FORM 10-K

Annual report pursuant to section 13 and 15(d)

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ARCHON CORP

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2002

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-9481

ARCHON CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	**88-0304348**
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
3993 Howard Hughes Parkway, Suite 630, Las Vegas, Nevada	**89109**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(702) 732-9120**

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to section 12(g) of the Act:

Common Stock, par value $.01 per share	**Over the Counter Bulletin Board**
(Title of class)	
Exchangeable Redeemable Preferred Stock	**Over the Counter Bulletin Board**
(Title of class)	

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 of 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

The number of shares of common stock outstanding as of December 16, 2002 was 6,221,431. The market value of the common stock held by non-affiliates of the registrant as of December 16, 2002 was approximately 2,658,466. The market value was computed by reference to the average bid and asked price of the common stock on December 16, 2002.

DOCUMENTS INCORPORATED BY REFERENCE

Part III hereof incorporates by reference portions of the proxy statement for the 2003 Annual Meeting of Stockholders (to be filed with the Securities and Exchange Commission within 120 days after September 30, 2002).

ARCHON CORPORATION AND SUBSIDIARIES
ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

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PART I

Item 1. *Business*

General

Archon Corporation, (the "Company" or "Archon"), is a publicly traded Nevada corporation. The Company's primary business operations are conducted through a wholly-owned subsidiary corporation, Pioneer Hotel Inc. ("PHI"), which operates the Pioneer Hotel & Gambling Hall (the "Pioneer") in Laughlin, Nevada under long-term lease and license arrangements. In addition, the Company owns real estate on Las Vegas Boulevard South (the "Strip") and at the corner of Rainbow and Lone Mountain Road, both in Las Vegas, Nevada, and also owns investment properties in Dorchester, Massachusetts and Gaithersburg, Maryland.

Until October 2, 2000, the Company, through its wholly-owned subsidiary SFHI Inc., formerly known as Santa Fe Hotel, Inc. ("SFHI"), owned and operated the Santa Fe Hotel and Casino (the "Santa Fe"), located in Las Vegas, Nevada. On October 2, 2000, SFHI sold substantially all of its assets, including the rights to the name "Santa Fe Hotel and Casino," for $205.0 million (the "SFHI Asset Sale"). In connection with the sale, the Company, Paul W. Lowden, majority stockholder of the Company, and members of Mr. Lowden's family entered into a three year non-compete agreement, in which they agreed not to compete through October 2, 2003 within a three mile radius of the Santa Fe.

On December 29, 2000, the Company entered into a series of agreements to exchange, pursuant to Sections 721 and 351 of the Internal Revenue Code of 1986, as amended (the "Code"), the real and personal property, excluding gaming equipment, and intangible assets used in the operations of the Pioneer to a third party and agreed to lease and license the assets sold for up to 20 years, during which period the Company will operate the Pioneer (collectively, the "Pioneer Transactions").

In March 2001, SFHI completed the acquisition of investment properties in Dorchester, Massachusetts and Gaithersburg, Maryland for an aggregate purchase price of $145.0 million plus debt issuance costs of $3.2 million, consisting of $15.5 million in cash and the assumption or issuance of an aggregate of $132.7 million of non-recourse indebtedness. The acquisitions are intended to qualify as like-kind exchanges of real property under Section 1031 of the Code and to defer a portion of the federal corporate income tax resulting from the SFHI Asset Sale.

In November 1999, Sahara Las Vegas Corporation, an indirect wholly-owned subsidiary of the Company ("SLVC"), sold real property located in Henderson, Nevada for $37.2 million. In connection with the sale, the Company, SLVC, SFHI, Paul W. Lowden and members of Mr. Lowden's family entered into non-compete agreements, in which they agreed not to compete through November 15, 2014 within a five-mile radius of two of the buyer's casinos located in the Henderson area.

The principal executive office of the Company is located at 3993 Howard Hughes Parkway, Suite 630, Las Vegas, Nevada 89109 and the telephone number is (702) 732-9120.

Hotel and Casino Operations

The Pioneer

The Pioneer, built in 1982, features a classical western architecture style, and is located in Laughlin, Nevada, an unincorporated town on the Colorado River bordering Arizona. The Pioneer is located on approximately 12 acres of land, with Colorado River frontage of approximately 770 feet, and is situated near the center of Laughlin's Casino Drive. The property is leased from a third party under a lease that

expires in December 2020, subject to two five-year options to extend the term. The third party in turn leases approximately 6 1/2 acres of the 12 acres under a 99-year ground lease which, by its terms, is scheduled to terminate in December 2078. The leased land lies between and separates the remaining two parcels of land that are held in fee simple. The Pioneer is comprised of four buildings.

One of the three motel buildings together with a portion of both the Pioneer's casino building and a second motel building are located on land subject to the Pioneer Ground Lease. The casino is located in the main building, totaling approximately 50,000 square feet of which approximately 21,500 square feet house the casino. The first floor includes the casino, two bars, snack bar and gift shop, as well as a twenty-four hour restaurant, kitchen, smoke shop, special events area, restrooms and storage areas. A partial second floor houses a gourmet restaurant, administrative offices and banquet rooms. The three motel buildings were built in 1984 and comprise approximately 66,000, 54,000 and 30,000 square feet, respectively. A total of 417 motel rooms are housed in the three buildings and improvements include a swimming pool and spa.

Revenues

The primary source of revenues to the Company's hotel-casino operations is gaming, which represented 60.3%, 68.9% and 79.0% in 2002, 2001 and 2000, respectively, of total revenues. The Pioneer contributed 100% to total gaming revenues in fiscal 2002 and 2001 and approximately 35.6% in fiscal 2000. As of September 30, 2002 the Pioneer had 819 slot machines, nine blackjack tables ("21"), two craps tables, one roulette wheel and three other gaming tables. In addition, the Pioneer offers keno.

The Pioneer targets primarily mature, out-of-town customers residing in Central Arizona and Southern California, retirees who reside in the Northeast and Midwest United States and Canada and travel to the Southwest United States during the winter months, and local residents who reside in Laughlin, Nevada, and in Bullhead City, Kingman and Lake Havasu, Arizona. The occupancy rate at the Pioneer was 75.0%, 74.0% and 74.3%, respectively, in fiscal years 2002, 2001 and 2000, respectively.

The Pioneer attempts to attract and retain customers by offering slot and video poker machine payouts that compare favorably to the competition. A visible means used by the Pioneer to accomplish this marketing program is to offer what management believes to be a large number of quarter video poker machines with liberal theoretical pay out, compared to other casinos in Laughlin. The Pioneer periodically sponsors detailed product research of its competitors to categorize the number and type of video poker games by payouts and monitors changes in game products to assist it in developing competitive products.

The Pioneer has a program it calls the "Bounty Hunter Round-Up Club" (the "Club") established to encourage repeat business from frequent and active slot and table game customers. A member of the Club accumulates points in the member's account for play on slot machines and table games that can be redeemed for free gifts, food and beverages and additional points redeemable for free play. Pioneer management also uses the Club membership list for direct mail marketing.

Management and Personnel

At September 30, 2002, the Company employed 12 executive and administrative personnel and the Pioneer employed 625 persons.

Competition

In addition to competing with the hotel-casinos in Laughlin, the Pioneer also competes with the hotel-casinos in Las Vegas and those situated on I-15 (the principal highway between Las Vegas and southern California) near the California-Nevada state line. In March 2000, California voters approved an amendment to the California constitution which permits compacts that allow the Native American tribes to operate as many as 115,000 slot machines in addition to banked card games and lotteries. Management believes that Native American casinos in Southern California, Arizona and New Mexico have had an adverse impact on the Laughlin market, including the Pioneer, by drawing visitors away from the market.

Investment Properties

The Company acquired investment properties in Dorchester, Massachusetts and Gaithersburg, Maryland in March 2001. The Dorchester, Massachusetts property is located on 12 acres and includes several buildings with approximately 425,000 square feet of commercial office space. The property was acquired for approximately $82.4 million plus $500,000 in debt issuance costs. The Company paid $5.6 million in cash and assumed $77.3 million in non-recourse debt associated with the property. The property is under a net lease through 2019 with a single tenant with an investment grade credit rating. Under the lease, the tenant is responsible for substantially all obligations related to the property.

The property in Gaithersburg, Maryland is located on 55 acres and includes one building with approximately 342,000 square feet of commercial office space. The property was acquired for $62.6 million, plus debt issuance costs of $2.7 million. The Company paid $9.9 million in cash and issued $55.4 million in non-recourse first mortgage indebtedness. The building is located on approximately 20 acres of the property. The property is under a net lease through 2014 with a single tenant with an investment grade credit rating. Under the lease, the tenant is responsible for substantially all obligations related to the property.

See also Item 2., "Properties."

Land Held for Development

The Company owns, through SLVC, an approximately 27-acre parcel of real property on the Strip. In connection with the acquisition of the property, the Company assumed an operating lease under which a water theme park operates. The lease may be terminated at any time by the Company. A loan owed by the tenant to the former owner would have been payable by SLVC if it terminated the lease prior to December 31, 2004; however, that loan was paid in full by the tenant in July 2002.

The Company owns, through SFHI, an approximately 20-acre parcel of real property located next to the Santa Fe at the intersection of Rainbow and Lone Mountain. The Company and SFHI have granted to the buyer of the SFHI assets an option to purchase the property for $5.0 million through October 2003.

Any future development of these properties is subject to, among other things, the Company's ability to obtain necessary financing. The Company can give no assurance that it will obtain development financing or successfully develop the properties.

See also Item 2., "Properties."

Nevada Regulations and Licensing

The Company and PHI (collectively, the "Archon Group") are subject to extensive state and local regulation by the Nevada Gaming Commission (the "Commission"), the Nevada Gaming Control Board (the "Board") and in the case of PHI, the Clark County Liquor and Gaming Licensing Board (collectively the "Nevada Gaming Authorities").

The laws, regulations and supervisory procedures of the Nevada Gaming Authorities seek (i) to prevent unsavory or unsuitable persons from having any direct or indirect involvement with gaming at any time or in any capacity, (ii) to establish and maintain responsible accounting practices and procedures, (iii) to maintain effective control over the financial practices of licensees, including establishing minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues, providing reliable record-keeping and making periodic reports to the Nevada Gaming Authorities, (iv) to prevent cheating and fraudulent practices and (v) to provide a source of state and local revenues through taxation and licensing fees. Changes in such laws, regulations and procedures could have an

adverse effect on any or all of the members of the Archon Group. Management believes the Archon Group is in compliance with regulations promulgated by the Nevada Gaming Authorities.

Licensing and Registration. PHI holds Nevada State gaming licenses to operate the Pioneer. The Company has been approved by the Nevada Gaming Authorities to own, directly or indirectly, a beneficial interest in PHI.

The licenses held by members of the Archon Group are not transferable. Each issuing agency may at any time revoke, suspend, condition, limit or restrict licenses or approvals to own a beneficial interest in PHI for any cause deemed reasonable by such agency. Any failure to retain a valid license or approval would have a material adverse effect on all members of the Archon Group.

If it is determined that PHI or, when applicable, new members of the Archon Group, have violated the Nevada laws or regulations relating to gaming, PHI or, when applicable, new members of the Archon Group, could, under certain circumstances, be fined and the licenses of PHI or, when applicable, new members of the Archon Group, could also be limited, conditioned, revoked or suspended. A violation under any of the licenses held by the Company, or PHI or, when applicable, new members of the Archon Group, may be deemed a violation of all the other licenses held by the Company and PHI or, when applicable, new members of the Archon Group. If the Commission does petition for a supervisor to manage the affected casino and hotel facilities, the suspended or former licensees shall not receive any earnings of the gaming establishment until approved by the court, and after deductions for the costs of the supervisor's operation and expenses and amounts necessary to establish a reserve fund to facilitate continued operation in light of any pending litigation, disputed claims, taxes, fees and other contingencies known to the supervisor which may require payment. The supervisor is authorized to offer the gaming establishment for sale if requested by the suspended or former licensee, or without such a request after six months after the date the license was suspended, revoked or not renewed.

Individual Licensing. Certain stockholders, directors, officers and key employees of corporate gaming licensees must be licensed by the Nevada Gaming Authorities. An application for licensing of an individual may be denied for any cause deemed reasonable by the issuing agency. Changes in licensed positions must be reported to Nevada Gaming Authorities. In addition to its authority to deny an application for an individual license, the Nevada Gaming Authorities have jurisdiction to disapprove a change in corporate position. If the Nevada Gaming Authorities were to find any such person unsuitable for licensing or unsuitable to continue to have a relationship with a corporate licensee, such licensee would have to suspend, dismiss and sever all relationships with such person. Such corporate licensee would have similar obligations with regard to any person who refuses to file appropriate applications, who is denied licensing following the filing of an application or whose license is revoked. Each gaming employee must obtain a work permit which may be revoked upon the occurrence of certain specified events.

Any individual who is found to have a material relationship or a material involvement with a gaming licensee may be investigated to be found suitable or to be licensed. The finding of suitability is comparable to licensing and requires submission of detailed financial information and a full investigation. Key employees, controlling persons or others who exercise significant influence upon the management or affairs of a gaming licensee may be deemed to have such a relationship or involvement.

Beneficial owners of more than 10% of the voting securities of a corporation or partner interests of a partnership registered with the Nevada Gaming Authorities that is "publicly traded" (a "Registered Entity") must be found suitable by the Nevada Gaming Authorities, and any person who acquires more than 5% of the voting securities or partner interests, as the case may be, of a Registered Entity must report the acquisition to the Nevada Gaming Authorities in a filing similar to the beneficial ownership filings required by the Federal securities laws. Under certain circumstances an institutional investor, as such term is defined in the Gaming Control Act and the regulations of the Commission

and Board (collectively, the "Nevada Gaming Regulations"), that acquires more than 10% of the Company's voting securities may apply to the Commission for a waiver of such finding of suitability requirement. If the 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. Any beneficial owner of equity or debt securities of a Registered Entity (whether or not a controlling stockholder) may be required to be found suitable if the relevant Nevada Gaming Authorities have reason to believe that such ownership would be inconsistent with the declared policy of the State of Nevada. If the beneficial owner who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information, including a list of its securities.

In addition, the Clark County Liquor and Gaming Licensing Board has taken the position that it has the authority to approve all persons owning or controlling more than 2% of the stock or partner interests of a Registered Entity, including a gaming licensee or otherwise, or of any corporation, partnership or person controlling such an entity. The applicant is required to pay all costs of investigation.

Any stockholder found unsuitable and who beneficially owns, directly or indirectly, any securities or partner interests of a Registered Entity beyond such period of time as may be prescribed by the Nevada Gaming Authorities may be guilty of a gross misdemeanor. 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 may be found unsuitable. A Registered Entity is subject to disciplinary action if, after it receives notice that a person is unsuitable to be a security holder or partner, as the case may be, or to have any other relationship with it, such Registered Entity (a) pays the unsuitable person any dividends or property upon any voting securities or partner interests or makes any payments or distributions of any kind whatsoever to such person, (b) recognizes the exercise, directly or indirectly, of any voting rights in its securities or partner interests by the unsuitable person, (c) pays the unsuitable person any remuneration in any form for services rendered or otherwise, except in certain and specific circumstances or (d) fails to pursue all lawful efforts to require the unsuitable person to divest himself of his voting securities, including, if necessary, the immediate purchase of the voting securities for cash at fair market value.

Registered Entities must maintain current stock ledgers in the State of Nevada that may be examined by the Nevada Gaming Authorities at any time. If any securities or partner interests 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 Nevada Gaming Authorities. A failure to make such disclosure may be grounds for finding the record owner unsuitable. Record owners are required to conform to all applicable rules and regulations of the Nevada Gaming Authorities. Licensees also are required to render maximum assistance in determining the identity of a beneficial owner.

The Nevada Gaming Authorities have the power to require that certificates representing voting securities of a corporate licensee bear a legend to the effect that such voting securities or partner interests are subject to the Nevada Gaming Regulations. The Nevada Gaming Authorities, through the power to regulate licensees, have the power to impose additional restrictions on the holders of such voting securities at any time.

Financial Responsibility. The Company and PHI are required to submit detailed financial and operating reports to the Nevada Gaming Authorities. Substantially all loans, leases, sales of securities and other financial transactions entered into by the Company or PHI must be reported to and, in some cases, approved by the Nevada Gaming Authorities.

Certain Transactions. None of the Archon Group may make a public offering of its securities without the approval of the Commission if the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or retire or extend obligations incurred for such purposes. Such approval, if given, will not constitute a recommendation or approval of the

investment merits of the securities offered. Any public offering requires the approval of the Commission.

Changes in control of the Company through merger, consolidation, acquisition of assets, management or consulting agreements or any form of takeover cannot occur without the prior investigation of the Board and approval of the Commission. The Commission may require controlling stockholders, partners, officers, directors and other persons who have a material relationship or involvement in the transaction to be licensed.

The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and other corporate defense tactics that affect corporate gaming licensees in Nevada, and corporations whose securities are publicly traded that are affiliated with those operations, may be injurious to stable and productive corporate gaming. The Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to (i) assure the financial stability of corporate or partnership gaming operators and their affiliates; (ii) preserve the beneficial aspects of conducting business in the corporate form; and (iii) promote a neutral environment for the orderly governance of corporate or partnership affairs. Approvals are, in certain circumstances, required from the Commission before the Company can make exceptional repurchases of voting securities above the current market price thereof (commonly referred to as "greenmail") and before an acquisition opposed by management can be consummated. Nevada's gaming regulations also require prior approval by the Commission if the Company were to adopt a plan of recapitalization proposed by the Company's Board of Directors in opposition to a tender offer made directly to the stockholders for the purpose of acquiring control of the Company.

Miscellaneous. The Company and its Nevada-based affiliates, including subsidiaries, may engage in gaming activities outside the State of Nevada without seeking the approval of the Authorities provided that such activities are lawful in the jurisdiction where they are to be conducted and that certain information regarding the foreign operation is provided to the Board on a periodic basis. The Company and its Nevada-based affiliates may be disciplined by the Commission if any of them violates any laws of the foreign jurisdiction pertaining to the foreign gaming operation, fails to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations, engages in activities that are harmful to the State of Nevada or its ability to collect gaming taxes and fees, or employs a person in the foreign operation who had been denied a license or finding of suitability in Nevada on the ground of personal unsuitability.

License fees and taxes, computed in various ways depending on the type of gaming involved, are payable to the State of Nevada and to the counties and cities in which the Company and PHI conduct their respective operations. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually and are based upon: (i) a percentage of the gross gaming revenues received by the casino operation; (ii) the number of slot machines operated by the casino; or (iii) the number of table games operated by the casino. A casino entertainment tax is also paid by the licensee where entertainment is furnished in connection with the selling of food or refreshments.

Finally, the Nevada Gaming Authorities may require that lenders to licensees be investigated to determine if they are suitable and, if found unsuitable, may require that they dispose of their loans.

Item 2. ***Properties***

The Pioneer is located on approximately 12 acres of land, with Colorado River frontage of approximately 770 feet, and is situated near the center of Laughlin's Casino Drive. The Company leases the Pioneer under a lease that expires in December 2020, subject to two five-year options to extend the term. Rental payments are $285,000 per month through December 2003, and will increase to

$339,000 per month in 2004, and thereafter at 3% per year through December 2007. See Item 1., "Business−Hotel and Casino Operations," for more detailed information regarding the Pioneer.

The Company's investment property in Dorchester, Massachusetts is located on 12 acres and includes several buildings with approximately 425,000 square feet of commercial office space. The property was acquired for approximately $82.4 million plus $500,000 in debt issuance costs. The Company paid $5.6 million in cash and assumed $77.3 million in non-recourse debt associated with the property. The property is under a net lease through 2019 with a single tenant with an investment grade credit rating. Under the lease, the tenant is responsible for substantially all obligations related to the property.

The Company's investment property in Gaithersburg, Maryland is located on 55 acres and includes one building with approximately 342,000 square feet of commercial office space. The property was acquired for $62.6 million, plus debt issuance costs of $2.7 million. The Company paid $9.9 million in cash and issued $55.4 million in non-recourse first mortgage indebtedness. The building is located on approximately 20 acres of the property. The property is under a net lease through 2014 with a single tenant with an investment grade credit rating. Under the lease, the tenant is responsible for substantially all obligations related to the property.

The Company owns approximately 27 acres of real property located on the Strip. The property is subject to a ground lease, which the Company may terminate at any time. A loan owed by the tenant to the former owner would have been payable by SLVC if it terminated the lease prior to December 31, 2004; however, that loan was paid in full by the tenant in July 2002.

SFHI owns the approximate 20-acre parcel of undeveloped real property located on the corner of Rainbow and Lone Mountain Road. The Company and SFHI have granted to the buyer of the SFHI assets an option to purchase the property for $5.0 million through October 2003.

Item 3. ***Legal Proceedings***

Poulos v. Caesar's World, Inc., et al. and Ahern v. Caesar's World, Inc., et al.

The Company is a defendant in a class action lawsuit originally filed in the United States District Court of Florida, Orlando Division, entitled *Poulos v. Caesar's World, Inc., et al., Ahern v. Caesar's World, Inc., et al.* and *Schrier v. Caesar's World, Inc., et al.*. along with a fourth action against cruise ship gaming operators and which have been consolidated in a single action now pending in the United States District Court, District of Nevada (the "Court"). Also named as defendants in these actions are many of the largest gaming companies in the United States and certain gaming equipment manufacturers. Each complaint is identical in its material allegations. The actions allege that the defendants have engaged in fraudulent and misleading conduct by inducing people to play video poker machines and electronic slot machines based on false beliefs concerning how the machines operate and the extent to which there is actually an opportunity to win on a given play. The complaints allege that the defendants' acts constitute violations of the Racketeer Influenced and Corrupt Organizations Act and also give rise to claims for common law fraud and unjust enrichment, and seek compensatory, special consequential, incidental and punitive damages of several billion dollars.

