected to, result in the disposition of any shares of our common stock or other securities convertible into or exchangeable or exercisable for shares of our common stock or derivatives of our common stock owned by these persons prior to this offering or common stock issuable upon exercise of options or warrants held by these persons for a period of 90 days after the effective date of the registration statement of which this prospectus is a part without the prior written consent of the representatives. This consent may be given at any time without public notice. If (1) during the last 17 days of the 90-day restricted period, we issue an earnings release or material news or a



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material event relating to us occurs; or (2) prior to the expiration of the 90-day restricted period, we announce that we will release earnings results during the 16-day period following the last day of the 90-day restricted period, then in each case the lock-up restrictions will continue to apply until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of material news or a material event relating to us, as the case may be, unless the representatives waive, in writing, such extension. Transfers or dispositions can be made during the lock-up period without the consent of the representatives by (i) gift or other estate planning purposes, (ii) a charitable donation or gift, (iii) distribution to partners, members or stockholders or (iv) pledge in connection with a bona fide loan transaction, as applicable, provided that in the case of a transfer or disposition pursuant to (i), (iii) or (iv) above, other than in the case of shares being sold in this offering, the transferee or pledgee signs a lock-up agreement. We have entered into a similar agreement with the representatives of the underwriters except that without such consent we may also make the transfers and dispositions noted above as well as (a) grant options, restricted stock units, and other awards pursuant to our Long-Term Incentive Plan; and (b) issue shares in connection with acquisitions, stock purchases or similar arrangements, where the recipient signs a lock-up agreement. There are no agreements between the representatives and any of our stockholders or affiliates releasing them from these lock-up agreements prior to the expiration of the 90-day period.

The underwriters have advised us that they do not intend to confirm sales to any account over which they exercise discretionary authority.

In connection with the offering, the underwriters may purchase and sell shares of our common stock in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions.

Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares of our common stock from us in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option to purchase additional shares.

Naked short sales are any sales in excess of the option to purchase additional shares. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if underwriters are concerned that there may be downward pressure on the price of the shares in the open market prior to the completion of the offering.

Stabilizing transactions consist of various bids for or purchases of our common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may impose a penalty bid. This occurs when a particular underwriter repays to the other underwriters a portion of the underwriting discount received by it because the representatives of the underwriters have repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of our common stock. Additionally, these purchases, along with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the Nasdaq Capital Market, in the over-the-counter market or otherwise.

A prospectus in electronic format is being made available on Internet web sites maintained by one or more of the lead underwriters of this offering and may be made available on web sites maintained by other underwriters. Other than the prospectus in electronic format, the information on any underwriter's web site and any information contained in any other web site maintained by an underwriter is not part of the prospectus or the registration statement of which the prospectus forms a part.



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Legal Matters

Certain legal matters concerning this offering will be passed upon for us by Greenberg Traurig LLP, Las Vegas, Nevada. Certain legal matters concerning this offering will be passed upon for the underwriters by Latham & Watkins LLP, Los Angeles, California.

Experts

The consolidated balance sheets of Full House Resorts, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, included in this prospectus, have been so included in reliance on the report of Piercy Bowler Taylor & Kern, independent registered public accounting firm, given on the authority of that firm as experts in auditing and accounting.

The statements of operations, changes in members' equity (deficiency), and cash flows of Silver Slipper Casino Venture, LLC for the nine months ended September 30, 2012 and the three months ended December 31, 2012, included in this prospectus, have been so included in reliance on the report of Piercy Bowler Taylor & Kern, independent auditors, given on the authority of that firm as experts in auditing and accounting.

The financial statements of Silver Slipper Casino Venture, LLC as of December 31, 2011 and 2010 included in this Prospectus have been so included in reliance on the report of BDO USA, LLP, an independent registered public accounting firm, appearing elsewhere herein, given on the authority of said firm as experts in auditing and accounting.

Where You Can Find Additional Information

This prospectus is part of a registration statement on Form S-1 that we have filed with the SEC under the Securities Act with respect to the common stock offered by this prospectus. As permitted by the rules and regulations of the SEC, this prospectus omits certain information contained in the registration statement. For further information with respect to us and our common stock, you should refer to the registration statement and to its exhibits and schedules.

We make reference in this prospectus to certain of our contracts, agreements and other documents that are filed as exhibits to the registration statement. For additional information regarding those contracts, agreements and other documents, please see the exhibits attached to the registration statement. We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act.

You can read the registration statement and the exhibits and schedules filed with the registration statement or any reports, statements or other information we have filed or file, at the public reference rooms maintained by the SEC at Room 1580, 100 F Street, N.E., Washington, DC 20549. You may also obtain copies of the documents from such offices upon payment of the prescribed fees. You may call the SEC at (800) SEC-0330 for further information on the operation of the public reference room. You may also request copies of the documents upon payment of a duplicating fee, by writing to the SEC. In addition, our filings with the SEC are also available to the public through the SEC's website at [www.sec.gov](http://www.sec.gov). We also make our filings with the SEC available at our website at [www.fullhouserestorts.com](http://www.fullhouserestorts.com).

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

Full House Resorts, Inc.

Las Vegas, NV

We have audited the accompanying consolidated balance sheets of Full House Resorts, Inc. and Subsidiaries (collectively, the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

/s/ Piercy Bowler Taylor & Kern

Piercy Bowler Taylor & Kern

Certified Public Accountants

Las Vegas, Nevada

March 5, 2013

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(In thousands, except per share data)

	<b>December 31, 2012</b>	<b>December 31, 2011</b>	
Revenues			
Casino	\$ 112,649	\$ 74,708	
Food and beverage	6,223	4,517	
Management fees	7,180	24,186	
Other operations	2,708	2,050	
	128,760	105,461	
Operating costs and expenses			
Casino	62,976	42,509	
Food and beverage	5,973	4,469	
Other operations	5,614	4,465	
Project development and acquisition costs	1,861	793	
Selling, general and administrative	37,003	25,429	
Depreciation and amortization	6,884	7,001	
	120,311	84,666	
Operating gains (losses)			
Gain on sale of joint venture	41,189	—	
Equity in net income of unconsolidated joint venture, and related guaranteed payments	—	3,306	
Impairment losses	—	(4,920	)
Unrealized losses on notes receivable, tribal governments	—	(8	)
	41,189	(1,622	)
Operating income	49,638	19,173	
Other income (expense)			
Interest expense	(2,731	)	(2,838
Gain (loss) on derivative instruments	8	)	(513
Other income (expense)	(6	)	8
Loss on extinguishment of debt	(1,719	)	—
	(4,448	)	(3,343
Income before income taxes			