In response to the complaints, all of the defendants, including the Company, filed motions attacking the pleadings for failure to state a claim, seeking to dismiss the complaints for lack of personal jurisdiction and venue. As a result of those motions, the Court has required the Plaintiffs in the four consolidated cases to file a single consolidated amended complaint. Subsequent to Plaintiffs' filing of their consolidated amended complaint, the defendants refiled numerous motions attacking the amended complaint upon many of the bases as the prior motions. The Court heard the arguments on those motions and ultimately denied the motions. Plaintiffs then filed their motion to certify a class. Defendants vigorously opposed the motion. On June 26, 2002, the court denied the motion to certify

the class. Plaintiffs then sought discretionary review by the Ninth Circuit of the order denying class certification. On August 15, 2002, the Ninth Circuit granted review. The Plaintiffs have not yet filed their briefs, and the Ninth Circuit has been conducting a mediation to attempt to resolve the case.

Local Joint Executive Board et al. v. Archon Corporation et al.

The Company is the defendant in a pending action titled *Local Joint Executive Board et al. v. Santa Fe Gaming Corporation et al.*, No. CV-S-01-0233-RLH. The plaintiffs instituted the action on or about February 28, 2001 in the United States District Court for the District of Nevada, alleging that the Company violated the Worker Adjustment Retraining and Notification Act, ("WARN Act"), by improperly providing notification of the closing of the Santa Fe. The plaintiffs seek damages in the amount provided for by the statute. The plaintiffs filed a motion for class certification, and the Company stipulated to the certification. On October 12, 2001, Archon filed a motion for summary judgment to dismiss the complaint in its entirety. Plaintiffs filed a memorandum in opposition to defendant's motion for summary judgment, as

well as a counter-motion for summary judgment alleging the WARN Act notices sent by Archon were invalid. On February 1, 2002 a hearing was held on the motions and the court denied both the plaintiffs' and Archon's motions for summary judgment. However, the court subsequently narrowed the scope of the case, and set the case for trial to commence October 21, 2002. On October 1, 2002, the parties participated in a settlement conference with the Magistrate Judge assigned to the case. A settlement was reached whereby the Company agreed to pay the plaintiffs the total lump sum of $202,000 in exchange for a dismissal of the lawsuit with prejudice and a full release of all claims relating to the closure of the Santa Fe Hotel & Casino. The class action settlement was approved by the court on October 24, 2002. The Company accrued the settlement payment in September 2002 and made the payment in December 2002.

In addition, the Company is subject to various lawsuits relating to routine matters incidental to its business. The Company does not believe that the outcome of such litigation, in the aggregate, will have a material adverse effect on the Company.

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

There were no matters submitted to a vote of the Company's security holders during the fourth quarter of fiscal 2002. Subsequent to the end of fiscal 2002, Paul W. Lowden, President and Chief Executive Officer of the Company, acting in his capacity as the holder of more than two-thirds of the outstanding common stock, voted to remove Thomas K. Land as a director of the Company. The removal was effective as of November 27, 2002.

PART II

Item 5. ***Market for the Registrant's Common Stock and Related Security Holders Matters***

The Company's Common Stock is traded on the Over the Counter Bulletin Board (the "OTCBB") under the symbol "ARHN".

The closing sales price of the Common Stock on December 16, 2002 was $2.15 per share. The tables below set forth the high and low sales prices by quarter for the fiscal years ended September 30, 2002 and 2001 for the Common Stock, as reported by the OTCBB.

Fiscal 2002	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
High	$ 4.00	$ 3.55	$ 3.55	$ 3.35
Low	3.10	3.10	3.10	2.50
Fiscal 2001				
High	5.63	5.06	5.25	4.70
Low	3.75	4.38	4.38	3.10

The Company has never paid cash dividends on its Common Stock, nor does it anticipate paying such dividends in the foreseeable future. There were approximately 735 common stockholders of record as of December 16, 2002.

Item 6. ***Selected Financial Data***

The table below sets forth a summary of selected financial data of the Company for the years ended September 30, 2002, 2001, 2000, 1999 and 1998:

	2002	2001	2000	1999	1998

	(dollars in thousands, except per share amounts)				
Net operating revenues(1)	$ 48,765	$ 48,003	$ 128,595	$ 123,602	$ 109,909
Net income (loss)					
before extraordinary items, net of taxes	(7,707)	89,182	15,124	(17,775)	(62,343)
per common share	(1.25)	14.43	2.44	(2.87)	(10.06)
Net income (loss)(2)	(9,262)	87,231	12,802	(19,908)	(63,859)
per common share	(1.50)	14.11	2.07	(3.21)	(10.31)
Total assets	242,086	249,485	145,596	178,025	192,166
Long-term debt, less current portion	153,029	157,667	350	177,047	213,147
Redeemable preferred stock(3)	18,147	16,747	26,440	24,118	21,986

(1) Net operating revenues for fiscal years 1998 through 2000 represent primarily the operations at the Santa Fe and Pioneer. Net operating revenues for fiscal years 2001 and 2002 represent primarily operations at the Pioneer and revenues from investment properties.

(2) Fiscal 2001 results include a $137.2 million gain relating to the SFHI asset sale and a $3.4 million gain from litigation settlement. Fiscal 2000 results include a $12.1 million gain relating to the sale of real property, among other items, located in Henderson, Nevada, a $2.8 million gain on the retirement of debt, and a $11.0 million tax benefit related to the release of a valuation reserve. Results for fiscal 1998 include a $44.0 million impairment loss to adjust to fair market value the carrying value of the Pioneer fixed and intangible assets.

(3) The Company has not declared dividends on its preferred stock since fiscal 1996. Accrued dividends of approximately $1.6 million, $2.0 million, $2.3 million, $2.1 million and $1.5 million for fiscal 2002, 2001, 2000, 1999 and 1998, respectively, have been recorded as an increase to the preferred stock account. Since October 17, 2001, the Company has repurchased and retired 321,989 shares of redeemable preferred stock.

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

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses Archon's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to customer incentives, bad debts, inventories, investments, long-lived assets, estimated liabilities for slot club bonus point programs, income taxes, contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policy, among others, affects its more significant judgments and estimates used in the preparation of its consolidated financial statements:

Results of Operations–Fiscal 2002 Compared to Fiscal 2001

Consolidated

Net Operating Revenues. Consolidated net operating revenues for the year ended September 30, 2002 were $48.8 million, an $0.8 million, or 1.6%, increase from $48.0 million for the same period in fiscal 2001. The year ended September 30, 2002 included revenues of $35.5 million at the Pioneer Hotel and Gambling Hall (the "Pioneer") and rental income of $12.4 million from investment properties. The year ended September 30, 2001 included revenues of $40.0 million at the Pioneer and rental income of $7.2 million from investment properties. Revenues decreased by $4.5 million in fiscal 2002 at the Pioneer. Revenues from investment properties increased by $5.2 million. The investment properties were purchased in March 2001 and, therefore, the fiscal 2001 year had only seven months of results.

In fiscal 2002, 72.7% of the Company's net revenues were derived from the Pioneer and 25.4% from investment properties. The Company's business strategy at the Pioneer emphasizes slot and video poker machine play. For fiscal 2002, 82.9% of the Pioneer's net revenues were derived from casino operations. Approximately 86.6% of gaming revenues at the Pioneer was derived from slot and video poker machines, while 11.6% of such revenues was from table games and 1.8% was from other gaming activities such as keno.

Operating Expenses. Total operating expenses decreased $1.5 million, or 3.5%, to $42.5 million for the year ended September 30, 2002 from $44.0 million in the year ended September 30, 2001. Total operating expenses as a percentage of revenue decreased to 87.1% in the year ended September 30, 2002 from 91.7% in the year ended September 30, 2001. Operating expenses at the Pioneer decreased by $3.3 million, or 8.6%. Operating expenses from the investment properties increased $2.0 million, due to the fact that the properties were owned for only a portion of fiscal 2001. Operating expenses of the Company other than the Pioneer and the investment properties decreased $200,000.

Operating Income. Consolidated operating income for the year ended September 30, 2002 was $6.3 million, a $2.3 million, or 58.2%, increase from $4.0 million for the same period in fiscal 2001. Operating income decreased by $1.2 million at the Pioneer. Operating income from the investment properties increased $3.2 million, related to the fact that the properties were owned for the entire fiscal

year. Operating loss of the Company other than the Pioneer and the investment properties improved by $300,000, due to the decrease in operating expenses.

Interest Expense. Consolidated interest expense for the year ended September 30, 2002 was $16.4 million, a $5.3 million increase compared to $11.1 million in fiscal 2001. The increase is due to interest expense related to $132.7 million of non-recourse debt incurred and assumed in the second quarter of fiscal 2001 in connection with the acquisition of the investment properties, as well as the interest expense component of the $33.5 million obligation under lease incurred on December 29, 2000 in connection with the Pioneer sale/leaseback transactions.

Interest Income. Consolidated interest income for the 2002 fiscal year was $1.3 million, a decrease of $700,000, or 36.2% from $2.0 million in the 2001 fiscal year due to a decrease in cash and cash equivalents available for investment and lower returns on investment.

Income (Loss) Before Income Tax. Consolidated loss before income tax for the year ended September 30, 2002 was $8.8 million compared to consolidated income before income tax of $135.5 million in the prior year. The prior year included a gain of $137.2 million on sale of the Santa Fe assets and a $3.4 million net gain from a litigation settlement. The loss increased at the Pioneer by $1.7 million to $4.5 million. Loss from the investment properties increased by $1.3 million to $3.1 million due to increased depreciation and interest expense, partially offset by increased revenues.

Federal Income Tax. The Company recorded a federal income tax provision of $46.3 million in the prior year. The Company recorded a $1.1 million tax benefit in fiscal 2002 to reflect the net effects of temporary differences between the carrying amounts of assets and liabilities and the operating loss and tax credit carryforwards.

Preferred Share Dividends. Dividends of approximately $1.6 million and $2.0 million for fiscal 2002 and 2001, respectively, accrued on the preferred stock. The accrued dividend rate increases 50 basis points at each semi-annual dividend payment date, subject to a maximum of 16.0%, and is 15.0% as of October 1, 2002. Dividends for the twelve months ended September 30, 2002 and 2001 are reported net of shares of preferred stock acquired and retired by the Company.

Net Income (Loss). Consolidated net loss applicable to common shares was $9.3 million, or $1.50 per common share, in the 2002 year compared to net income applicable to common shares of $87.2 million, or $14.11 per common share, in the prior year.

Pioneer

Net Operating Revenues. Revenues at the Pioneer decreased $4.5 million, or 11.4%, to $35.5 million in fiscal 2002 from $40.0 million in fiscal 2001. The decline in revenues at the Pioneer is consistent with a continuing general decline in the Laughlin market, which management believes is due primarily to expansion of Native American gaming facilities in Southern California, Arizona and New Mexico.

Casino revenues decreased $3.7 million, or 11.1%, to $29.4 million in fiscal 2002 from $33.1 million in fiscal 2001. Slot and video poker revenues decreased $3.5 million, or 12.1%, to $25.5 million in fiscal 2002 from $29.0 million in fiscal 2001. Other gaming revenues, including table games, decreased $200,000, or 3.7%, due primarily to decreased table game win of $200,000, or 6.0%. Casino promotional allowances decreased approximately $1.1 million, or 13.3%, to $6.7 million in fiscal 2002 from $7.8 million in fiscal 2001.

Hotel revenues increased $100,000, or 3.9% to $2.7 million in fiscal 2002 from $2.6 million in fiscal 2001. Occupancy rate increased to 75.0% from 74.0% and the average daily room rate increased by 0.3%. Food and beverage revenues decreased $700,000, or 7.7%, to $7.8 million in fiscal 2002 from

$8.5 million in fiscal 2001 primarily due to a decline in the number of casino patrons. Other revenues decreased $1.4 million, or 37.2%, to $2.3 million in fiscal 2002 from $3.7 million in fiscal 2001 due to decreased sales in retail outlets as a result of competition from retail establishments in other casinos.

Operating Expenses. Operating expenses decreased $3.3 million, or 8.6%, to $35.2 million in fiscal 2002 from $38.5 million in fiscal 2001, but operating expenses as a percentage of revenues increased to 99.3% in fiscal 2002 from 96.3% in fiscal 2001.

Casino expenses decreased $1.4 million, or 8.1%, to $16.0 million in fiscal 2002 from $17.4 million in fiscal 2001, primarily related to the decrease in casino promotional allowances. Casino expenses as a percentage of casino revenues increased to 54.3% in the year ended September 30, 2002 from 52.6% in the year ended September 30, 2001. Hotel expenses were unchanged at $800,000 in the 2002 and 2001 years. Food and beverage expenses decreased $300,000, or 8.0%, to $4.1 million from $4.4 million, related to the decrease in food and beverage revenues. Food and beverage expenses as a percentage of food and beverage revenues decreased to 52.1% in the 2002 period from 52.4% in the 2001 period. Other expenses decreased $1.4 million, or 42.0%, to $2.0 million for fiscal 2002 compared to $3.4 million for fiscal 2001. The decrease is related to the lower volume of retail sales. Other expenses as a percentage of other revenues decreased to 85.2% in the 2002 period from 92.4% in the 2001 period.

Selling, general and administrative expenses decreased $100,000, or 1.5%, to $5.4 million in fiscal 2002 compared to $5.5 million in fiscal 2001. Selling, general and administrative expenses as a percentage of revenues increased to 15.4% in fiscal 2002 from 13.8% in fiscal 2001. Utilities and property expenses were unchanged at $4.9 million. Utilities and property expenses as a percentage of revenues increased to 13.9% in fiscal 2002 from 12.3% in fiscal 2001. Depreciation and amortization expenses decreased $100,000 or 3.6% to $2.0 million in fiscal 2002 from $2.1 million in fiscal 2001. The Company sold certain gaming equipment on December 29, 2000 and repurchased the gaming equipment in May 2002. Depreciation and amortization expense decreased during the period from January 2001 to May 2002.

Interest Expense. Interest expense increased $400,000, or 8.9%, to $4.8 million in fiscal 2002 from $4.4 million in fiscal 2001 due to the interest expense component of the $33.5 million obligation under lease incurred on December 29, 2000 in connection with the Pioneer sale/leaseback transactions.

Results of Operations–Fiscal 2001 Compared to Fiscal 2000

Consolidated

Net Operating Revenues. Consolidated net operating revenues for the year ended September 30, 2001 were $48.0 million, an $80.6 million, or 62.7%, decrease from $128.6 million for the same period in fiscal 2000. The year ended September 30, 2000 included net revenues of approximately $83.4 million at the Santa Fe Hotel and Casino (the "Santa Fe"), which was sold on October 2, 2000. The year ended September 30, 2001 included revenues of $40.0 million at the Pioneer and rental income of $7.2 million from the investment properties, which were purchased in the fiscal year ended September 30, 2001. Revenues decreased by $4.6 million in fiscal 2001 at the Pioneer.

In fiscal 2001, 83.4% of the Company's net revenues were derived from the Pioneer and 15.0% from the investment properties. The Company's business strategy at the Pioneer emphasizes slot and video poker machine play. For fiscal 2001, 82.7% of the Pioneer's net revenues were derived from casino operations. Approximately 87.6% of gaming revenues at the Pioneer was derived from slot and video poker machines, while 10.9% of such revenues was from table games and 1.4% was from other gaming activities such as keno.

Operating Expenses. Total operating expenses decreased $73.2 million, or 62.4%, to $44.0 million for the year ended September 30, 2001 from $117.2 million in the year ended September 30, 2000. Total operating expenses as a percentage of revenue increased to 91.7% in the year ended September 30, 2001 from 91.2% in the year ended September 30, 2000. The year ended September 30, 2000 included operating expenses of approximately $72.4 million at the Santa Fe. Operating expenses at the Pioneer, excluding reorganization expenses of $3.4 million in fiscal 2000, decreased by $1.1 million, or 2.8%. Operating expenses of Sahara Las Vegas Corp. ("SLVC") decreased by $700,000, attributable to loan issue costs being fully amortized by December 1999. The investment properties had $1.7 million in operating expenses in fiscal 2001.

Operating Income. Consolidated operating income for the year ended September 30, 2001 was $4.0 million, a $7.3 million, or 65.0%, decrease from $11.3 million for the same period in fiscal 2000. The year ended September 30, 2000 included operating income of approximately $11.0 million at the Santa Fe. Operating income decreased by $3.5 million at the Pioneer, excluding reorganization expenses in fiscal 2000, and increased $500,000 at SLVC. Operating income from the investment properties was $5.5 million in fiscal 2001.

Interest Expense. Consolidated interest expense for the year ended September 30, 2001 was $11.1 million, an $11.0 million decrease compared to $22.2 million in fiscal 2000, due to the repayment of substantially all of the Company's then outstanding debt in October 2000, offset by $3.3 million related to obligations under lease at the Pioneer and interest expense from the investment properties of $7.3 million.

Interest Income. Consolidated interest income for the 2001 fiscal year was $2.0 million compared to $500,000 in the 2000 fiscal year. Due to the sale of the Santa Fe, the Company had increased cash and cash equivalents and investments which contributed to the increase in interest income.

Gain on Sale of Assets. The Company recorded a $137.2 million gain on the sale of substantially all of the assets of SFHI, Inc., formerly known as Santa Fe Hotel, Inc. ("SFHI") in the quarter ended December 31, 2000. The Company recorded a $12.1 million gain on the sale of real property in Henderson, Nevada and related agreements in the quarter ended December 31, 1999.

Litigation Settlement, net. The Company recorded an approximate $3.4 million net gain from litigation settlements in fiscal 2001.

Other Expenses. During fiscal year 2000, the Company reported a charge to earnings of approximately $350,000 associated with costs and expenses of a proposed offering of debt securities which was not consummated.

Income Before Income Tax. Consolidated income before income tax for the year ended September 30, 2001 was $135.5 million, a $131.2 million improvement compared to $4.3 million in the prior year, principally due to the gain on sale of the Santa Fe assets. Income before income tax at SLVC was $100,000, compared to $11.1 million in 2000, which included the $12.1 million gain on the sale of assets. Excluding reorganization costs in fiscal 2000, loss increased at the Pioneer by $1.4 million to $2.8 million. Loss from the investment properties was $1.8 million.

Federal Income Tax. The Company recorded a federal income tax provision of $46.3 million in fiscal 2001. The Company recorded a goodwill reserve in fiscal 2001. The valuation allowance was reversed with respect to the fiscal 2000 period due to the sale of substantially all of the assets of SFHI in October 2000 resulting in a federal income tax benefit of $10.9 million.

Preferred Share Dividends. Dividends of approximately $2.0 million and $2.3 million for fiscal 2001 and 2000, respectively, accrued on the preferred stock. The accrued dividend rate increases 50 basis points at each semi-annual dividend payment date, subject to a maximum of 16.0%. Dividends for the

twelve months ended September 30, 2001 are reported net of shares of preferred stock acquired and retired by the Company.

Net Income. Consolidated net income applicable to common shares was $87.2 million, or $14.11 per common share, in the 2001 period compared to $12.8 million, or $2.07 per common share, in the prior year period.

Pioneer

Net Operating Revenues. Revenues at the Pioneer decreased $4.6 million, or 10.3%, to $40.0 million in fiscal 2001 from $44.6 million in fiscal 2000. The decline in revenues at the Pioneer is consistent with a continuing general decline in the Laughlin market, which management believes is due primarily to expansion of Native American gaming facilities in Southern California.

Casino revenues decreased $3.1 million, or 8.6%, to $33.1 million in fiscal 2001 from $36.2 million in fiscal 2000. Slot and video poker revenues decreased $2.6 million, or 8.1%, to $29.0 million in fiscal 2001 from $31.6 million in fiscal 2000. Other gaming revenues, including table games, decreased $500,000, or 11.8%, due primarily to decreased table game win of $600,000, or 13.7%. Casino promotional allowances increased $100,000, or 0.7%, to $7.8 million in fiscal 2001 from $7.7 million in fiscal 2000.

Hotel revenues were relatively unchanged at $2.6 million in fiscal 2001 and 2000. Occupancy rate decreased to 74.0% from 74.3% and the average daily room rate decreased by 0.3%. Food and beverage revenues decreased $100,000, or 1.0%, to $8.5 million in fiscal 2001 from $8.6 million in fiscal 2000 primarily due to a decline in the number of casino patrons. Other revenues decreased $1.3 million, or 25.9%, to $3.7 million in fiscal 2001 from $4.9 million in fiscal 2000 due to decreased sales in retail outlets, caused by increased competition from retail establishments in other casinos.

Operating Expenses. Excluding reorganization expenses of $3.4 million in fiscal 2000, operating expenses decreased $1.1 million, or 2.8%, to $38.5 million in fiscal 2001 from $39.6 million in fiscal 2000 and operating expenses as a percentage of revenue increased to 96.3% in fiscal 2001 from 88.9% in fiscal 2000.

Casino expenses increased $100,000, or 0.8%, to $17.4 million in fiscal 2001 from $17.3 million in fiscal 2000 due to an increase in labor costs. Casino expenses as a percentage of casino revenues increased to 52.6% in the year ended September 30, 2001 from 47.7% in the year ended September 30, 2000. Hotel expenses were unchanged at $800,000 in the 2001 and 2000 years. Food and beverage expenses decreased $300,000, or 6.1%, to $4.4 million in fiscal 2001, primarily due to decreased costs of sales and decreased supplies expense. Food and beverage expenses as a percentage of food and beverage revenues decreased to 52.4% in the 2001 period from 55.2% in the 2000 period. Other expenses decreased $1.3 million, or 27.0% to $3.4 million for fiscal 2001 compared to $4.6 million for fiscal 2000 related to the decrease in retail sales. Other expenses as a percentage of other revenues decreased to 92.4% in the 2001 period from 93.8% in the 2000 period.

Selling, general and administrative expenses were relatively unchanged at $5.5 million in fiscal 2001 and 2000. Selling, general and administrative expenses as a percentage of revenues increased to 13.8% in fiscal 2001 from 12.3% in fiscal 2000. Utilities and property expenses increased $700,000, or 17.9%, to $4.9 million in fiscal 2001 compared to $4.2 million in fiscal 2000 primarily due to rent expense increase of $600,000 associated with the lease of gaming equipment. Utilities and property expenses as a percentage of revenues increased to 12.3% in fiscal 2001 from 9.4% in fiscal 2000. Depreciation and amortization expenses decreased $400,000 or 17.1% to $2.1 million in fiscal

2001 from $2.5 million in fiscal 2000, due to the sale of gaming equipment. During fiscal 2000, PHI incurred approximately $3.4 million in reorganization expenses related to the restructuring of 13 1/2% First Mortgage Notes issued by Pioneer Finance Corp. (the "13 1/2% Notes").

Interest Expense. Interest expense decreased $2.1 million, or 32.4%, to $4.4 million in fiscal 2001 from $6.5 million in fiscal 2000 due to the repayment of the 13 1/2% Notes during the 2000 period, offset by $3.3 million related to obligations under lease and $1.0 million of intercompany interest.

Liquidity and Capital Resources; Trends and Factors Relevant to Future Operations

Contractual Obligations and Commitments: The following table summarizes the Company's fiscal year contractual obligations and commitments as of September 30, 2002:

	2003	2004	2005	2006 and Thereafter	Total
	(dollars in thousands)				
Non-recourse debt					
Gaithersburg	$ 1,204	$ 1,411	$ 1,658	$ 49,730	$ 54,003
Sovereign	4,530	5,004	28,400	31,199	69,133
Obligations under lease					
Pioneer Hotel Inc.	3,415	3,902	4,155	101,177	112,649
Long-term debt					
Building	53	61	70	94	278
Other	40	34	3	0	77
Operating leases					
Ground lease	792	792	792	58,043	60,419
Corporate offices	146	127	108	53	434
Total	$ 10,180	$ 11,331	$ 35,186	$ 240,296	$ 296,993

Our ability to service our contractual obligations and commitments will be dependent on the future performance of the Pioneer, which will be affected by, among other things, prevailing economic conditions and financial, business and other factors, including competitive pressure from the expansion of Native American gaming facilities in the southwest United States, certain of which are beyond our control. In addition, we will be dependent on the continued ability of the tenants in the investment properties in Gaithersburg, Maryland and Dorchester, Massachusetts to make payments pursuant to the leases with the Company. The payments under the leases are contractually committed to be used to make payments on the Company's non-recourse debt obligations related to the properties.

Liquidity. As of September 30, 2002, the Company held cash and cash equivalents of $8.6 million compared to $16.2 million at September 30, 2001. In addition, the Company had $12.2 million in investment in marketable securities at September 30, 2002 compared to $9.8 million at September 30, 2001. Management believes that the Company will have sufficient available cash and cash resources to meet its cash requirements through the twelve month period ending September 30, 2003.

Cash Flows from Operating Activities. The Company's cash provided by operations was $1.6 million for the year ended September 30, 2002 as compared to cash used in operations of $200,000 in the prior year. The primary changes were due to the decrease in Accounts receivable, net of $166,000 in 2002 compared to a decrease of $2.1 million in 2001, an increase in Accounts payable of $923,000 in 2002 compared to a decrease of $1.4 million in 2001, and an increase in Accrued and other liabilities of $4.0 million in 2002 compared to an increase of $163,000 in 2001.

Cash Flows from Investing Activities. Cash used in investing activities was $3.9 million during the year ended September 30, 2002, compared to cash provided by investing activities of $109.7 million during the year ended September 30, 2001. In the current year, the Company invested $2.1 million, net, in marketable securities and made $4.4 million in capital expenditures. These capital expenditures were

funded in part by the use of cash in the amount of $2.5 million, net of interest income, from the restricted cash accounts. Cash provided by investing activities in the prior year included proceeds received in October 2000 from the sale of substantially all of the Santa Fe assets for total consideration of $205.0 million. In the prior year, $67.7 million was used in the acquisition of the investment properties and $9.7 million was invested in marketable securities. In December 2000, pursuant to contractual obligations entered into in connection with the December 2000 sale/leaseback of the Pioneer (the "Pioneer Transactions"), $15.0 million of cash was restricted in use. Of the restricted funds, $3.3 million had been used for the purchase of gaming equipment and capital expenditures as of September 30, 2002. See "Pioneer Transactions."

Cash Used in Financing Activities. Cash used in financing activities was $5.3 million in the year ended September 30, 2002 compared to $100.3 million during fiscal 2001. In the current year, the Company repaid $5.1 million of non-recourse long-term debt. In the prior year, the Company used approximately $175.2 million of the proceeds from the sale of substantially all of the Santa Fe assets to retire substantially all of the Company's then-outstanding debt. This use was offset in part by (i) cash proceeds of $32.5 million from the creation of the obligation under lease attributable to the Pioneer Transactions in December 2000, and (ii) the issuance in March 2001 of $55.4 million of non-recourse first mortgage indebtedness in connection with the acquisition of an investment property. The Company incurred an aggregate $3.2 million of costs in conjunction with issuing the $55.4 million of non-recourse debt and assuming $77.3 million principal amount of non-recourse debt in connection with the acquisition of another investment property. In addition, the Company used $5.9 million in connection with the settlement of litigation with a former director, which included the acquisition by the Company of shares of its common and preferred stock.

The Company's primary source of cash is from Pioneer's operations and from interest income on available cash and cash equivalents and investments in marketable securities. However, the ability of PHI to make distributions is restricted, as described below. See "Pioneer Transactions." Rental income from the Company's two investment properties is contractually committed to reducing the non-recourse indebtedness issued or assumed in conjunction with the acquisition of the investment properties. Under the two leases, the tenants are responsible for substantially all obligations related to the property. SLVC, an indirect wholly-owned subsidiary of the Company, owns an approximately 27-acre parcel of real property on Las Vegas Boulevard South which is subject to a lease with a water theme park operator. SLVC generates minimal cash from the lease after payment of property costs. The lease may be terminated at any time by SLVC. A loan owed by the tenant to the former owner would have been payable by SLVC if it terminated the lease prior to December 31, 2004; however, that loan was paid in full by the tenant in July 2002.

Earnings before interest expense, taxes, depreciation and amortization ("EBITDA") increased $3.5 million, or 34.4%, to $13.6 million in the year ended September 30, 2002 from $10.1 million in the year ended September 30, 2001. EBITDA should not be construed as a substitute for operating income or a better indicator of liquidity than cash flow from operating, investing and financing activities, which are determined in accordance with generally accepted accounting principles ("GAAP"), and it is included herein to provide additional information with respect to the ability of the Company to meet its future debt service, capital expenditure and working capital requirements. The Company's definition of EBITDA may not be the same as that of similarly captioned measures used by other companies.

The Company's primary use of cash, excluding operations at the Pioneer, is for selling, general and administrative expenses of the Company and its subsidiaries, including lease costs relating to corporate offices and costs to evaluate development opportunities. The agreements relating to the Pioneer Transactions restrict the ability of PHI to make distributions to the Company and, under certain circumstances, to pay management fees to the Company. Cash from PHI is not currently, and is not expected in the foreseeable future to be, available for distribution to the Company. Additionally, the Company has been and will be required to make capital contributions to PHI and, in certain

circumstances, cash payments to the restricted cash accounts if the ratio of fixed charges to operating cash flow at the Pioneer is not maintained at 1.00 to 1.00. See "Pioneer Transactions."

As a result of the SFHI Asset Sale, the Company incurred an estimated $161.0 million tax gain for federal income tax purposes for fiscal 2001. As of September 30, 2000, the Company had an estimated net operating loss carryforward for regular tax purposes of approximately $49.1 million, all of which can be utilized in fiscal 2001. In March 2001, SFHI acquired investment properties in Dorchester, Massachusetts and Gaithersburg, Maryland. The acquisitions are intended to qualify as like-kind exchanges of real property under Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code") and to defer approximately $90.0 million of the gain for federal corporate income tax purposes resulting from the SFHI Asset Sale. The Company made an alternative minimum tax payment of $500,000 in fiscal 2001, which was refunded in fiscal year 2002.

Pioneer Transactions

Results of operations at the Pioneer for the year ended September 30, 2002 generated EBITDA, as defined, of $2.3 million compared to $3.7 million of EBITDA in fiscal 2001. The EBITDA margin decreased to 6.4% in fiscal 2002 from 9.1% in fiscal 2001. PHI's principal uses of cash are for payments of obligations under lease, capital expenditures to maintain the facility and, to the extent permitted to be paid, the management fee payable to the Company. Payments of obligations under lease were $3.4 million and $2.6 million in the fiscal years 2002 and 2001, respectively. Payments of obligations under lease began in January 2001. Rent expense was $1.3 million in both the 2002 and 2001 fiscal years. Rent expense increased in January 2001 as a result of the lease of gaming equipment and decreased in May 2002 as a result of the repurchase of gaming equipment under lease. Capital expenditures at the Pioneer were $3.8 million in fiscal 2002, including approximately $1.0 million for a new slot tracking system and $2.1 million used to purchase gaming equipment under lease, and were $800,000 in fiscal 2001. Capital expenditures in fiscal 2002 have been funded primarily from the restricted cash account. Future capital expenditures are also expected to be funded from the restricted cash account, to the extent permitted by the agreements relating to the Pioneer Transactions.

On December 29, 2000, the Company entered into a series of agreements to transfer, pursuant to Section 721 and 351 of the Code, the real and personal property, excluding gaming equipment, and intangible assets used in the operation of the Pioneer to a third party (the "Purchaser") and agreed to lease and license the assets for up to 20 years, during which period the Company will operate the Pioneer (collectively, the "Pioneer Transactions"). The consideration for the Pioneer Transactions consisted of the assumption and immediate repayment by the Purchaser of $32.5 million of debt owed by PHI to SFHI and preferred stock of the Purchaser having a $1.0 million liquidation preference.

Archon and SFHI guaranteed the payments under the lease and license agreements and agreed to certain covenants, including restrictions on paying management fees to Archon, competing in the Laughlin, Nevada area and paying dividends with respect to the Archon preferred stock. In addition, Archon agreed to maintain consolidated liquidity (as defined in the agreements relating to the Pioneer Transactions) of not less than $25.0 million. As of September 30, 2002, Archon's consolidated liquidity, as defined, was $66.8 million. Archon has agreed to forgo all or a portion of the management fees payable by PHI if PHI's ratio of operating cash flow to fixed charges falls below 1.20 to 1.00. Further, Archon has agreed to contribute capital to PHI and in certain events to deposit cash to restricted cash accounts in the event PHI's ratio of fixed charges to operating cash flow falls below 1.00 to 1.00 during any rolling four-quarter period, calculated on a quarterly basis.

Specifically, if the ratio of fixed charges to operating cash flow is less than 1.00 to 1.00 for any four-quarter period ending on or before December 31, 2003, Archon will be obligated to contribute capital to PHI in the amount of the deficiency and, if the fixed charge coverage ratio is less than 1.00 to 1.00 for three consecutive quarters during that period, to deposit additional cash to restricted cash

accounts based upon a specified percentage of the stipulated loss value set forth in the lease. With respect to four-quarter periods ending after December 31, 2003, if the fixed charge ratio requirement is not met, Archon will be required to make a capital contribution in the amount of the deficiency and an additional cash payment to the restricted cash account based upon a specified percentage of the stipulated loss value set forth in the lease. Notwithstanding the foregoing, if the fixed charge coverage ratio is less than 1.00 to 1.00 for four consecutive quarters and the fourth consecutive quarter ends after the quarter ending December 31, 2003, Archon will not be permitted to cure the deficiency. If Archon fails to make any required payments or is not permitted to cure a deficiency with respect to quarters ending after the quarter ending December 31, 2003, an event of default will occur under the lease.

Pursuant to the agreements relating to the Pioneer Transactions, Archon has foregone the management fee otherwise payable to it since April 2001. Additionally, PHI's ratio of fixed charges to operating cash flow for the four quarters ended June 30, 2002 and September 30, 2002 were 0.92 to 1.00 and 0.87 to 1.00, respectively. As a result, Archon made capital contributions to PHI in the amount of approximately $375,000 and $275,000 with respect to the June and September 2002 quarters, respectively. If PHI's ratio of fixed charges to operating cash flows is less than 1.00 to 1.00 for the quarter ending December 31, 2002, Archon will be obligated to make deposits to the restricted cash account in addition to making capital contributions to PHI.

Furthermore, Archon would have been required to make capital contributions aggregating approximately $400,000 as a result of PHI's fixed charge ratios for the four quarters ended December 31, 2001 and March 31, 2002, in which the ratio of fixed charges to operating cash flow was 0.93 to 1.00, and 0.92 to 1.00, respectively. However, in May 2002, the Company completed the purchase, for approximately $2.1 million, of leased gaming equipment with $1.9 million of cash from the restricted cash account and cash from operations. The elimination of the rent payments reduces fixed charges in periods subsequent to the repurchase date. Giving effect to the gaming equipment purchase as if it had occurred at the beginning of the relevant four-quarter period, on a pro forma basis PHI's ratio of fixed charges to operating cash flow for the four quarters ended December 31, 2001 and March 31, 2002 would have been 1.04 to 1.00 and 1.05 to 1.00, respectively. Archon advised the Purchaser that it was not making any capital contributions to PHI for the four-quarter periods ended December 31, 2001 and March 31, 2002 based on the pro forma fixed charge ratios giving effect to the May 2002 purchase of leased gaming equipment. The Purchaser has not advised the Company whether it agrees that the Company has the right to calculate the ratios on a pro forma basis. If the Purchaser disagrees, the Company will be required to make capital contributions with respect to the four-quarter periods ended December 31, 2001 and March 31, 2002 and will be required to deposit additional cash to the restricted cash account.

The agreements related to the Pioneer Transactions provide an option for the Company to purchase the assets under the lease and license agreements to PHI between the end of the third and seventh years, at purchase price amounts ranging between $35.5 million and $38.7 million, which, as of the date of the agreements, approximated estimated fair market value at the relevant purchase dates, and at the end of the lease term for fair market value.

Preferred Stock

The Company's preferred stock provides that dividends accrue on a semi-annual basis, to the extent not declared. Prior to fiscal 1997, the Company satisfied the semi-annual dividend payments on its preferred stock through the issuance of paid-in-kind dividends. The Company has accrued the semi-annual preferred stock dividends since October 1, 1996. The dividend rate per annum was equal to 8.0% of $2.14 for each share of preferred stock until September 30, 1998, at which date the dividend rate increased to 11.0% of $2.14 for each share of preferred stock. The dividend continues to increase by an additional 50 basis points on each succeeding semi-annual dividend payment date up to a

maximum of 16.0% per annum. In October 2002, the dividend rate increased to 15.0% per annum of $2.14 for each share of preferred stock. The accrued stock dividends have been recorded as an increase to the preferred stock account. As of September 30, 2002, the aggregate liquidation preference of the preferred stock was $18.1 million, or $3.57 per share. Pursuant to the Certificate of Designation of Preferred Stock, dividends are payable only when, as and if declared by the Board of Directors and the liquidation preference is payable only upon a liquidation, dissolution or winding up of the Company. Because dividends in an amount equal to dividend payments for one dividend period have accrued and remain unpaid for at least two years, the preferred stockholders, voting as a separate class, are entitled to elect two directors to the Company's board of directors. The agreements relating to the Pioneer Transactions restrict the payment of dividends on the preferred stock.

The Board of Directors of the Company has authorized the purchase from time to time by the Company of preferred stock for total consideration of up to $2.5 million. As of December 16, 2002, the Company has purchased 674,177 shares of preferred stock for $1,003,307. In addition, in April 2001 the Company acquired approximately 3.5 million shares of preferred stock as part of a litigation settlement agreement.

Recently Issued Accounting Standards

In June 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS 146"). SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring*). SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. A fundamental conclusion reached by the FASB in this statement is that an entity's commitment to a plan, by itself, does not create a present obligation to others that meets the definition of a liability. SFAS 146 also establishes that fair value is the objective for initial measurement of the liability. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The Company has determined that SFAS 146 will not have a material impact on its financial position and results of operations.

In April 2002, the FASB issued SFAS No. 145 ("SFAS 145"), *"Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections."* SFAS 145 rescinds FASB Statement No. 4, *Reporting Gains and Losses from Extinguishment of Debt*, and an amendment of that Statement, FASB Statement No. 64, *"Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements."* This Statement also rescinds FASB Statement No. 44, *"Accounting for Intangible Assets of Motor Carriers."* This Statement amends FASB Statement No. 13, *"Accounting for Leases,"* to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The Company does not believe that the adoption of SFAS 145 will have a significant impact on its financial statements. The Company adopted SFAS 145 in the current fiscal year. Therefore, a gain on the early extinguishment of debt has been reclassified from extraordinary income to ordinary income.

In August 2001, the FASB issued SFAS No. 144 ("SFAS 144"), *"Accounting for the Impairment or Disposal of Long-Lived Assets."* SFAS 144 requires one accounting model be used for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations to include more disposal transactions. SFAS 144 is effective for fiscal years beginning after December 15, 2001. The

Company does not believe that the adoption of SFAS 144 will have a significant impact on its financial statements.

Effects of Inflation

The Company has been generally successful in recovering costs associated with inflation through price adjustments in its hotels-casinos. Expenses of operating the Company's investment properties are generally borne by the tenants. Any such future increases in costs associated with casino operations and maintenance of properties may not be completely recovered by the Company.

Private Securities Litigation Reform Act

Certain statements in this Annual Report on Form 10-K which are not historical facts are forward-looking statements, such as statements relating to future operating results, existing and expected competition, financing and refinancing sources and availability and plans for future development or expansion activities, capital expenditures and expansion of business operations into new areas. Such forward-looking statements involve a number of risks and uncertainties that may significantly affect the Company's liquidity and results in the future and, accordingly, actual results may differ materially from those expressed in any forward-looking statements. Such risks and uncertainties include, but are not limited to, those related to effects of competition, leverage and debt service, general economic conditions, changes in gaming laws or regulations (including the legalization of gaming in various jurisdictions) and risks related to development activities and the startup of non-gaming operations.

Item 7A. ***Market Risk Disclosure***

Market risk is the risk of loss arising from changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity process. The Company has no debt instruments subject to interest rate fluctuation.

The Company holds investments in various available-for-sale securities; however, exposure to price risk arising from the ownership of these investments is not material to our consolidated financial position, results of operations or cash flow.

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

INDEX
TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES
For the Years Ended September 30, 2002, 2001 and 2000

Financial Statement Schedules are omitted because of the absence of conditions under which they are required or because the information is included in the financial statements or the notes thereto.

INDEPENDENT AUDITORS' REPORT

To the Stockholders of Archon Corporation:

We have audited the accompanying consolidated balance sheets of Archon Corporation and subsidiaries (the "Company") as of September 30, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity (deficiency), and cash flows for each of the three years in the period ended September 30, 2002. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, such consolidated financial statements present fairly, in all material respects, the financial position of Archon Corporation and subsidiaries as of September 30, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2002 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
Las Vegas, Nevada
December 19, 2002

Archon Corporation and Subsidiaries
Consolidated Balance Sheets
as of September 30, 2002 and 2001

ASSETS	2002	2001
Current assets:		
Cash and cash equivalents	$ 8,615,412	$ 16,213,088
Investment in marketable securities	12,180,399	9,816,079
Restricted cash	13,021,550	15,506,855
Accounts receivable, net	3,352,179	3,186,262
Inventories	286,585	274,043
Prepaid expenses and other	975,199	969,570
Total current assets	38,431,324	45,965,897
Property and equipment:		
Land held for development	23,109,400	23,109,400

Property held for investment, net	139,996,477	143,457,948
Land used in operations	8,125,589	8,125,589
Buildings and improvements	35,710,958	35,585,377
Machinery and equipment	11,863,817	7,728,010
Accumulated depreciation	(21,529,072)	(19,204,275)
Property and equipment, net	197,277,169	198,802,049
Other assets	6,377,072	4,717,112
Total assets	$ 242,085,565	$ 249,485,058

See the accompanying Notes to Consolidated Financial Statements.

Archon Corporation and Subsidiaries
Consolidated Balance Sheets
as of September 30, 2002 and 2001

LIABILITIES and STOCKHOLDERS' EQUITY	2002	2001
Current liabilities:		
Accounts payable	$ 1,926,804	$ 1,003,978
Interest payable	2,285,248	2,377,018
Accrued and other liabilities	2,360,996	3,333,875
Current portion of long-term debt	93,100	66,674
Current portion of non-recourse debt	5,733,795	5,105,010
Total current liabilities	12,399,943	11,886,555
Long-term debt−less current portion	261,966	283,126
Non-recourse debt−less current portion	117,401,909	123,135,704
Obligation under lease	35,365,308	34,247,897
Deferred income taxes	34,091,076	34,724,076
Other liabilities	11,269,374	6,442,238
Commitments		
Stockholders' equity:		
Common stock, $.01 par value; authorized−100,000,000 shares; issued and outstanding−6,221,431 shares at September 30, 2002 and 6,153,256 at September 30, 2001	62,214	61,533

Preferred stock, exchangeable, redeemable 13.5% cumulative, stated at $2.14 liquidation value, authorized−10,000,000 shares; issued and outstanding−5,077,720 shares at September 30, 2002 and 5,123,082 at September 30, 2001	18,146,756	16,746,586
Additional paid-in capital	57,437,482	57,283,784
Accumulated deficit	(44,094,268)	(34,831,966)
Accumulated other comprehensive loss	(94,678)	(406,701)
Subtotal	31,457,506	38,853,236
Less stock subscriptions receivable	(73,743)	0
Less treasury common stock−4,875 shares, at cost	(87,774)	(87,774)
Total stockholders' equity	31,295,989	38,765,462
Total liabilities and stockholders' equity	$ 242,085,565	$ 249,485,058

See the accompanying Notes to Consolidated Financial Statements.

Archon Corporation and Subsidiaries
Consolidated Statements of Operations
For the Years Ended September 30, 2002, 2001 and 2000

	2002	2001	2000
Revenues:			
Casino	$ 29,415,497	$ 33,087,526	$ 101,588,548
Hotel	2,659,335	2,558,935	5,980,802
Food and beverage	7,831,579	8,483,624	22,720,011
Investment properties	12,402,247	7,204,361	0
Other	3,197,838	4,442,936	13,972,887
Gross revenues	55,506,496	55,777,382	144,262,248
Less casino promotional allowances	(6,741,025)	(7,774,291)	(15,667,163)
Net operating revenues	48,765,471	48,003,091	128,595,085
Operating expenses:			
Casino	15,978,110	17,390,831	45,503,275
Hotel	816,471	786,342	2,053,667
Food and beverage	4,084,003	4,441,273	15,777,234
Other	1,988,276	3,406,857	11,024,451
Selling, general and administrative	5,062,358	5,680,787	13,314,330
Corporate expenses	2,815,467	2,662,194	2,918,143

Utilities and property expenses	5,701,546	5,530,873	11,813,250
Depreciation and amortization	6,035,038	4,132,320	11,416,738
Reorganization expenses	0	0	3,424,521
Total operating expenses	42,481,269	44,031,477	117,245,609
Operating income	6,284,202	3,971,614	11,349,476
Interest expense	(16,413,145)	(11,140,111)	(22,157,361)
Gain on sale of assets	0	137,238,005	12,098,609
Litigation settlement, net	0	3,374,482	0
Interest income	1,288,887	2,021,747	479,718
Gain on early extinguishment of debt	0	0	2,842,833
Other expenses	0	0	(351,479)
Income (loss) before income tax (expense) benefit	(8,840,056)	135,465,737	4,261,796
Federal income tax (expense) benefit	1,133,000	(46,284,078)	10,862,007
Net income (loss)	(7,707,056)	89,181,659	15,123,803
Dividends accrued on preferred shares	(1,555,246)	(1,950,401)	(2,321,771)
Net income (loss) applicable to common shares	$ (9,262,302)	$ 87,231,258	$ 12,802,032
Average common shares outstanding	6,180,152	6,181,664	6,195,685
Average common and common equivalent shares outstanding	6,180,152	6,808,185	6,822,720
Income (loss) per common share:			
Basic	$ (1.50)	$ 14.11	$ 2.07
Diluted	$ (1.50)	$ 12.81	$ 1.88

See the accompanying Notes to Consolidated Financial Statements.

Archon Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity (Deficiency)
For the Years Ended September 30, 2002, 2001 and 2000

	Common Stock	Preferred Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Stock Subscriptions Receivable	Treasury Stock	Total
Balances, October 1, 1999	$ 61,954	$ 24,117,989	$ 51,513,504	$ (134,865,256)	$ 0	$ 0	$ (87,774)	$ (59,259,583)
Net income				15,123,803				15,123,803

Preferred stock dividend accrued		2,321,771		(2,321,771)				0
Stock options exercised	50		7,450					7,500
Balances, September 30, 2000	62,004	26,439,760	51,520,954	(122,063,224)	0	0	(87,774)	(44,128,280)
Net income				89,181,659				89,181,659
Preferred stock dividend accrued		1,950,401		(1,950,401)				0
Common and preferred stock acquired in litigation settlement	(536)	(10,800,869)	5,364,422					(5,436,983)
Preferred stock purchased		(842,706)	390,473					(452,233)
Unrealized loss on marketable securities					(406,701)			(406,701)
Stock options exercised	65		7,935					8,000
Balances, September 30, 2001	61,533	16,746,586	57,283,784	(34,831,966)	(406,701)	0	(87,774)	38,765,462
Net loss				(7,707,056)				(7,707,056)
Preferred stock dividend accrued		1,555,246		(1,555,246)				0
Preferred stock purchased		(155,076)	79,955					(75,121)
Stock options exercised	681		73,743			(73,743)		681
Unrealized gain on marketable securities					312,023			312,023
Balances, September 30, 2002	$ 62,214	$ 18,146,756	$ 57,437,482	$ (44,094,268)	$ (94,678)	$ (73,743)	$ (87,774)	$ 31,295,989

See the accompanying Notes to Consolidated Financial Statements.

Archon Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2002, 2001 and 2000

	2002	2001	2000
Cash flows from operating activities:			
Net income (loss)	$ (7,707,056)	$ 89,181,659	$ 15,123,803
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	6,035,038	4,132,320	11,416,738
Gain on sale of assets	0	(137,238,005)	(12,098,609)
Negative amortization of debt	1,117,411	747,897	0
Gain on early extinguishment of debt	0	0	(2,842,833)
Debt discount amortization	0	0	1,291,008
Reorganization expenses paid in connection with Chapter 11 and related legal proceedings	0	0	3,424,521
Change in assets and liabilities:			
Accounts receivable, net	(165,917)	(2,116,020)	27,384
Inventories	(12,542)	495,175	416,296
Prepaid expenses and other	(5,629)	3,030,599	500,059
Deferred income taxes	(633,000)	45,706,083	(10,982,007)
Other assets	(1,846,292)	(1,126,285)	1,861,422
Accounts payable	922,826	(1,437,275)	(2,374,633)
Interest payable	(91,770)	(1,745,170)	(10,369,903)
Accrued and other liabilities	3,987,202	162,999	(2,619,191)
Net cash provided by (used in) operating activities before reorganization items	1,600,271	(206,023)	(7,225,945)
Reorganization expenses paid in connection with Chapter 11 and related legal proceedings	0	0	(3,424,521)
Net cash provided by (used in) operating activities	1,600,271	(206,023)	(10,650,466)
Cash flows from investing activities:			
Proceeds from sale of assets	0	207,500,000	37,126,512
Decrease (increase) in restricted cash	2,485,305	(15,506,855)	0
Cost and expenses related to sale of assets	0	(3,691,166)	0
Capital expenditures	(4,352,497)	(68,936,475)	(2,145,360)
Marketable securities purchased	(7,314,325)	(9,673,334)	0
Marketable securities sold	5,262,028	0	0
Development costs	0	0	(25,388)
Net cash provided by (used in) investing activities	(3,919,489)	109,692,170	34,955,764
Cash flows from financing activities:			
Long-term debt	0	0	43,500,000
Non-recourse debt	0	55,434,006	0
Obligation under lease	0	32,500,000	0

Paid on long-term debt	(5,203,337)	(177,618,484)	(76,036,040)
Paid on note payable–officer	0	(1,500,000)	0
Proceeds of note payable–officer	0	0	1,500,000
Debt issue costs	0	(3,194,349)	0
Capital stock acquired	(75,121)	(5,889,216)	0
Stock options exercised	0	8,000	7,500
Net cash used in financing activities	(5,278,458)	(100,260,043)	(31,028,540)
Increase (decrease) in cash and cash equivalents	(7,597,676)	9,226,104	(6,723,242)
Cash and cash equivalents, beginning of year	16,213,088	6,986,984	13,710,226
Cash and cash equivalents, end of year	$ 8,615,412	$ 16,213,088	$ 6,986,984

See the accompanying Notes to Consolidated Financial Statements.

ARCHON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended September 30, 2002, 2001 and 2000

1. Basis of Presentation and General Information

Archon Corporation, (the "Company" or "Archon"), is a publicly traded Nevada corporation. The Company's primary business operations are conducted through a wholly-owned subsidiary corporation, Pioneer Hotel Inc. ("PHI"), which operates the Pioneer Hotel & Gambling Hall (the "Pioneer") in Laughlin, Nevada under long-term lease and license arrangements. In addition, the Company owns real estate on Las Vegas Boulevard South (the "Strip") and at the corner of Rainbow and Lone Mountain Road, both in Las Vegas, Nevada, and also owns investment properties in Dorchester, Massachusetts and Gaithersburg, Maryland.

Until October 2, 2000, the Company, through its wholly-owned subsidiary SFHI Inc., formerly known as Santa Fe Hotel, Inc. ("SFHI"), owned and operated the Santa Fe Hotel and Casino (the "Santa Fe"), located in Las Vegas, Nevada. On October 2, 2000, SFHI sold substantially all of its assets, including the rights to the name "Santa Fe Hotel and Casino" for $205.0 million (the "SFHI Asset Sale"). The SFHI Asset Sale resulted in a pre-tax gain of $137.2 million. In connection with the sale, the Company, Paul W. Lowden, majority stockholder of the Company, and members of Mr. Lowden's family entered into a three year non-compete agreement, in which they agreed not to compete through October 2, 2003 within a three mile radius of the Santa Fe.

On December 29, 2000, the Company entered into a series of agreements to exchange, pursuant to Sections 721 and 351 of the Internal Revenue Code of 1986, as amended (the "Code"), the real and personal property, excluding gaming equipment, and intangible assets used in the operation of the Pioneer to a third party and agreed to lease and license the assets sold for up to 20 years, during which period the Company will operate the Pioneer (collectively, the "Pioneer Transactions").

In March 2001, SFHI completed the acquisition of investment properties in Dorchester, Massachusetts and Gaithersburg, Maryland for an aggregate purchase price of $145.0 million plus debt issuance costs of $3.2 million, consisting of $15.5 million in cash and the assumption or issuance of an aggregate of $132.7 million of non-recourse indebtedness. The acquisitions are intended to qualify as like-kind exchanges of real property under Section 1031 of the Code and defer a portion of the federal corporate income tax resulting from the SFHI Asset Sale.

In November 1999, Sahara Las Vegas Corporation, an indirect wholly-owned subsidiary of the Company ("SLVC"), sold real property located in Henderson, Nevada for $37.2 million. The Company recorded a pre-tax gain on the sale of approximately $12.1 million in the quarter ended December 31, 1999. In connection with the sale, the Company, SLVC, SFHI, Paul W. Lowden and members of Mr. Lowden's family entered into non-compete agreements, in which they agreed not to compete through November 15, 2014 within a five-mile radius of two of the buyer's casinos located in the Henderson area.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Archon and its wholly owned subsidiaries. Amounts representing the Company's investment in less than majority-owned companies in which a significant equity ownership interest is held are accounted for on the equity method. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Investments which mature within 90 days from the date of purchase are treated as cash equivalents. These investments are stated at cost which approximates their market value.

Investment in Marketable Securities

Debt securities available-for-sale are stated at market value with unrealized gains or losses, when material, reported as a component of accumulated other comprehensive income (loss). Gains or losses on disposition are based on the net proceeds and the adjusted carrying amount of the securities. Debt securities available-for-sale at September 30, 2002 includes investments in government obligations and corporate securities.

Equity securities available-for-sale are reported at fair value with unrealized gains or losses, when material, reported as a component of accumulated other comprehensive income (loss). Realized gains and losses are determined on a specific identification method. At September 30, 2002, equity securities available-for-sale included investments in common and preferred stock.

The Company recorded $312,000 of other comprehensive gain and $407,000 of other comprehensive loss associated with unrealized gains or losses on these securities during the years ended September 30, 2002 and 2001, respectively. At September 30, 2000, market value approximated cost; therefore, the Company did not record any other comprehensive income (loss).

The following is a summary of available-for-sale marketable securities as of September 30, 2002 and 2001:

	2002			
	Cost	Unrealized Gain	Unrealized Losses	Market or Fair Value
Government and agency obligations	$ 3,781,128	$ 2,167	$ 17,446	$ 3,765,849
Other debt securities	6,094,982	127,793	55,564	6,167,211
Total debt securities	9,876,110	129,960	73,010	9,933,060
Equity securities	1,992,264	425,069	169,994	2,247,339
Total	$ 11,868,374	$ 555,029	$ 243,004	$ 12,180,399

	2001			
	Cost	Unrealized Gain	Unrealized Losses	Market or Fair Value
Government and agency obligations	$ 4,005,210	$ 68,577	$ 0	$ 4,073,787
Other debt securities	4,320,438	39,626	83,813	4,276,251
Total debt securities	8,325,648	108,203	83,813	8,350,038
Equity securities	1,897,132	15,367	446,458	1,466,041
Total	$ 10,222,780	$ 123,570	$ 530,271	$ 9,816,079

The cost and estimated fair value of debt securities as of September 30, 2002 and 2001 by contractual maturity are shown below:

	2002	
	Cost	Fair Value
Due in one year or less	$ 259,535	$ 248,785
Due after one year through five years	569,741	573,196
Due after five years through ten years	1,763,694	1,755,170
Due after ten years	3,502,012	3,590,060
Mortgage backed securities	3,781,128	3,765,849
Total	$ 9,876,110	$ 9,933,060

	2001	
	Cost	Fair Value
Due in one year or less	$ 0	$ 0
Due after one year through five years	356,702	369,711
Due after five years through ten years	1,000,000	1,004,528
Due after ten years	3,268,946	3,224,588
Mortgage backed securities	3,700,000	3,751,211
Total	$ 8,325,648	$ 8,350,038

Inventories

Food, beverage, gift shop and other inventories are stated at first-in, first-out cost, not in excess of market.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Costs of maintenance and repairs of property and equipment are expensed as incurred. Costs of major improvements are capitalized and depreciated over the estimated useful lives of the assets or the remaining term of the leases. Gains or losses on the disposal of property and equipment are recognized in the year of sale. In sale/leaseback transactions of equipment, gains are deferred and recognized over the lease term and losses are recognized in the year of sale.

The Company periodically assesses the recoverability of property and equipment and evaluates such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount in accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, *Impairment of Long-Lived Assets* ("SFAS 121").

Depreciation and amortization are computed by the straight-line method over the shorter of the estimated useful lives or lease terms. The length of depreciation and amortization periods are for buildings and improvements seven to 40 years and for machinery and equipment three to 15 years.

Pre-Opening Expenses and Capitalized Interest

Beginning in fiscal 2000, the Company was required to expense development costs as incurred. Previously, pre-opening expenses directly related to development of gaming operations were capitalized as incurred and included in other assets and expensed within the first year of operations. Interest costs

are capitalized on funds disbursed during the development phase of projects and expensed pursuant to depreciation and amortization methods over the asset's estimated useful life.

Federal Income Taxes

Deferred income taxes are provided on temporary differences between pre-tax financial statement income and taxable income resulting primarily from different methods of depreciation and amortization. The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes* ("SFAS 109").

Treasury Stock

Treasury stock is the Company's common stock that has been issued and subsequently reacquired. The acquisition of common stock is accounted for under the cost method, and presented as a reduction of stockholders' equity.

Revenue Recognition

Casino revenue is recorded as gaming wins less losses. Revenues include the retail amount of room, food, beverage and other services provided gratuitously to customers. Such amounts are then deducted as promotional allowances. The estimated cost of providing these promotional services has been reported in the accompanying Consolidated Statements of Operations as an expense of each department granting complimentary services. The table below summarizes the departments' costs of such services (dollars in thousands):

	2002	2001	2000
Food and beverage	$ 4,530	$ 5,120	$ 11,725
Hotel	825	843	927
Other	72	133	694
Total	$ 5,427	$ 6,096	$ 13,346

Rental revenue from investment properties is recognized and accrued as earned on a pro rata basis over the term of the lease. When rents received exceed rents recognized, the difference is recorded as other liabilities. When rents recognized exceed rents received, the difference is recorded as other assets.

Indirect Expenses

Certain indirect expenses of operating departments such as utilities and property expense and depreciation and amortization are shown separately in the accompanying Consolidated Statements of Operations.

Earnings Per Share

The Company presents its per share results in accordance with SFAS No. 128, "*Earnings Per Share*" ("SFAS 128"). SFAS 128 requires the presentation of basic net income (loss) per share and diluted net income (loss) per share. Basic per share amounts are computed by dividing net income (loss) by average shares outstanding during the period, while diluted per share amounts reflect the impact of additional dilution for all potentially dilutive securities, such as stock options. The effect of options outstanding was included in diluted calculations during the years ended September 30, 2001 and 2000 but was not included in diluted calculations during fiscal years 2002 since the Company incurred a net loss. The dilutive effect of the assumed exercise of stock options increased the weighted average

number of shares of common stock by 626,521 and 627,035 shares for the years ended September 30, 2001 and 2000, respectively.

The Board of Directors of the Company has authorized the purchase from time to time by the Company of preferred stock for total consideration of up to $2.5 million. Additionally, as discussed in Note 16, in connection with the settlement of litigation initiated by the Company, the Company, among other items, acquired 3,456,942 shares of preferred stock. Pursuant to the Certificate of Designation of the preferred stock, shares of preferred stock acquired by the Company are retired. See Note 27

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used by the Company include estimated useful lives for depreciable and amortizable assets, certain other estimated liabilities and valuation reserves and estimated cash flows in assessing the recoverability of long-lived assets. Actual results may differ from estimates.

Recently Issued Accounting Standards

In June 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS 146"). SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. A fundamental conclusion reached by the FASB in this statement is that an entity's commitment to a plan, by itself, does not create a present obligation to others that meets the definition of a liability. SFAS 146 also establishes that fair value is the objective for initial measurement of the liability. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The Company has determined that SFAS 146 will not have a material impact on its financial position and results of operations.

In April 2002, FASB issued SFAS No. 145 ("SFAS 145"), *"Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections."* SFAS 145 rescinds FASB Statement No. 4, *Reporting Gains and Losses from Extinguishment of Debt*, and an amendment of that Statement, FASB Statement No. 64, *"Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements*." This Statement also rescinds FASB Statement No. 44, *"Accounting for Intangible Assets of Motor Carriers*." This Statement amends FASB Statement No. 13, *"Accounting for Leases*," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback

transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The Company does not believe that the adoption of SFAS 145 will have a significant impact on its financial statements. The Company adopted SFAS 145 in the current fiscal year. Therefore, a gain on the early extinguishment of debt has been reclassified from extraordinary income to ordinary income. See Note 21

In August 2001, the FASB issued SFAS No. 144 ("SFAS 144"), *"Accounting for the Impairment or Disposal of Long-Lived Assets."* SFAS 144 requires one accounting model be used for long-lived assets

to be disposed of by sale and broadens the presentation of discontinued operations to include more disposal transactions. SFAS 144 is effective for fiscal years beginning after December 15, 2001. The Company does not believe that the adoption of SFAS 144 will have a significant impact on its financial statements.

Fair Value of Financial Instruments

The Company estimates the fair value of its preferred stock to be $6.3 million at September 30, 2002 based upon available market prices. The Company estimates that its debt and all other financial instruments have a fair value which approximates their recorded value.

Reclassifications

Certain reclassifications have been made in the prior years' consolidated financial statements to conform to the presentation used in 2002.

3. Cash and Cash Equivalents

At September 30, 2002, the Company held cash and cash equivalents of $8.6 million compared to $16.2 million at September 30, 2001. Approximately $1.7 million was held by PHI and was subject to certain restrictions and limitations on its use, including restrictions on its availability for distribution to the Company, by the terms of the agreements entered into in the Pioneer Transactions. See Note 12

At September 30, 2002, approximately $1.6 million was held in escrow pursuant to the agreements related to the SFHI Asset Sale.

4. Restricted Cash

At September 30, 2002 and 2001, approximately $13.0 million and $15.5 million, respectively, were held by SFHI is restricted in use and has been pledged to secure SFHI's guaranty of PHI's lease and license obligations. The permitted investments for the restricted cash are investment grade commercial paper, money market accounts, government backed securities and preferred stock of the Purchaser. Additionally, $1.7 million of the $13.0 million may be used for capital expenditures at the Pioneer and acquisition of real property and equipment under lease at the Pioneer. See Note 12

5. Accounts Receivable, Net

Accounts receivable at September 30, 2002 and 2001 consisted of the following:

	2002	2001
Casino and hotel	$ 679,200	$ 1,095,500
Investment properties	3,021,562	3,021,562
Other	258,016	565,059
	3,958,778	4,682,121
Less allowance for doubtful accounts	(606,599)	(1,495,859)

Total	$ 3,352,179	$ 3,186,262

Changes in the allowance for doubtful accounts for the years ended September 30, 2002, 2001 and 2000 were as follows:

	2002	2001	2000
Balance, beginning of year	$ 1,495,859	$ 2,081,913	$ 1,890,494
Provision	35,714	156,302	449,075
Accounts written-off	(924,974)	(742,356)	(257,656)
Balance, end of year	$ 606,599	$ 1,495,859	$ 2,081,913

6. Land Held for Development

In October 1995, the Company acquired an approximately 27-acre parcel on Las Vegas Boulevard South which was valued at approximately $21.5 million. The Company assumed an operating lease under which a water theme park operates on the 27-acre parcel. The lease may be terminated by the Company at any time. A loan owed by the tenant to the former owner would have been payable by SLVC if it terminated the lease prior to December 31, 2004; however, that loan was paid in full by the tenant in July 2002. Under the terms of the lease, as amended, the water theme park remits a base rent of approximately $19,000 monthly plus an annual rent payment based on gross receipts.

In 1994, SFHI acquired for $1.6 million the approximately 20-acre parcel of undeveloped real property at the corner of Rainbow and Lone Mountain Road in Las Vegas, Nevada. In connection with the SFHI Asset Sale, the Company and SFHI granted an option to the buyer through October 2003 to purchase the property for $5.0 million.

7. Property and Equipment, Net

In December 2000, PHI sold all of its gaming equipment for cash consideration of $2.5 million. Simultaneously, PHI entered into an agreement to lease the equipment for a period of four years at approximately $63,000 per month. The lease had been accounted for as an operating lease, and accordingly, the gain on sale of approximately $800,000 had been deferred and was being amortized over the term of the lease. Upon repurchase of the equipment, the unamortized balance of the deferred gain was accounted for as part of the cost basis of the repurchased equipment.

In May 2002, the Pioneer purchased gaming equipment previously subject to lease for approximately $2.1 million, $1.9 million of which was released from the restricted cash account. As a result, the rental expense for gaming equipment decreased by approximately $63,000 per month subsequent to April 30, 2002. In addition, the Company used approximately $1.0 million from the restricted cash account for partial payment for a slot tracking system at the Pioneer and approximately $400,000 from the restricted cash account for additional capital expenditures at the Pioneer, including the purchase of new slot equipment.

Included in Property and equipment, net in the accompanying Consolidated Balance Sheets at September 30, 2002 and 2001 are certain assets held under lease at the Pioneer with a net carrying value of approximately $29.2 million and $30.5 million, respectively. See Note 12

8. Rental Property Held for Investment, Net

The property in Dorchester, Massachusetts is located on 12 acres and includes several buildings with approximately 425,000 square feet of commercial office space. The property was acquired for approximately $82.4 million plus $500,000 in debt issuance costs. The Company paid $5.6 million in cash and assumed $77.3 million in non-recourse debt associated with the property. The property is under a net lease

through 2019 with a single tenant with an investment grade credit rating. Under the lease, the tenant is responsible for substantially all obligations related to the property. The Company

allocated approximately $15.0 million of the purchase price to land and the balance to building and improvements. The expense incurred to acquire the property is recorded in Other assets in the accompanying Consolidated Balance Sheets and is being amortized over the remaining term of the lease. Deferred rent at September 30, 2002 in the amount of $11.3 million is included in Other liabilities on the accompanying Consolidated Balance Sheets. See Note 11

The property in Gaithersburg, Maryland is located on 55 acres and includes one building with approximately 342,000 square feet of commercial office space. The property was acquired for $62.6 million, plus debt issuance costs of $2.7 million. The Company paid $9.9 million in cash and issued $55.4 million in non-recourse first mortgage indebtedness. The building is located on approximately 20 acres of the property. The property is under a net lease through 2014 with a single tenant with an investment grade credit rating. Under the lease, the tenant is responsible for substantially all obligations related to the property. The Company allocated approximately $23.0 million of the purchase price to land, $3.0 million to machinery and equipment and the balance to building and improvements. The expenses incurred to acquire the property are recorded in Other assets in the accompanying Consolidated Balance Sheets and are being amortized over the remaining term of the lease. Deferred rent at September 30, 2002 in the amount of $1.2 million is included in Other assets on the accompanying Consolidated Balance Sheets. See Note 11

9. Other Assets

Included in Other assets at September 30, 2002 is $900,000 of commercial and residential mortgage loans, representing loans originally funded by J & J Mortgage to unaffiliated third parties as well as loans made directly to J & J Mortgage under a master loan agreement. The loans purchased by the Company were purchased for the principal amount, plus accrued interest, if any. The advances to J & J Mortgage under the master loan agreement bear interest at the prime rate plus 2%. J & J Mortgage is owned by LICO, which in turn is wholly-owned by Paul W. Lowden, the President, Chief Executive Officer and majority stockholder of the Company. John W. Delaney, a director of the Company, is the president of J & J Mortgage.

10. Long-Term Debt

The scheduled maturities of long-term debt for the years ending September 30 are as follows:

2003	$	93,100
2004		95,431
2005		72,528
2006		79,657
2007		14,350
Thereafter		0
Total	$	355,066

11. Non-Recourse Debt Obligations

The Company assumed $77.3 million of indebtedness, consisting of approximately $75.1 million of first mortgage indebtedness and $2.1 million of indebtedness under Section 467 of the Code, in connection with its acquisition on March 2, 2001 of the commercial office building located in Dorchester, Massachusetts. The building is under a net lease through June 2019, which requires the tenant to make higher semi-annual lease payments through June 2005 and lower semi-annual lease payments thereafter. The lease payments are applied to the

outstanding indebtedness and are intended to reduce the first mortgage note balance to $31.2 million by June 2005. The portion of higher lease payments attributable to future periods is considered an advance of rent under section 467 of the Code.

The first mortgage indebtedness is non-recourse and matures in June 2019 to coincide with the end of the lease term. See Note 8

The Company issued approximately $55.4 million of first mortgage debt with a 7.01% interest rate per annum in connection with its acquisition of a commercial office building located in Gaithersburg, Maryland. The building is under lease through April 2014. The monthly lease payments are applied against the outstanding indebtedness. Monthly principal and interest payments amortize the debt to approximately $22.3 million by the end of the lease in April 2014. See Note 8

The scheduled maturities of non-recourse debt for the years ending September 30 are as follows:

2003	$	5,733,795
2004		6,414,729
2005		30,057,775
2006		1,915,478
2007		2,195,326
Thereafter		76,818,601
Total	$	123,135,704

12. Obligations Under Lease

On December 29, 2000, the Company entered into the Pioneer Transactions and agreed to lease and license the real and personal property (excluding gaming equipment) and intangible assets used by the Pioneer for up to 20 years, during which period the Company will operate the Pioneer. The consideration for the Pioneer Transactions consisted of the assumption and repayment by the Purchaser of $32.5 million of debt owed by PHI to SFHI and the issuance of preferred stock of the Purchaser having a $1.0 million liquidation preference. See Notes 4 and 8

The Company recorded the Pioneer Transactions in accordance with Statement of Financial Accounting Standards No. 98, "*Accounting for Leases*." As of September 30, 2002, the Company has recorded $35.4 million as an Obligation under lease in the accompanying Consolidated Balance Sheets.

The scheduled minimum lease payments of obligation under lease for the years ended September 30 are as follows:

2003	$	3,414,969
2004		3,901,602
2005		4,155,248
2006		4,279,906
2007		4,408,303
Thereafter		92,489,381
		112,649,409
Less amount representing interest		77,284,101
Present value of minimum lease payments	$	35,365,308

Archon and SFHI guaranteed the payments under the lease and license agreements and agreed to certain covenants, including restrictions on the payment of management fees, restriction on competing in the Laughlin, Nevada area, limitations on the incurrence of recourse debt obligations by Archon and restrictions on dividend payments on the Archon preferred stock. In addition, Archon agreed to maintain minimum consolidated liquidity amounts and agreed to forgo receipt of a management fee and to contribute capital to PHI and in certain events to the restricted cash account in the event the ratio of fixed charges to operating cash flows at the Pioneer falls below 1.20 to 1.00 and 1.00 to 1.00,

respectively, during any twelve month period, determined on a quarterly basis beginning March 31, 2001. The Company has an option to purchase the assets under the lease and license agreements between the end of the third and seventh years of the lease and license arrangements, at purchase price amounts which, at the date of the Pioneer Transactions, approximated estimated fair market value at the relevant purchase dates, and at the end of the lease term for fair market value. See Notes 4 and 7

Pursuant to the agreements relating to the Pioneer Transactions, Archon has foregone the management fee otherwise payable to it since April 2001. Additionally, PHI's ratio of fixed charges to operating cash flow for the four quarters ended June 30, 2002 and September 30, 2002 were 0.92 to 1.00 and 0.87 to 1.00, respectively. As a result, Archon made capital contributions to PHI in the amount of approximately $375,000 and $275,000 with respect to the June and September 2002 quarters, respectively. If PHI's ratio of fixed charges to operating cash flows is less than 1.00 to 1.00 for the quarter ending December 31, 2002, Archon will be obligated to make deposits to the restricted cash account in addition to making capital contributions to PHI.

Furthermore, Archon would have been required to make capital contributions aggregating approximately $400,000 as a result of PHI's fixed charge ratios for the four quarters ended December 31, 2001 and March 31, 2002, in which the ratio of fixed charges to operating cash flow was 0.93 to 1.00, and 0.92 to 1.00, respectively. However, in May 2002, the Company completed the purchase, for approximately $2.1 million, of leased gaming equipment with $1.9 million of cash from the restricted cash account and cash from operations. The elimination of the rent payments reduces fixed charges in periods subsequent to the repurchase date. Giving effect to the gaming equipment purchase as if it had occurred at the beginning of the relevant four-quarter period, on a pro forma basis PHI's ratio of fixed charges to operating cash flow for the four quarters ended December 31, 2001 and March 31, 2002 would have been 1.04 to 1.00 and 1.05 to 1.00, respectively. Archon advised the Purchaser that it was not making any capital contributions to PHI for the four-quarter periods ended December 31, 2001 and March 31, 2002 based on the pro forma fixed charge ratios giving effect to the May 2002 purchase of leased gaming equipment. The Purchaser has not advised the Company whether it agrees that the Company has the right to calculate the ratios on a pro forma basis. If the Purchaser disagrees, the Company will be required to make capital contributions with respect to the four-quarter periods ended December 31, 2001 and March 31, 2002 and will be required to deposit additional cash to the restricted cash account.

13. Leases

All non-cancelable leases have been classified as operating leases. Under most leasing arrangements, the Company pays the taxes, insurance and the operating expenses related to the leased property. Amortization of assets leased under capital leases in prior years is included in depreciation and amortization expense in the Consolidated Statements of Operations.

At September 30, 2002, the Company had an operating lease for real property which expires in 2078 and operating leases for corporate offices. The Company had no property and equipment under capital leases, other than the real and personal property described in Note 12.

Future minimum lease payments as of September 30, 2002 are as follows:

	Operating

2003	$ 938,163
2004	919,155
2005	900,147
2006	846,261
2007	792,375
Thereafter	56,456,700
	$ 60,852,801

Included in future minimum operating lease payments are rental costs associated with the real property under the lease at the Pioneer.

Rent expense was $1,457,869, $1,338,048 and $862,373 for the years ended September 30, 2002, 2001 and 2000, respectively.

14. Gain on Sale of Assets

The Company recorded a pre-tax gain on the SFHI Asset Sale of approximately $137.2 million in the quarter ended December 31, 2000. In connection with the sale, the Company, Paul W. Lowden, majority stockholder of the Company, and members of the family of Paul W. Lowden entered into a three year non-compete agreement, in which they agreed not to compete through October 2, 2003 within a three mile radius of the Santa Fe. The Company and SFHI granted to the buyer a three-year option to purchase for $5.0 million the approximately 20-acre parcel of undeveloped real property located at the corner of Rainbow and Lone Mountain Road adjacent to the Santa Fe.

In November 1999, SLVC sold real property located in Henderson, Nevada it had acquired in March 1999 for $37.2 million. The Company recorded a pre-tax gain on the sale of approximately $12.1 million in the quarter ended December 31, 1999. In connection with the sale, the Company, SLVC, SFHI, Paul W. Lowden and members of the family of Paul W. Lowden entered into non-compete agreements, in which they agreed not to compete through November 15, 2014 within a five-mile radius of two of the buyer's casinos located in the Henderson, Nevada area.

15. Litigation Settlement, Net

On March 20, 2001 the Company agreed to settle the lawsuit titled Sahara Gaming Corporation, et al. v. Francis L. Miller, et al., CV-S-94-01109-LRL, filed by the Company alleging, among other things, violations of the Securities Exchange Act of 1934. The terms of the settlement required that (i) the defendants' insurers pay the Company approximately $4.9 million and the Company dismiss with prejudice all its claims against all defendants, (ii) the Company pay Francis Miller approximately $900,000 and Francis Miller dismiss with prejudice all his counterclaims and third-party claims against the Company, and (iii) plaintiffs and defendants cause the lawsuit and counterclaims to be dismissed with prejudice. The Company has reflected the net proceeds received in the settlement, net of legal expenses incurred, as gain from litigation settlement in the accompanying Consolidated Statements of Operations.

On April 20, 2001, the Company entered into a settlement agreement with David H. Lesser, Hudson Bay Partners, L.P. and certain of their affiliates. In accordance with the settlement agreement, among other things: (i) the Company and its subsidiaries agreed to dismiss with prejudice pending litigation by the Company against HBP and Mr. Lesser styled Santa Fe Gaming Corporation v. Hudson Bay Partners, L. P., et al., CV-5-99-00298-KJD (LRL) and Santa Fe Gaming Corporation v. Hudson Bay Partners L.P. and David H. Lesser, CV-5-99-00416 LDG (LRL), and Mr. Lesser agreed to dismiss

with prejudice his application for reimbursement of approximately $1.1 million in attorneys' fees in connection with the PHI and PFC bankruptcies, pursuant to legal proceedings styled In re Pioneer Finance Corp., Case No. BK-S-99-11404-LBR and In re Pioneer Hotel Inc., Case No. BK-S-99-12854-LBR; (ii) the Company received the 3,456,942 shares of the Company's preferred stock and 53,600 shares of common stock held by the Hudson Bay affiliates; (iii) Mr. Lesser agreed to forfeit options to acquire 12,500 shares of the Company's common

stock; (iv) Mr. Lesser forfeited his claim to director fees; (v) Mr. Lesser resigned from the Company's Board of Directors and withdrew his name as the nominee for election by preferred stockholders as a special director at the Company's annual meeting held on May 11, 2001; and (vi) the Company paid Mr. Lesser $5.75 million.

The Company allocated the $5.75 million payment for financial reporting purposes to the preferred and common shares, based upon quoted market prices for the preferred and common shares, with the remaining amount being recorded as litigation settlement, net in the accompanying Consolidated Statements of Operations.

16. Preferred Stock

The Company has outstanding redeemable exchangeable cumulative preferred stock ("Preferred Stock"). Prior to fiscal 1997, the Company satisfied the semi-annual dividend payments on its Preferred Stock through the issuance of paid-in-kind dividends. Commencing in fiscal 1997, dividends paid on the Preferred Stock, to the extent declared, must be paid in cash. Pursuant to the terms of the Certificate of Designation with respect to the Preferred Stock, dividends that are not declared are cumulative and accrue. The dividend rate per annum was equal to 8.0% of $2.14 for each share of preferred stock until September 30, 1998, at which date the dividend rate increased to 11.0%. Beginning October 1, 1999, the dividend rate increased by an additional 50 basis points on each succeeding semi-annual dividend payment date up to a maximum of 16.0% per annum. The dividend rate is 15.0% effective October 1, 2002. The accrued stock dividends have been recorded as an increase to the Preferred Stock account. As of September 30, 2002, the aggregate liquidation preference of the Preferred Stock was $18.1 million, or $3.57 per share.

At the election of the Company, the Preferred Stock is redeemable, in whole or in part, at any time and from time to time at a redemption price equal to the per share liquidation preference of $2.14 plus an amount equal to all accrued but unpaid dividends, whether or not declared.

At the election of the Company, shares of Preferred Stock may be exchanged from time to time for junior subordinated notes of the Company. The principal amount of the junior subordinated notes, if issued, will be equal to the Liquidation Preference of the Preferred Stock for which such notes are exchanged. The junior subordinated notes would mature on September 30, 2008, and would bear interest at an annual rate of 11.0%, payable semi-annually.

The Company has accrued, but not paid, dividends on the Preferred Stock since September 30, 1996. Dividends accrued but not paid were $7.3 million and $5.8 million as of September 30, 2002 and 2001, respectively. Pursuant to the Certificate of Designation, because at least one full dividend payment has been accrued but not paid for two years, the holders of the Preferred Stock, as a separate class, are entitled to elect two directors to the Company's board of directors. The two directors elected by Preferred Stockholders are in addition to the directors elected by the holders of the Company's Common Stock. The Preferred Stockholders' right to elect two directors will continue until all dividend arrearages have been paid. The agreements relating to the Pioneer Transactions prohibit the Company from paying dividends on the Preferred Stock.

17. Stock Option Plan

The Company has a Key Employee Stock Option Plan (the "Stock Option Plan") providing for the grant of up to 1.2 million shares of its common stock to key employees. The Stock Option Plan

provides for both incentive stock options and non-qualified stock options. As of September 30, 2002, there were 508,860 options outstanding under the Stock Option Plan. During fiscal years 2002, 2001 and 2000, 68,175, 6,500 options and 5,000 options, respectively, were exercised. During fiscal year 2002, options with respect to 4,000 shares of common stock were granted. No options were granted during the two prior years. The outstanding options have expiration dates through June 2010.

In December 1995, the Company adopted the 1995 Non-Employee Director Stock Option Plan (the "Non-Employee Director Plan") which provides for the grant of up to 100,000 shares of its common stock to the directors. Under the Non-Employee Director Plan, directors

were automatically granted an option to purchase 12,500 shares of the common stock at an exercise price equal to the market value of such shares on the date of such election to the board. This Non-Employee Director Plan was terminated on March 21, 2002. As of September 30, 2002, there were 37,500 options outstanding under this plan. During fiscal year 2002, no options were granted. The outstanding options have an expiration date through February 2010.

SFHI, SLVC and PHI (collectively, the "Subsidiaries"), have adopted subsidiary stock option plans (the "Subsidiary Plans"). The Subsidiary Plans provide for the grant of options by each of the Subsidiaries with respect to an aggregate of up to 10% of the outstanding shares of such Subsidiary's Common Stock to employees, non-employee directors, consultants or affiliates of the Company or the Subsidiaries. The purpose of the Subsidiary Plans is to enable the Subsidiaries, the Company and any subsidiaries of the Company or Subsidiaries to attract, retain and motivate their employees, non-employee directors, consultants and affiliates by providing for or increasing the proprietary interest of such persons in the Subsidiaries. As of September 30, 2002, no options had been granted under any Subsidiary Plans.

Accounting for Stock-Based Compensation

Statement of Financial Accounting Standard No. 123, "*Accounting for Stock-Based Compensation*" ("SFAS 123"), encourages an entity to measure compensation by applying the fair value method of accounting for employee stock-based compensation arrangements, it permits an entity to continue to account for employee stock-based compensation arrangements under the provisions of Accounting Principles Board Opinion No. 25, "*Accounting for Stock Issued to Employees*" ("APB 25").

The Company has elected to continue to account for stock-based compensation in accordance with APB 25. Under APB 25, generally only stock options that have intrinsic value at the date of grant are considered compensatory. Intrinsic value represents the excess, if any, of the market price of the stock at the grant date over the exercise price of the option. Under SFAS 123, all stock option grants are considered compensatory. Compensation cost is measured at the date of grant based on the estimated fair value of the options determined using an option pricing model. The model takes into account the stock price at the grant date, the exercise price, the expected life of the option, the volatility of the stock, expected dividends on the stock and the risk-free interest rate over the expected life of the option.

SFAS 123 requires a Company to disclose pro forma net income and net income per share assuming compensation cost for employee stock options had been determined using the fair value-based method. The weighted average assumptions used in estimating the fair value of each option grant on the date of grant using the Black-Scholes option pricing model, and the estimated weighted average fair value of the options granted should also be disclosed. No such stock options were granted in 2001 and 2000, and therefore, no information has been included for those years.

The model assumes no expected future dividend payments on Archon Corporation's Common Stock for the options granted in 2002 (dollars in thousands, except per share data).

	2002
Net loss applicable to common shares:	
As reported	$ (9,262)
Pro forma	(9,273)
Loss per share:	
As reported	(1.50)
Pro forma	(1.50)
Weighted average assumptions:	
Expected stock price volatility	100.0%

Risk-free interest rate	4.35%
Expected option lives (in years)	5
Estimated fair value of options	2.64

18. Federal Income Taxes

The Company accounts for income taxes under SFAS 109. In accordance with SFAS 109, deferred income taxes reflect the net effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating loss and tax credit carryforwards.

The expense (benefit) for income taxes attributable to pre-tax income (loss) consisted of:

	2002	2001	2000
	(dollars in thousands)		
Current	$ 0	$ 0	$ 120
Deferred	(1,133)	46,284	(10,982)
Total expense (benefit)	$ (1,133)	$ 46,284	$ (10,862)

The expense (benefit) for income taxes attributable to pre-tax income (loss) differs from the amount computed at the federal income tax statutory rate as a result of the following:

	2002	2001	2000
	(dollars in thousands)		
Amount at statutory rate	$ (3,094)	$ 47,413	$ 1,492
Goodwill	0	(17,843)	0
Goodwill reserve	1,925	16,691	0
Valuation allowance	0	0	(12,447)
Other	36	23	93
Total	$ (1,133)	$ 46,284	$ (10,862)

The Company recorded a valuation allowance in fiscal 1999 to reduce the carrying value of the net deferred tax assets due to the uncertainty surrounding the utilization of the net operating losses. The valuation allowance was reversed in fiscal 2000 due to the sale of substantially all of the assets of SFHI in October 2000 resulting in a federal income tax benefit for the 2000 fiscal year of $11.0 million.

The components of the net deferred tax liability consisted of the following:

	2002	2001
	(dollars in thousands)	
Deferred tax liabilities:		
Prepaid expenses	$ 361	$ 181

Fixed asset cost, depreciation and amortization, net	33,152	34,711
Other	3,057	2,411
Gross deferred tax liabilities	36,570	37,303
Deferred tax assets:		
Net operating loss carryforward	18,541	16,691
Reserves for accounts and contracts receivable	240	436
Other	663	503
Deferred payroll	199	188
Tax credits	1,452	1,452
Gross deferred tax assets	21,095	19,270
Net deferred tax (liability) before goodwill reserve	(15,475)	(18,033)
Goodwill reserve	(18,616)	(16,691)
Net deferred tax (liability)	$ (34,091)	$ (34,724)

At September 30, 2002, the Company had a net operating loss carryforward for regular income tax purposes of approximately $53.0 million, which will fully expire by the year 2022.

19. Benefit Plans

The Company has a savings plan (the "Plan") qualified under Section 401(k) of the Code. The Plan covers substantially all of the Company's employees. The Company's matching contributions paid in 2002, 2001 and 2000 were $59,000, $67,000 and $124,000, respectively.

20. Related Parties

In January 2000, the Company paid $50,000 to each of Messers. Paul W. Lowden, Christopher W. Lowden, son of Paul W. Lowden, and David G. Lowden, brother of Paul W. Lowden, in exchange for each of them individually having entered into a fifteen year non-compete agreement in November 1999 in connection with the sale of the real property in Henderson, Nevada and related agreements.

In June 2000, the Company issued an unsecured note for $1.5 million with Paul W. Lowden which bore interest at the rate of 12% per annum. The unsecured note was due on the earlier of the closing of the sale of substantially all the assets of SFHI or December 15, 2000. The proceeds from the note together with available working capital were used to make a $3.0 million principal payment due June 20, 2000 on indebtedness of the Company. The note was repaid in connection with the SFHI Asset Sale.

In October 2000, in connection with the SFHI Asset Sale, Paul W. Lowden and members of the family of Paul W. Lowden agreed to a three year non-compete agreement. In November 2000, the Company agreed to pay $205,000 to Mr. David Lowden for services rendered in connection with the SFHI Asset Sale.

In December 2000, in connection with the Pioneer Transactions, PHI formed Pioneer LLC, a limited liability company ("PLLC"), to which PHI transferred 100% of its real and personal property (excluding gaming equipment) and intangible assets, valued at approximately $1.0 million, net of $32.5 million of debt secured by the assets of Pioneer, for a 100% interest in PLLC. Subsequently, PLLC admitted LICO,

a Nevada corporation wholly owned by Paul W. Lowden, as a 10% minority interest member, in exchange for a capital contribution of $100,000 (the "Minority Member"). PLLC subsequently transferred the assets contributed by PHI to the Purchaser in exchange for preferred stock of the Purchaser with a liquidation preference of $1.0 million and the assumption and immediate repayment by the Purchaser of $32.5 million of indebtedness owed to SFHI. The investment by the Minority Member is reflected as Other liabilities in the accompanying Consolidated Balance Sheets as of September 30, 2001. In October 2001, PLLC acquired LICO's minority interest for $100,000 plus 10% of PLLC's net income through September 30, 2001.

The Company has entered into a Patent Rights and Royalty Agreement with David Lowden with respect to certain gaming technology for which David Lowden has been issued a patent. The Company has agreed to pay certain royalty payments with respect to the technology incorporated into gaming devices placed in operation, as well as costs related to maintain the patent. David Lowden has granted the Company an exclusive five-year license in the United States with respect to the technology, which will be automatically renewed for additional two-year terms unless Archon terminates the agreement within thirty days prior to the renewal or the agreement is otherwise earlier terminated in accordance with its terms. The Company also has an understanding with David Lowden that it will pay for the costs of commercial development of the technology. At September 30, 2002, the Company had expended $245,000 for commercial development of the technology.

In fiscal 2001, the Company purchased for $100,000 Class B member interests in Dukes, LLC, a Nevada limited liability company ("Dukes") that is developing a restricted slot operation, restaurant

and entertainment facility. Christopher Lowden is a limited partner in the company that is the managing member of Dukes. A subsidiary of the Company entered into a casino space lease (the "Duke's-Sparks Lease") with Duke's-Sparks LLC a Nevada limited liability company ("Duke's-Sparks") under which, subject to approval of the Nevada gaming authorities, a subsidiary of the Company would have operated the casino operations of the Duke's facility upon commencement of operations. However, a subsidiary of the Company terminated that lease in accordance with the terms of the lease and subsequent to September 30, 2002, entered into an amended casino space lease with Duke's-Sparks. At September 30, 2002, the Company had expended $126,000 for licensing and preopening costs for Duke's facility, which amount is reflected as Accounts receivable, net in the accompanying Consolidated Balance Sheets. See Note 27

See Note 9 for information regarding transactions between the Company and J & J Mortgage.

In May 2002, the Company issued 68,175 shares of common stock to a former officer of the Company upon the former officer's exercise of outstanding stock options. In connection with the option exercise, the Company loaned the former officer $73,743 to fund substantially all of the option exercise price. The loan, which is due in January 2008, is included in stock subscriptions receivable in the equity section of the accompanying consolidated financial statements.

21. Gain on Early Extinguishment of Debt

Between December 1999 and August 2000, SLVC purchased approximately $18.4 million principal amount of 13 1/2% first mortgage notes due December 1998 (the "13 1/2% Notes"), plus accrued and unpaid interest. The Company reported a gain on the acquisition of the 13 1/2% Notes by SLVC of approximately $2.8 million in the accompanying Consolidated Statements of Operations for the fiscal year ended September 30, 2000.

22. Other Expense

During fiscal year 2000, the Company reported a charge to earnings of approximately $350,000 associated with costs and expenses of a proposed offering of debt securities which was not consummated.

23. Reorganization Expenses

On February 23, 1999, Pioneer Finance Corp. ("PFC"), an indirect wholly-owned subsidiary of the Company, voluntarily commenced a Chapter 11 proceeding. On April 12, 1999, PHI voluntarily commenced its Chapter 11 proceeding to facilitate the reorganization of the 13 1/2% Notes. PFC and PHI (collectively, the "Debtors") filed on February 7, 2000 a proposed Disclosure Statement to accompany their Fifth Amended Joint Plan of Reorganization (the "Modified Joint Plan"). The Bankruptcy Court approved a motion to amend the Modified Joint Plan in accordance with terms contained in the Restated Fifth Amended Joint Plan of Reorganization (the "Restated Modified Joint Plan"). On April 28, 2000, the Bankruptcy Court confirmed the Restated Modified Joint Plan.

In August 2000, PHI borrowed from the purchaser of the SFHI assets $36.0 million under the terms of the credit agreement entered into in connection with the agreement for the SFHI Asset Sale and used the proceeds of the borrowing, together with $5.0 million in additional borrowings and $2.0 million of existing working capital, as well as the retirement of the 13 1/2% Notes owned by SLVC to retire all outstanding 13 1/2% Notes. On September 26, 2000, the Bankruptcy Court dismissed the case.

In fiscal year 2000, PHI incurred approximately $3.4 million in reorganization expenses pursuant to PHI's petition for relief under Chapter 11 of the United States Bankruptcy Code.

The Company has accounted for all transactions related to the Chapter 11 case in accordance with Statement of Position 90-7 ("SOP 90-7"), *"Financial Reporting by Entities in Reorganization Under the Bankruptcy Code."* Accordingly, the Consolidated Statements of Operations and Consolidated Statements of Cash Flows disclose expenses related to the Chapter 11 case and litigation relating to enforcement of the Company's guarantee of the 13 1/2% Notes under "Reorganization Expenses."

24. Contingencies

Litigation:

The Company is subject to various lawsuits relating to routine matters incidental to its business. The Company does not believe that the outcome of such litigation, in the aggregate, will have a material adverse effect on the Company.

Poulos v. Caesar's World, Inc., et al. and Ahern v. Caesar's World, Inc., et al.

The Company is a defendant in a class action lawsuit originally filed in the United States District Court of Florida, Orlando Division, entitled *Poulos v. Caesar's World, Inc., et al., Ahern v. Caesar's World, Inc., et al.* and *Schrier v. Caesar's World, Inc., et al.*. along with a fourth action against cruise ship gaming operators and which have been consolidated in a single action now pending in the United States District Court, District of Nevada (the "Court"). Also named as defendants in these actions are many of the largest gaming companies in the United States and certain gaming equipment manufacturers. Each complaint is identical in its material allegations. The actions allege that the defendants have engaged in fraudulent and misleading conduct by inducing people to play video poker machines and electronic slot machines based on false beliefs concerning how the machines operate and the extent to which there is actually an opportunity to win on a given play. The complaints allege that the defendants' acts constitute violations of the Racketeer Influenced and Corrupt Organizations Act and also give rise to claims for common law fraud and unjust enrichment, and seek compensatory, special consequential, incidental and punitive damages of several billion dollars.

In response to the complaints, all of the defendants, including the Company, filed motions attacking the pleadings for failure to state a claim, seeking to dismiss the complaints for lack of personal jurisdiction and venue. As a result of those motions, the Court has required the Plaintiffs in the four consolidated cases to file a single consolidated amended complaint. Subsequent to Plaintiffs' filing of their consolidated amended complaint, the defendants refiled numerous motions attacking the amended complaint upon many of the bases as the prior motions. The Court heard the arguments on those motions and ultimately denied the motions. Plaintiffs then filed their motion to certify a class. Defendants have vigorously opposed the motion. On June 26, 2002, the court denied the motion to certify the class. Plaintiffs then sought

discretionary review by the Ninth Circuit of the order denying class certification. On August 15, 2002, the Ninth Circuit granted review. The plaintiffs have not yet filed their briefs, and the Ninth Circuit has been conducting a mediation to attempt to resolve the case.

Local Joint Executive Board et al.

The Company is the defendant in a pending action titled *Local Joint Executive Board et al. v. Santa Fe Gaming Corporation et al.*, No. CV-S-01-0233-RLH. The plaintiffs instituted the action on or about February 28, 2001 in the United States District Court for the District of Nevada, alleging that the Company violated the Worker Adjustment Retraining and Notification Act, ("WARN Act"), by improperly providing notification of the closing of the Santa Fe. The plaintiffs seek damages in the amount provided for by the statute. The plaintiffs filed a motion for class certification, and the Company stipulated to the certification. On October 12, 2001, Archon filed a motion for summary judgment to dismiss the complaint in its entirety. Plaintiffs filed a memorandum in opposition to defendant's motion for summary judgment, as well as a counter-motion for summary judgment alleging the WARN Act notices sent by Archon were invalid. On February 1, 2002 a hearing was held on the

motions and the court denied both the plaintiffs' and Archon's motions for summary judgment. However, the court subsequently narrowed the scope of the case, and set the case for trial to commence October 21, 2002. On October 1, 2002, the parties participated in a settlement conference with the Magistrate Judge assigned to the case. A settlement was reached whereby the Company agreed to pay the plaintiffs the total lump sum of $202,000 in exchange for a dismissal of the lawsuit with prejudice and a full release of all claims relating to the closure of the Santa Fe Hotel & Casino. The class action settlement was approved by the court on October 24, 2002. The Company accrued the settlement payment in September 2002 and made the payment in December 2002.

25. Supplemental Statement of Cash Flows Information

Supplemental statement of cash flows information for the years ended September 30, 2002, 2001 and 2000 consisted of:

	2002	2001	2000
	(Dollars in thousands)		
Operating activities:			
Cash paid during the year for interest	$ 15,388	$ 9,999	$ 27,999
Cash paid during the year for income taxes	$ 0	$ 698	$ 0
Investing and financing activities:			
Non-recourse debt assumed with the acquisition of investment properties	$ 0	$ 77,255	$ 0
Long-term debt incurred in connection with the acquisition of machinery and equipment	$ 104	$ 0	$ 391
Preferred stock dividends at liquidation value: Accrued	$ 1,555	$ 1,950	$ 2,322
Negative amortization of obligation under lease	$ 1,117	$ 748	$ 0
Unrealized gain (loss) on marketable securities	$ 312	$ (407)	$ 0

26. Segment Information

The Company's operations are in the hotel/casino industry and investment properties. The Company's hotel/casino operations are conducted at the Pioneer in Laughlin, Nevada. The Company owns investment properties in Dorchester, Massachusetts and Gaithersburg, Maryland, which were acquired in March 2001. "Other & Eliminations" below includes financial information for the Company's corporate operations, adjusted to reflect eliminations upon consolidation, and fiscal 2000 includes operations of the Santa Fe Hotel and Casino sold on October 2, 2000.

Segment information for the years ended September 30, 2002, 2001 and 2000 consisted of:

	2002	2001	2000
	(Dollars in thousands)		
Pioneer Hotel			
Operating revenues	$ 35,468	$ 40,020	$ 44,614
Operating income	$ 251	$ 1,483	$ 1,545
Interest expense	$ 4,760	$ 4,370	$ 6,467
Depreciation and amortization	$ 2,001	$ 2,075	$ 2,502
Reorganization expenses	$ 0	$ 0	$ 3,425
Interest income	$ 17	$ 95	$ 135
EBITDA(1)	$ 2,269	$ 3,653	$ 4,182
Capital expenditures	$ 4,143	$ 752	$ 1,379
Identifiable assets(2)	$ 37,099	$ 36,070	$ 37,749
Investment Properties(3)			
Operating revenues	$ 12,402	$ 7,204	$ 0
Operating income	$ 8,709	$ 5,508	$ 0
Interest expense	$ 11,772	$ 7,297	$ 0
Depreciation and amortization	$ 3,693	$ 1,696	$ 0
Interest income	$ 0	$ 0	$ 0
EBITDA(1)	$ 12,402	$ 7,204	$ 0
Capital expenditures	$ 0	$ 145,019	$ 0

Identifiable assets(2)	$ 147,077	$ 150,019	$ 0
Other & Eliminations			
Operating revenues	$ 895	$ 779	$ 83,981
Operating income (loss)	$ (2,676)	$ (3,019)	$ 9,804
Interest expense	$ (119)	$ (527)	$ 15,690
Depreciation and amortization	$ 341	$ 361	$ 8,915
Interest income	$ 1,272	$ 1,927	$ 345
EBITDA(1)	$ (1,063)	$ (731)	$ 19,064
Capital expenditures	$ 313	$ 421	$ 1,158
Identifiable assets(2)	$ 57,910	$ 63,396	$ 107,847

Total			
Operating revenues	$ 48,765	$ 48,003	$ 128,595
Operating income	$ 6,284	$ 3,972	$ 11,349
Interest expense	$ 16,413	$ 11,140	$ 22,157
Depreciation and amortization	$ 6,035	$ 4,132	$ 11,417
Reorganization expenses	$ 0	$ 0	$ 3,425
Interest income	$ 1,289	$ 2,022	$ 480
EBITDA(1)	$ 13,608	$ 10,126	$ 23,246
Capital expenditures	$ 4,456	$ 146,192	$ 2,537
Identifiable assets(2)	$ 242,086	$ 249,485	$ 145,596

(1) EBITDA represents earnings before interest expense, taxes, depreciation and amortization. EBITDA should not be construed as a substitute for operating income or a better indicator of liquidity than cash flow from operating, investing and financing activities, which are determined in accordance with generally accepted accounting principles ("GAAP"), and it is included herein to provide additional information with respect to the ability of the Company to meet its future debt service, capital expenditure and working capital requirements. The Company's definition of EBITDA may not be the same as that of similarly captioned measures used by other companies. The Company's definition of EBITDA may not be the same as that of similarly captioned measures used by other companies.

(2) Identifiable assets represents total assets less elimination for intercompany items.

(3) During fiscal 2001, the Company acquired investment properties in Dorchester, Massachusetts and Gaithersburg, Maryland. The payments received under lease agreements with respect to both properties are applied to debt service payments on non-recourse indebtedness secured by the respective properties.

27. Subsequent Events

In October 2002, the Board of Directors of the Company authorized an increase in the amount of cash that may be used under the Company's preferred stock repurchase program to purchase preferred stock to $2.5 million.

On October 8, 2002 the Company entered into a Subordinated Loan Agreement (the "Dukes Loan Agreement") with Duke's-Sparks, which owns Duke's Casino in Sparks, Nevada. Under the Dukes Loan Agreement, Duke's-Sparks may borrow up to $1.1 million for construction, equipment, furnishings and other costs related to the completion and opening of Duke's Casino. The loan matures on October 8, 2009 and bears interest at an annual rate of 15%, plus additional interest at an annual rate of 10% until the option described below is exercised. In connection with the Dukes Loan Agreement, the Company received an option to acquire 70% of the equity in the entity that owns Duke's. As of December 16, 2002 Duke's had borrowed approximately $700,000 and the Company expects that the entire amount under the loan will be borrowed by December 31, 2002.

On October 4, 2002, a subsidiary of the Company entered into the Duke's-Sparks Lease with Dukes-Sparks under which a subsidiary of the Company will lease Duke's Casino. The Duke's-Sparks Lease will become effective on the first day of the month immediately following the month in which

the Company has obtained all gaming approvals required in order for the Company to operate the casino at Duke's Casino and will expire on the date which is the earlier of three years after the commencement date of the Duke's-Sparks Lease, or the date which is the first day of the month which immediately follows the month in which Dukes-Sparks receives the necessary approvals to operate the casino. The Duke's-Sparks Lease provides for monthly base rent in the amount of $81,216.

28. Quarterly Results of Operations (Unaudited)

	2002	2001
	(Dollars in thousands, except per share)	
Revenues		
First Quarter	$ 12,406	$ 10,014
Second Quarter	14,027	12,202
Third Quarter	11,383	13,790
Fourth Quarter	10,949	11,997
	$ 48,765	$ 48,003
Operating income (loss)		
First Quarter	$ 1,586	$ (936)
Second Quarter	2,717	1,250

Third Quarter	1,072	2,346
Fourth Quarter	909	1,312
	$ 6,284	$ 3,972
Net income (loss)		
First Quarter	$ (1,369)	$ 89,947
Second Quarter	(827)	2,823
Third Quarter	(3,683)	(1,704)
Fourth Quarter	(1,828)	(1,884)
	$ (7,707)	$ 89,182
Net income (loss) per common share		
First Quarter	$ (0.28)	$ 14.41
Second Quarter	(0.20)	0.35
Third Quarter	(0.66)	(0.34)
Fourth Quarter	(0.36)	(0.31)
	$ (1.50)	$ 14.11

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

Not applicable.

PART III

Item 10. ***Directors and Executive Officers of the Registrant Executive Compensation and Other Information***

The information regarding the directors and executive officers of the Company to be included in the Company's Proxy Statement for the 2003 Annual Meeting of Stockholders (the "Proxy Statement") is incorporated herein by reference.

Item 11. ***Executive Compensation***

The information regarding Executive Compensation to be included in the Proxy Statement is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management***

The information regarding Security Ownership to be included in the Proxy Statement is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

The information regarding Certain Relationships and Related Transactions to be included in the Proxy Statement is incorporated herein by reference.

Item 14 ***Controls and Procedures***

Based on their evaluation, as of a date within 90 days of the filing of this Form 10-K, the Company's Chief Executive Officer and Chief Financial Officer have concluded the Company's disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934) are effective. There have been no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K***

(a) 1. and 2. Financial Statements and Schedules

The financial statements and schedules filed as part of this report are listed in the Index to Consolidated Financial Statements under Item 8.

(b) Reports on Form 8-K filed during the fourth quarter of 2002.

None.

(c) Exhibits

The following are filed as Exhibits to this Annual Report on Form 10-K:

Exhibit Number	Description of Exhibit
3.1	Articles of Incorporation and Bylaws of the Company (Previously filed with the Securities and Exchange Commission as an exhibit to the Company's S-4 (No. 33-67864) Registration Statement on Form 10-K dated June 15, 1982 and incorporated herein by reference.)

3.2	Certificate of Designation for Exchangeable Redeemable Preferred Stock. (Previously filed with the Securities and Exchange Commission as an exhibit to the Company's Registration Statement on Form S-4 (No. 33-67864) and incorporated herein by reference.)
3.3	Amended and Restated Bylaws of Santa Fe Gaming Corporation.(5)
10.1	Notes secured by liens on office building in Las Vegas, Nevada in the original principal amounts of $301,598.05, $23,337.96 and $649,063.99 bearing interest at 10%, 11% and 13 1/2% per annum, respectively.(1)
10.2	Key Employee Stock Option Plan.(2)
10.3	Lease Modification Letter dated August 24, 1995 by and between Wet N' Wild Nevada, Inc. and Sahara Corporation.(3)
10.4	Employment Agreement by and among Santa Fe Gaming Corporation and Thomas K. Land dated October 1, 1999.(4)
10.5	First amendment to the Employment Agreement, dated October 1, 1998 by and among Santa Fe Gaming Corporation and Thomas K. Land.(4)
10.6	Management Agreement by and between Pioneer Hotel and Santa Fe Gaming Corporation dated as of December 30, 1998.(5)
10.7	Right of First Refusal dated November 15, 1999 by and among Station Casinos, Inc., SFGC and SFHI.(6)
10.8	Non-Competition Agreement dated November 15, 1999 by and among Station Casinos, Inc., SFHI, SLVC, and SFGC.(6)
10.9	First Amendment to Non-Competition Agreement dated November 16, 1999 by and among Station Casinos, Inc., SFHI, SLVC, and SFGC.(6)

10.10	Shareholders Agreement dated as of June 12, 2000 among Station Casino, Inc., Paul W. Lowden, David G. Lowden and Christopher W. Lowden.(7)
10.11	Asset Purchase Agreement dated June 12, 2000 by and among Santa Fe Hotel Inc., Santa Fe Gaming Corporation and Station Casinos, Inc.(8)
10.12	Credit Agreement dated as of June 12, 2000 by and between Pioneer Hotel Inc. and Station Casinos, Inc.(8)
10.13	Lease Agreement between HAHF Pioneer, LLC as landlord and Pioneer Hotel Inc., as tenant dated December 29, 2000.(9)
10.14	Guaranty by Santa Fe Gaming Corporation, guarantor; Pioneer Hotel Inc., tenant and guarantor and Santa Fe Hotel Inc., guarantor dated December 29, 2000.(9)
10.15	Exchange Agreement among Pioneer LLC, as transferor; Pioneer Hotel Inc., as tenant; HAHF Pioneer LLC as transferee and Heller Affordable House of Florida, Inc., dated December 29, 2000.(9)
10.16	Master Lease Agreement by and between PDS Gaming Corporation-Nevada and Pioneer Hotel Inc. dated December 29, 2000.(9)
10.17	Lease Schedule No. 1 to Master Lease Agreement by and between PDS Gaming Corporation-Nevada and Pioneer Hotel Inc. dated December 29, 2000.(9)
10.18	Guaranty by and between PDS Gaming Corporation-Nevada and Santa Fe Gaming Corporation dated December 29, 2000.(9)
10.19	Purchase Contract by and between David Bralove, as trustee of the Gaithersburg Realty Trust and Santa Fe Hotel, Inc. dated February 28, 2001.(10)
10.20	Promissory Note dated February 28, 2001 by and between SFHI, LLC and Lehman Brothers Holdings Inc., d/b/a Lehman Capital, a division of Lehman Brothers Holdings Inc.(10)
10.21	Deed of Trust and Security Agreement dated February 28, 2001 by and between SFHI, LLC and Lehman Brothers Holdings Inc., d/b/a Lehman Capital, a division of Lehman Brothers Holdings Inc.(10)

10.22	75 Lease Agreement by and between REII-Gaithersburg, Maryland, L.L.C. and GE Information Services, Inc. dated January 29, 1999.(10)
10.23	Assignment of Lease and Rents dated February 28, 2001 by and between Gaithersburg Realty Trust and SFHI, LLC.(10)
10.24	Contract dated December 8, 2000 by and between S-BNK#2 Investors, L.P. and Santa Fe Hotel Inc.(10)
10.25	First Amendment dated December 26, 2000 to Contract dated December 8, 2000 by and between S-BNK#2 Investors, L.P. and Santa Fe Hotel Inc.(10)
10.26	Non-Recourse Note S-BNK Dorchester Operations, LLC 10.20% A-1 Note due June 30, 2005.(10)
10.27	Non-Recourse Note S-BNK Dorchester Operations, LLC 12.18% A-2 Note due June 30, 2020.(10)
10.28	Mortgage, Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing financing Statement dated as of June 30, 2000 between S-BNK Dorchester Operations, LLC. and First Security Bank, National Association as Indenture Trustee.(10)
10.29	Lease Agreement dated June 30, 2000 by and between S-BNK Dorchester Operations, LLC and Sovereign Bank. (10)
10.30	Indenture dated as of June 30, 2000 between S-BNK Dorchester Operations, LLC. and First Security Bank, National Association as Indenture Trustee.(10)
10.31	Patent Rights Royalty Agreement dated as of January 2, 2002 between Archon Corporation and David G. Lowden.(11)
10.32	Subordinated Loan Agreement dated October 8, 2002 between Archon Corporation and Duke's-Sparks, LLC.
10.33	Lease dated October 4, 2002 between Archon Corporation and Dukes Casino.
10.34	Option Agreement dated October 8, 2002 between Endeavor North LLC and Archon Corp.
21	Subsidiaries of the Company.
23.1	Consent of Deloitte & Touche LLP.
99.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

FOOTNOTES TO EXHIBIT INDEX

(1) Previously filed with the Securities and Exchange Commission as an exhibit to the Registration Statement on Form S-1 (No. 33-13214) of Sahara Casino Partners, L.P. and incorporated herein by reference.

(2) Previously filed with the Securities and Exchange Commission as an exhibit to Sahara Gaming Corporation's Annual Report on Form 10-K for the year ended September 30, 1993 and incorporated herein by reference.

(3) Previously filed with the Securities and Exchange Commission as an exhibit to Sahara Gaming Corporation's Report on Form 10-K for the year ended September 30, 1995 and incorporated herein by reference.

(4) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 10-Q for the quarter ended March 30, 1999 and incorporated herein by reference.

(5) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference.

(6) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 8-K dated November 15, 1999 and incorporated herein by reference.

(7) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference.

(8) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 8-K dated June 12, 2000 and incorporated herein by reference.

(9) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 8-K dated December 29, 2000 and incorporated herein by reference.

(10) Previously filed with the Securities and Exchange Commission as an exhibit to Archon Corporation's Report on Form 10-Q for the quarter ended March 31, 2001 and incorporated herein by reference.

(11) Previously filed with the Securities and Exchange Commission as an exhibit to Archon Corporation's Report on Form 10-Q for the quarter ended June 30, 2002 and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ARCHON CORPORATION

December 20, 2002 By: /s/ PAUL W. LOWDEN
Paul W. Lowden, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ PAUL W. LOWDEN Paul W. Lowden (Principal Executive Officer)	Chairman of the Board and President (Principal Executive Officer)	December 20, 2002
/s/ SUZANNE LOWDEN Suzanne Lowden	Director	December 20, 2002
/s/ HOWARD E. FOSTER Howard E. Foster	Special Director	December 20, 2002
/s/ JOHN DELANEY John Delaney	Director	December 20, 2002
/s/ WILLIAM J. RAGGIO William J. Raggio	Director	December 20, 2002
/s/ CHARLES W. SANDEFUR Charles W. Sandefur (Principal Financial and Accounting Officer)	Director and Chief Financial Officer (Principal Accounting and Financial Officer)	December 20, 2002

SECTION 302 CERTIFICATION

I, Paul W. Lowden, certify that:

1. I have reviewed this annual report on Form 10-K of Archon Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: December 20, 2002

/s/ Paul W. Lowden

Paul W. Lowden
Chairman of the Board and President
(Principal Executive Officer)

SECTION 302 CERTIFICATION

I, Charles W. Sandefur, certify that:

1. I have reviewed this annual report on Form 10-K of Archon Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: December 20, 2002

/s/ CHARLES W. SANDEFUR

Charles W. Sandefur
Director and Chief Financial Officer
(Principal Accounting and Financial Officer)

INDEX TO EXHIBITS

Exhibit Number	Description of Exhibit
3.1	Articles of Incorporation and Bylaws of the Company (Previously filed with the Securities and Exchange Commission as an exhibit to the Company's S-4 (No. 33-67864) Registration Statement on Form 10-K dated June 15, 1982 and incorporated herein by reference.)
3.2	Certificate of Designation for Exchangeable Redeemable Preferred Stock. (Previously filed with the Securities and Exchange Commission as an exhibit to the Company's Registration Statement on Form S-4 (No. 33-67864) and incorporated herein by reference.)
3.3	Amended and Restated Bylaws of Santa Fe Gaming Corporation.(5)
10.1	Notes secured by liens on office building in Las Vegas, Nevada in the original principal amounts of $301,598.05, $23,337.96 and $649,063.99 bearing interest at 10%, 11% and 13 1/2% per annum, respectively.(1)
10.2	Key Employee Stock Option Plan.(2)
10.3	Lease Modification Letter dated August 24, 1995 by and between Wet N' Wild Nevada, Inc. and Sahara Corporation.(3)
10.4	Employment Agreement by and among Santa Fe Gaming Corporation and Thomas K. Land dated October 1, 1999.(4)
10.5	First amendment to the Employment Agreement, dated October 1, 1998 by and among Santa Fe Gaming Corporation and Thomas K. Land.(4)
10.6	Management Agreement by and between Pioneer Hotel and Santa Fe Gaming Corporation dated as of December 30, 1998.(5)
10.7	Right of First Refusal dated November 15, 1999 by and among Station Casinos, Inc., SFGC and SFHI.(6)
10.8	Non-Competition Agreement dated November 15, 1999 by and among Station Casinos, Inc., SFHI, SLVC, and SFGC.(6)
10.9	First Amendment to Non-Competition Agreement dated November 16, 1999 by and among Station Casinos, Inc., SFHI, SLVC, and SFGC.(6)
10.10	Shareholders Agreement dated as of June 12, 2000 among Station Casino, Inc., Paul W. Lowden, David G. Lowden and Christopher W. Lowden.(7)
10.11	Asset Purchase Agreement dated June 12, 2000 by and among Santa Fe Hotel Inc., Santa Fe Gaming Corporation and Station Casinos, Inc.(8)
10.12	Credit Agreement dated as of June 12, 2000 by and between Pioneer Hotel Inc. and Station Casinos, Inc.(8)
10.13	Lease Agreement between HAHF Pioneer, LLC as landlord and Pioneer Hotel Inc., as tenant dated December 29, 2000.(9)
10.14	Guaranty by Santa Fe Gaming Corporation, guarantor; Pioneer Hotel Inc., tenant and guarantor and Santa Fe Hotel Inc., guarantor dated December 29, 2000.(9)
10.15	Exchange Agreement among Pioneer LLC, as transferor; Pioneer Hotel Inc., as tenant; HAHF Pioneer LLC as transferee and Heller Affordable House of Florida, Inc., dated December 29, 2000.(9)
10.16	Master Lease Agreement by and between PDS Gaming Corporation-Nevada and Pioneer Hotel Inc. dated December 29, 2000.(9)
10.17	Lease Schedule No. 1 to Master Lease Agreement by and between PDS Gaming Corporation-Nevada and Pioneer Hotel Inc. dated December 29, 2000.(9)
10.18	Guaranty by and between PDS Gaming Corporation-Nevada and Santa Fe Gaming Corporation dated December 29, 2000.(9)
10.19	Purchase Contract by and between David Bralove, as trustee of the Gaithersburg Realty Trust and Santa Fe Hotel, Inc. dated February 28, 2001.(10)
10.20	Promissory Note dated February 28, 2001 by and between SFHI, LLC and Lehman Brothers Holdings Inc., d/b/a Lehman Capital, a division of Lehman Brothers Holdings Inc.(10)

10.21	Deed of Trust and Security Agreement dated February 28, 2001 by and between SFHI, LLC and Lehman Brothers Holdings Inc., d/b/a Lehman Capital, a division of Lehman Brothers Holdings Inc.(10)
10.22	75 Lease Agreement by and between REII-Gaithersburg, Maryland, L.L.C. and GE Information Services, Inc. dated January 29, 1999.(10)
10.23	Assignment of Lease and Rents dated February 28, 2001 by and between Gaithersburg Realty Trust and SFHI, LLC.(10)
10.24	Contract dated December 8, 2000 by and between S-BNK#2 Investors, L.P. and Santa Fe Hotel Inc.(10)
10.25	First Amendment dated December 26, 2000 to Contract dated December 8, 2000 by and between S-BNK#2 Investors, L.P. and Santa Fe Hotel Inc.(10)
10.26	Non-Recourse Note S-BNK Dorchester Operations, LLC 10.20% A-1 Note due June 30, 2005.(10)
10.27	Non-Recourse Note S-BNK Dorchester Operations, LLC 12.18% A-2 Note due June 30, 2020.(10)
10.28	Mortgage, Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing financing Statement dated as of June 30, 2000 between S-BNK Dorchester Operations, LLC. and First Security Bank, National Association as Indenture Trustee.(10)
10.29	Lease Agreement dated June 30, 2000 by and between S-BNK Dorchester Operations, LLC and Sovereign Bank. (10)
10.30	Indenture dated as of June 30, 2000 between S-BNK Dorchester Operations, LLC. and First Security Bank, National Association as Indenture Trustee.(10)
10.31	Patent Rights Royalty Agreement dated as of January 2, 2002 between Archon Corporation and David G. Lowden.(11)
10.32	Subordinated Loan Agreement dated October 8, 2002 between Archon Corporation and Duke's-Sparks, LLC.
10.33	Lease dated October 4, 2002 between Archon Corporation and Dukes Casino.
10.34	Option Agreement dated October 8, 2002 between Endeavor North LLC and Archon Corp.
21	Subsidiaries of the Company.
23.1	Consent of Deloitte & Touche LLP.
99.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

FOOTNOTES TO EXHIBIT INDEX

(1) Previously filed with the Securities and Exchange Commission as an exhibit to the Registration Statement on Form S-1 (No. 33-13214) of Sahara Casino Partners, L.P. and incorporated herein by reference.

(2) Previously filed with the Securities and Exchange Commission as an exhibit to Sahara Gaming Corporation's Annual Report on Form 10-K for the year ended September 30, 1993 and incorporated herein by reference.

(3) Previously filed with the Securities and Exchange Commission as an exhibit to Sahara Gaming Corporation's Report on Form 10-K for the year ended September 30, 1995 and incorporated herein by reference.

(4) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 10-Q for the quarter ended March 30, 1999 and incorporated herein by reference.

(5) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference.

(6) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 8-K dated November 15, 1999 and incorporated herein by reference.

(7) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference.

(8) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 8-K dated June 12, 2000 and incorporated herein by reference.

(9) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 8-K dated December 29, 2000 and incorporated herein by reference.

(10) Previously filed with the Securities and Exchange Commission as an exhibit to Archon Corporation's Report on Form 10-Q for the quarter ended March 31, 2001 and incorporated herein by reference.

(11) Previously filed with the Securities and Exchange Commission as an exhibit to Archon Corporation's Report on Form 10-Q for the quarter ended June 30, 2002 and incorporated herein by reference.

QuickLinks

Exhibit 10.32

SUBORDINATED LOAN AGREEMENT

THIS SUBORDINATED LOAN AGREEMENT (this "**Agreement**") is entered into as of October 8, 2002, by and among ARCHON CORPORATION, a Nevada corporation ("**Lender**"), DUKE'S−SPARKS, LLC, a Nevada limited-liability company ("**Borrower**"), Endeavor North and the Guarantors with reference to the following facts:

A. Borrower is developing a casino called "Duke's" in Sparks, Nevada (the "**Project**").

B. Borrower has obtained a loan from CSP II, LLC, a Nevada limited-liability company (the "**Senior Lender**"), in the principal amount of Four Million Dollars ($4,000,000) (the "**Existing Loan**") for the purpose of funding certain hard and soft costs associated with the acquisition and development of the Project. The Existing Loan has been fully disbursed and is secured and to be repaid in accordance with the terms and conditions of a Loan Agreement between Borrower and Lender dated July 22, 2001 (the "**Existing Loan Agreement**") and the Existing Note, the Existing Deed of Trust, the Existing Guaranty and all other documents executed and delivered in respect of or otherwise relating to the Existing Loan (collectively the "**Existing Loan Documents**").

C. Borrower has requested a loan from Lender in the maximum principal amount of One Million One Hundred Thousand Dollars ($1,100,000) (the "**Loan**") for the purpose of funding certain Project costs, including costs required to complete construction of and open the Project and Existing and Subordinated Loan transaction costs, all as set forth in the Approved Project Budget, and to be secured, disbursed and repaid in accordance with the terms and conditions of this Agreement, the Note, the Security Agreement and Second Deed of Trust and the Other Loan Documents (as hereinafter defined) and subordinated to the Existing Loan on the terms set forth in Section 9 hereof.

D. Lender is willing to make the Loan to Borrower and Borrower is willing to accept the Loan from Lender, subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the above facts and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. CERTAIN DEFINITIONS

1.1 As used herein, the following terms shall have the following meanings:

"**Affiliate**" means, as to any Person: (i) any other Person or entity controlling, controlled by or under common control with, such Person and entity; (ii) any entity, other than a publicly traded company, in which such Person or entity owns any legal, equitable or beneficial interest; and (iii) any employee, officer or director of such Person or entity.

"**Approved Project Budget**" means the complete line-item budget of all Hard Costs and Soft Costs required to complete all work or other improvements necessary to open the Project for business to the general public attached hereto as *Annex I,* as the same may be modified from time to time with the written approval of Lender.

"**Borrower**" has the meaning set forth in the introductory paragraph of this Agreement.

"**Borrower Parties**" means Borrower, Endeavor North and the Guarantors.

"**Closing Date**" means the date as of which the Lender makes its initial advance of Loan proceeds.

"**Construction Documents**" has the meaning set forth in Section 4.13.3 hereof.

"**Construction Manager**" means Dick Corporation and its successors and assigns retained by Borrower as Borrower's construction manager for the Project.

"**Construction Manager Disbursement**" has the meaning set forth in Section 3.2 hereof.

"**Deed of Trust**" means the Deed of Trust dated as of October 8, 2002, in favor of the Existing Lender.

"**Default**" has the meaning set forth in Section 7.1 hereof.

"**EBDITA**" means, for any period, the excess of (i) the sum of (A) net income *plus* (B) depreciation and amortization *plus* (C) taxes *plus* (D) interest expense over (ii) the net amount of items which are classified as extraordinary items in accordance with GAAP.

"**Endeavor North**" means Endeavor North, LLC, a Nevada limited-liability company.

"**Environmental Indemnity**" means the Environmental Indemnification Agreement of even date herewith by Borrower in favor of Lender.

"**Environmental Requirements**" means all present and future laws, statutes, ordinances, rules, regulations, orders, codes, licenses, permits, decrees, judgments, directives or the equivalent of or by any Governmental Agency and relating to or addressing the protection of the environment or human health.

"**Event of Default**" has the meaning set forth in Section 7.1 hereof.

"**Existing Deed of Trust**" means the "Deed of Trust" referred to in the Existing Loan Agreement, and any modifications thereto, all as delivered to Lender by Borrower.

"**Existing Guaranty**" means the "Guaranty" included in the Existing Loan Agreement made by the Guarantors in favor of the Senior Lender.

"**Existing Loan**" has the meaning set forth in *Recital B* hereof.

"**Existing Loan Agreement**" has the meaning set forth in *Recital B* hereof.

"**Existing Loan Documents**" has the meaning set forth in *Recital B* hereof.

"**Existing Note**" means the "Note," as defined in the Existing Loan Agreement, dated July 22, 2001, in the amount (as modified) of $4,000,000 payable by Borrower to the order of the Senior Lender.

"**GAAP**" means generally accepted accounting principles consistently applied (except for accounting changes in response to FASB releases or similar authoritative pronouncements).

"**Governmental Agency**" has the meaning set forth in Section 4.4 hereof.

"**Guarantors**" means, collectively, Ray and Sharon Brown, individuals resident in the State of Nevada, Kevin and Kathy Hogan, individuals resident in the State of Washington, and Christopher Lowden, an individual resident in the State of Nevada, who are each referred to herein individually as a "**Guarantor**."

"**Guaranty**" has the meaning set forth in Section 8.1.1 hereof.

"**Hard Costs**" means the onsite and offsite cost of labor and materials directly related to the construction of the Project, including, without limitation, items included within the development cost budget that is included in the Approved Project Budget, and construction costs, and specifically excluding overhead, supervision, general and administrative costs and marketing expenses.

"**Hazardous Material**" means any material or substance that, whether by its nature or use, is now or is hereafter defined as a hazardous waste, hazardous substance, pollutant or contaminant under any Environmental Requirement, or which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous and which is now or hereafter regulated under any

Environmental Requirement, or which is or contains petroleum, gasoline, diesel fuel or another petroleum hydrocarbon product.

"**Initial Disbursement**" has the meaning set forth in Section 3.1 hereof.

"**Intercreditor Agreement**" means an agreement between the Senior Lender and the Lender substantially in the form of *Exhibit A* attached hereto.

"**Interest Rate**" means Fifteen percent (15%) per annum, and "**Additional Interest Rate**" means Ten percent (10%) per annum.

"**Law**" has the meaning set forth in Section 4.2 hereof.

"**Lease**" means the Casino Lease dated October 4, 2002, in the form attached hereto as *Exhibit B,* between the Lessor and the Lessee.

"**Lease Rentals**" shall mean all amounts of any nature whatsoever payable by the Lessee to the Lessor under the Lease.

"**Lender**" has the meaning set forth in the introductory paragraph of this Agreement.

"**Lender Parties**" means Lender and its successors and assigns and all of its and their respective past, present, and future officers, directors, employees, agents, representatives, attorneys, participants, successors, and assigns.

"**Lessee**" means Archon Sparks Management Company, a Nevada corporation, in its capacity as Lessee under the Lease.

"**Lessor**" means the Borrower in its capacity as Lessor under the Lease.

"**Lien**" means any lien, security interest, pledge, hypothecation, charge, encumbrance, right, option or other claim in or with respect to any property, real, personal or mixed.

"**Loan**" has the meaning set forth in *Recital C* hereof.

"**Loan Documents**" means this Agreement, the Note, the Deed of Trust and Other Loan Documents.

"**Material Adverse Litigation**" means any controversy, claim, arbitration, suit or other proceeding relating to the Mortgaged Property or the filing or recording of a mechanic's or materialman's lien on the Mortgaged property, (i) in which the actual damages claimed exceed Fifty Thousand Dollars ($50,000), (ii) affecting Borrower or the ability of Borrower to repay the Loan or the ability of any of the Borrower Parties to perform its respective obligations under this Agreement, the Note, the Security Agreement and Second Deed of Trust and the Other Loan Documents, (iii) which may affect the Mortgaged Property or the ability of any Guarantor to perform its obligations under the Guaranty or (iv) involving any of the Material Contracts or the ability of Borrower to complete the work described in the Approved Project Budget within the amount provided for in such budget and within the time period described herein.

"**Maturity Date**" means the earlier of October 8, 2009, or the acceleration of the Loan upon the occurrence of a Default.

"**Mortgaged Property**" means, collectively, all real and other property included in the Project and all personal property of Borrower in which Borrower has granted and Lender retains a security interest pursuant to the terms of the Security Agreement and Second Deed of Trust.

"**Note**" means the Secured Subordinated Promissory Note of even date herewith by Borrower in favor of Lender.

"**Obligor**" has the meaning set forth in Section 7.1.3 hereof.

"**Official Records**" means the official records of Washoe County, Nevada.

"**Operating Reserve Account**" has the meaning set forth in Section 3.3 hereof.

"**Option**" means the option granted to the Lender by Endeavor North under the Option Agreement.

"**Option Agreement**" means an agreement between Endeavor North, as grantor of the Option, and Lender, as grantee of the Option, in the form attached as *Exhibit C*.

"**Other Loan Documents**" means all of the documents, instruments and agreements, other than this Agreement, the Note or the Security Agreement and Second Deed of Trust, now or hereafter executed by Borrower or others and by or in favor of Lender which wholly or partially secure or guarantee payment of the Loan or the Note, or which otherwise pertain to the Loan, including, without limitation, the Environmental Indemnity and the Guaranty, together with all other instruments, agreements and financial statements delivered to Lender pursuant to Articles 3, 4 and 5 hereof or otherwise, and all certificates, schedules, exhibits and documents furnished, executed or delivered, or to be furnished, executed or delivered, by or on behalf of Borrower pursuant to this Agreement, collectively.

"**Payment Blockage Period**" has the meaning set forth in Sections 9.5.3 and 10.5.3 hereof.

"**Permitted Liens**" means Liens set forth or otherwise described in *Exhibit D*.

"**Person**" means an individual or a corporation, association, joint venture, general partnership, limited partnership, trust, limited liability company, limited liability partnership or other private entity or Governmental Agency.

"**Project**" has the meaning set forth in *Recital A* hereof.

"**Project Improvements**" means the improvements and other work contemplated to be constructed or completed with the proceeds of the Existing Loan and the Loan in accordance with the Approved Project Budget.

"**Request for Payment**" has the meaning set forth in Section 3.6.1 hereof.

"**Security Agreement and Second Deed of Trust**" means a deed of trust substantially in the form of *Exhibit E* attached hereto in favor of Lender creating a Lien on the real property subject to the Existing Deed of Trust junior to the Lien of the Existing Deed of Trust and a senior security interest in the non-gaming equipment and other personal property identified as "Collateral" therein.

"**Senior Debt**" has the meaning set forth in Section 6.17 hereof.

"**Service Contracts**" means all contracts of Borrower Parties or any Affiliates of Borrower Parties relating to the ownership, development, operation, or management of the Project, including, but not limited to, development, construction, architectural, engineering, marketing or similar contracts relating to the Project, the contract or agreement with the Construction Manager, and contracts with suppliers or other vendors, service contracts, maintenance and repair contracts, guaranties and warranties from manufacturers, contractors and suppliers relating to the Project and leases of equipment or other personalty relating to the Project.

"**Shortfall Reserve Account**" has the meaning set forth in Section 6.26 hereof.

"**Soft Costs**" means all fees and costs that are not directly related to the onsite construction of the Project, including, without limitation, property taxes, interest, and reasonable expenses incurred by the Borrower in completing construction of and opening the Project, escrow and title fees, processing and closing fees, wiring fees, legal fees, appraisals, overhead, supervision, general and administrative costs,

and advertising, marketing and promotional expenses, all in amounts and categories conforming to the Approved Project Budget.

"**Supplemental Information**" has the meaning set forth in Section 3.6.3 hereof.

"**Title Company**" means Stewart Title Company.

"**Title Policies**" has the meaning set forth in Section 5.1.8 hereof.

"**Triggering Event of Default**" has the meaning set forth in Section 7.1 hereof.

1.2 *References.* Any reference to this Agreement, the Note, the Security Agreement and Second Deed of Trust or any of the Other Loan Documents, or any other document, instrument or agreement, shall include such document, instrument or agreement as originally executed and as it may, from time to time, be renewed, restated, supplemented, amended or modified. References to subsections shall be construed as references to the same Section in which the reference appears. Although some of the above definitions may include reference to "supplements" or "amendments" with respect to documents, instruments and agreements, and to "successors and assigns" with respect to Persons, the inclusion of such language in said definitions shall not be construed as permitting the supplementation and/or amendment of documents, instruments and agreements, or the assignment or other transfer of rights or obligations of Persons, where Lender's consent thereto is required pursuant to the terms of this Agreement.

2. AMOUNT AND TERMS OF LOAN

2.1 *Agreement to Lend.* On the terms hereof and subject to the satisfaction or written waiver by Lender of the conditions set forth in this Agreement, and in reliance upon the representations, warranties and agreements of the Borrower Parties, as set forth herein, in the Note, the Security Agreement and Second Deed of Trust and the Other Loan Documents, Lender hereby agrees to make the Loan to Borrower and Borrower agrees to accept the Loan each in accordance with this Agreement, the Note, the Security Agreement and Second Deed of Trust and the Other Loan Documents.

2.2 *Interest Rate.* Borrower shall pay the outstanding principal amount of the Loan, together with interest at the Interest Rate and additional interest at the Additional Interest Rate, as applicable. Prior to default or maturity, interest shall accrue on the unpaid principal balance of the Loan at the Interest Rate and, until exercise of the Option, the Additional Interest Rate; late payment of any amount due under this Agreement, the Note, the Security Agreement and Second Deed of Trust or any of the Other Loan Documents, with interest on overdue interest, shall bear interest at the Default Rate. The Loan will be subject to mandatory prepayment on the terms and conditions set forth in Section 2.4 and may be prepaid at the option of the Borrower as provided in the Note.

2.3 *Use of Loan Proceeds.* The proceeds of the Loan shall be used solely for funding (i) certain Hard Costs and Soft Costs of the development of the Project (including payment of interest due and payable on the Existing Loan and costs related thereto) in accordance with the Approved Project Budget, and as otherwise required pursuant to the terms of this Agreement; and (ii) certain transaction costs included in the Approved Project Budget. Borrower agrees that until the Loan is repaid in full, none of the Borrower Parties nor any of their respective Affiliates shall be paid any sum except (i) amounts specifically provided for in the Approved Project Budget; and (ii) otherwise, only with the prior written consent of Lender, which it may grant or withhold in its sole discretion.

2.4 *Repayment of Loan.* The Loan shall be payable in full on the earlier of the Maturity Date or the acceleration of the Loan upon the occurrence of a Default. Prior to default or maturity, the Loan shall be payable in monthly installments of principal and interest as set forth in the Note. Borrower agrees that it will apply both (a) the portion of the rental payments under the Lease specified in

Section 6.25; and (b) the portion of any equity contribution or additional borrowing specified in Section 6.26 to payment of the Loan. Any such payments shall be applied to the [monthly]installments of principal and interest on the Loan in the order of maturity.

2.5 *Security.* Repayment of the Loan shall be secured by the Security Agreement and Second Deed of Trust and certain of the Other Loan Documents as set forth therein. Lender acknowledges and agrees that the Lien of the Security Agreement and Second Deed of Trust in respect of the real property included in the Mortgaged Property is subject and subordinate to the Lien of the Existing Deed of Trust in favor of the Senior Lender.

2.6 *Payment of Costs; Reimbursement of Lender.* On or before the Closing Date, Borrower shall pay, or cause to be paid to the Title Company, all premiums for the Title Policy, together with all recording and filing fees in connection with the Security Agreement and Second Deed of Trust and Other Loan Documents. Borrower also agrees to pay immediately upon demand all costs and expenses of Lender, including, but not limited to, attorneys' fees and expenses, (i) if, after the occurrence of a Default or an Event of Default, the Note is placed in the hands of any attorney or attorneys for collection (whether or not suit is brought); (ii) if Lender finds it necessary or desirable upon the occurrence of a Default or an Event of Default to secure the services or advice of one or more attorneys with regard to collection of the Note against Borrower, any Guarantor or any other party liable therefor or for the protection of its rights under any of the Loan Documents (whether or not suit is brought); (iii) if Lender seeks to have all or any part of the Mortgaged Property turned over to Lender by any estate in bankruptcy, or attempts to have any stay or injunction prohibiting the enforcement or collection of the Note, or prohibiting the enforcement of any of the Security Agreement and Second Deed of Trust or any Other Loan Document, lifted by any bankruptcy or other court, and any subsequent proceedings or appeals from any order or judgment entered in any such proceedings or proceedings or if Lender finds it necessary or appropriate to monitor any such proceedings or appeals; (iv) if Lender shall be made a party to or shall intervene in (or if Lender finds it necessary or appropriate to monitor) any action or proceedings, whether in court or before any Governmental Agency or other adjudicative authority, affecting all or any part of the Mortgaged Property or the title thereto or the interest of Lender under the Security Agreement and Second Deed of Trust or any of the Other Loan Documents (including, without limitation, any form of condemnation or eminent domain proceeding); and (v) as provided in the Security Agreement and Second Deed of Trust. Borrower shall reimburse Lender immediately upon demand for all such costs, charges and attorneys' fees and expenses incurred by Lender in any such event, and until paid, such amount shall bear interest at the Default Rate and shall be secured by the Security Agreement and Second Deed of Trust as a further charge and encumbrance upon the Project and the Mortgaged Property.

2.7 *Guaranty; Subordination.* The Loan shall have the benefit of the Guaranty as provided in Section 8 hereof, subject to subordination as provided in Section 10 hereof, and shall be subordinated to the Existing Loan as provided in Section 9 hereof.

3. LOAN DISBURSEMENTS

3.1 *Initial Disbursement.* Concurrently with the closing of the Loan, Lender shall make an initial disbursement in the amounts described on *Annex II* attached hereto (the "**Initial Disbursement**"). The proceeds of the Initial Disbursement shall be disbursed by Lender's wire transfer, in the aggregate amount set forth on *Annex II* attached hereto, to the Borrower, which shall use the Initial Disbursement as described on *Annex II* attached hereto. Following the Closing Date, Borrower shall provide Lender with those items set forth in Sections 3.6.1 and 3.6.2 and such other Supplemental Information (as defined below) as may be requested pertaining to amounts and items included in the Initial Disbursement.

3.2 *Construction Manager Disbursement.* A disbursement of up to $164,000 shall be made to Borrower for the sole and exclusive purpose of fully satisfying Borrower's obligation to the Construction Manager (the "**Construction Manager Disbursement**"). Such disbursement shall only be made to Borrower by Lender, and then to the Construction Manager by Borrower, upon receipt of the Construction Manager's final payment request for work on the Project, the issuance of a certificate of occupancy by the City of Sparks and satisfaction of any related requirements of Lender to assure Lender that all obligations of Borrower to the Construction Manager, and of the Construction Manager under the Construction Documents, have been or will be fulfilled.

3.3 *Subsequent Project Disbursements.* Following the Initial Disbursement, subsequent disbursements of the balance of the Loan proceeds shall be made as follows:

3.3.1 Following the date hereof and through the date of maturity of the Note, subject to the terms and conditions set forth herein, Lender shall, so long as there is no Triggering Event of Default or Default hereunder, make disbursements of the Loan to Borrower or, if Lender so chooses, directly to the Construction Manager, contractors, subcontractors, laborers or material suppliers as Borrower may request, up to the maximum Loan amount of One Million One Hundred Thousand Dollars ($1,100,000), less the amount of the Initial Disbursement and the Construction Manager Disbursement.

3.3.2 Requests for disbursements shall be made in writing to the Lender or in accordance with such other procedures as Lender shall from time to time reasonably require. Documents in support of the Request for Payment (as required by Sections 3.4.1 and 3.4.2 below) shall be submitted to the Lender. In each Request for Payment, Borrower shall request disbursement for one or more specified line items of the Approved Project Budget. From each line item, Lender shall disburse the aggregate proceeds of the Loan in a total amount not to exceed the Approved Project Budget for that line item, taking into account all prior disbursements and any reallocation of funds to which Lender has consented in writing.

3.3.3 Borrower shall use all proceeds of the Loan strictly for the purposes for which they were disbursed by Lender, and solely in conformity with the Approved Project Budget. If the Project improvements or other services contemplated by the Approved Project Budget cannot be completed in strict conformity with the most recently Approved Project Budget, Borrower shall immediately submit to Lender for its approval a revised Project budget of Hard Costs and Soft Costs. The revised Project Budget shall identify Borrower's requested changes in any line items and shall be accompanied by Borrower's written statement of reasons for the changes. Borrower may not, without the prior written consent of Lender, reallocate any dollar amounts between different line items, except that dollar amounts allocated in the line item for Contingency may be allocated to cover shortfalls in other line items. Any excess dollar amounts remaining in any line item following completion of and payment in full for work covered by such line item shall be reallocated to the line item for Contingency. Lender need make no further disbursements unless and until it approves the revised Project budget. Lender reserves the right to approve or disapprove any Project budget. The most recently Approved Project Budget supersedes all previously Approved Project Budgets.

3.3.4 No waiver of any condition to disbursement shall be effective unless it is expressly made by Lender in writing. If Lender makes a disbursement before fulfillment of one or more required conditions, that disbursement alone shall not be a waiver of such conditions, and Lender reserves the right to require their fulfillment before making any subsequent disbursements. If all conditions are not satisfied, Lender, in its sole judgment, may disburse as to certain items or categories of costs and not others.

3.3.5 Lender shall not be required to make any disbursements if:

(a) Lender fails to receive a properly completed Request for Payment, or Lender considers any Request for Payment to be incomplete or otherwise unacceptable, based on observations of Lender or any of its agents while visiting the construction site, advice from Lender's Construction Manager or for any other reason; or

(b) The Project improvements are materially damaged and not repaired, unless Lender receives funds from Borrower or insurance proceeds sufficient to pay for all repairs in a timely manner; or

(c) Lender receives a notice of lien claim or similar notice, unless Borrower obtains a release bond satisfactory to Lender in its reasonable judgment.

3.3.6 The occurrence of a Triggering Event of Default or Default under this Agreement shall, without limiting any other rights or remedy of Lender hereunder, suspend Lender's obligation to make further disbursements. Upon Borrower's written request and Lender's written consent, which may be granted or withheld in Lender's sole and absolute discretion, Lender's obligation to make further disbursements shall be reinstated if all Triggering Events of Defaults and Defaults under this Agreement have been cured.

3.4 *Other Reports.* In addition to the documentation required pursuant to Paragraph 3.5 below and the financial reports required pursuant to Section 6.20 below, Borrower shall deliver to Lender:

3.4.1 From and after the date on which the Lease terminates or expires, on or before the fifteenth (15^{th}) day of each month, Borrower shall deliver to Lender a monthly Project report, including (i) a cash flow report reflecting the amounts of funds received from all sources and the application of such funds, certified by the managing member of Borrower, and (ii) the amount of EBITDA for such month and the calculation thereof.

3.4.2 Concurrently with the delivery of any material reports, notices or other writings (i) by any Borrower Party or (ii) to any Borrower Party under any of the Material Contracts, a copy of such report, notice or other writing. Without limiting the foregoing, Borrower shall deliver to Lender, concurrently with the delivery of the same to the Senior Lender, a copy of any status or other report required to be given to the Senior Lender under the Existing Loan Agreement.

3.5 *Requests for Disbursements.* Borrower shall, when it believes it is entitled to a disbursement hereunder, furnish Lender with the following:

3.5.1 A request for payment in the form of *Exhibit F* ("**Request for Payment**") and such details concerning the Approved Project Budget and the application of the Loan proceeds as Lender shall reasonably require, including but not limited to (a) invoices and evidence satisfactory to Lender of the proper application of past disbursements and a detailed breakdown of the amounts expended to the date of the Request for Payment for the Approved Project Budget, (b) the amounts then due and unpaid in connection with the Approved Project Budget and (c) an itemized estimate of the amount necessary to complete the construction of and open the Project.

3.5.2 (i) lien waivers or releases, or partial lien waivers and releases, as the case may be, from all contractors, subcontractors and materialmen known by Borrower or its Construction Manager or who have filed a pre-lien who are employed or furnishing materials in connection with the construction of any improvements; (ii) title insurance endorsements showing the Security Agreement and Second Deed of Trust to be a lien or charge upon the Mortgaged Property subordinate only to the lien of the Existing Deed of Trust, and having priority over any and all liens which could be filed in connection with the construction of the Project; and written certification by the Construction Manager that the applicable Project improvements have been

constructed in accordance with the Approved Project Budget and any plans and specifications relating thereto.

Lender shall have the right to telephone or otherwise communicate with the Construction Manager and any contractor, subcontractor, materialman or other person to verify the facts disclosed by any Request for Payment, or for any other purpose, provided that Lender shall endeavor to give Borrower at least twenty-four hours advance notice of the proposed telephone conference or other communication and provide a reasonable opportunity for Borrower to be present and/or participate in any such conference or communication, and provided further that Lender's breach or violation of the requirements of the last proviso shall not give rise to any right or remedy or claim of damages to Borrower or any defense, offset or counterclaim with respect to the

repayment of the Loan or any other amount due Lender, and Borrower's exclusive remedy for failing to receive such advance notice shall obtain directly from the Construction Manager any information delivered by the Construction Manager to Lender.

3.5.3 Provided the requirements set forth in Sections 3.5.1 and 3.5.2(i) and (ii) have been met by Borrower, Lender will fund a requested disbursement within fifteen (15) days of receipt of Borrower's Request for Payment. Following receipt of Borrower's Request for Payment, if Lender determines additional information or documentation is reasonably required to confirm that the applicable Project improvements have been constructed in accordance with applicable laws and the Approved Project Budget and any plans and specifications relating thereto ("**Supplemental Information**"), Lender shall provide Borrower written notice specifying such Supplemental Information within eight (8) business days of receipt of Borrower's Request for Payment. Thereafter, Lender will fund the requested disbursement within five (5) business days of receipt of satisfactory Supplemental Information.

3.6 *Borrower Obligations.* Nothing contained elsewhere in this Article 3 shall alter or affect in any manner Borrower's other obligations pursuant to this Agreement, including, without limitation, the obligation to apply Loan proceeds in accordance with the Approved Project Budget and *Annex II.*

4. REPRESENTATIONS AND WARRANTIES

In order to induce Lender to enter into this Agreement, Borrower makes the following representations and warranties which shall be deemed continuing representations and warranties until payment in full of the Loan and the performance of all of Borrower's obligations and duties hereunder and under the Note, the Security Agreement and Second Deed of Trust and the Other Loan Documents, except that the representations and warranties set forth in Sections 4.13.2 and 4.13.3 shall be deemed to have been made only on the Closing Date.

4.1 *Organization and Authority.*

4.1.1 *Borrower.* Borrower is a Nevada limited-liability company duly organized, validly existing and in good standing under the laws of the State of Nevada, and is duly qualified and in good standing in every other jurisdiction in which the nature of its business makes such qualification necessary. Borrower has full power and authority to own its assets, to transact the business in which it is engaged, and make, execute and deliver, and perform its obligations under, this Agreement and the other Loan Documents to which it is a party. This Agreement, the Note, the Security Agreement and Second Deed of Trust, and the Other Loan Documents to which Borrower is a party, when executed and delivered, will constitute valid and legally binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms.

4.1.2 *Endeavor North.* Endeavor North is a Nevada limited-liability company duly organized, validly existing and in good standing under the laws of the State of Nevada, and is duly qualified and in good standing in every other jurisdiction in which the nature of its business makes such

qualification necessary. Endeavor North has full power and authority to own its assets, to transact the business in which it is engaged, and make, execute and deliver, and perform its obligations under the Loan Documents to which it is a party, including, without limitation, the Option. The Loan Documents to which Endeavor North is a party, when executed and delivered, will constitute valid and legally binding obligations of Endeavor North, enforceable against Endeavor North in accordance with their respective terms.

4.1.3 *Guarantors.* Each Guarantor has full power and authority to own his or her assets, to transact the business in which he or she is engaged and proposes to engage, and make, execute and deliver, and perform his or her obligations under, the Guaranty. The Guaranty, when executed and delivered, will constitute the valid and legally binding obligation of the applicable Guarantor party thereto, enforceable against such Guarantor in accordance with its terms.

4.2 *Authorization; Absence of Conflict.* The execution, delivery and performance of this Agreement and the other Loan Documents, the consummation of the transactions contemplated hereby and thereby, including, without limitation, the borrowings hereunder and the grant by Borrower of the Liens contemplated hereby, by the Security Agreement and Second Deed of Trust and by the Other Loan Documents (i) have been duly authorized by all requisite action on the part of Borrower, Endeavor North and each Guarantor; (ii) do not and will not result in the breach of any of the terms or conditions of, or constitute a default under the operating agreement of Borrower or of Endeavor North; (iii) do not and will not result in the breach of any of the terms or conditions of, or constitute a default under, or permit the acceleration of Borrower's, Endeavor North's or any Guarantor's obligations under, any contract, agreement, lease, commitment, indenture, mortgage, note, security agreement, bond, license, Lien or other instrument or obligation to which Borrower, Endeavor North or any Guarantor is now a party or by which any of the assets of Borrower, Endeavor North or any Guarantor or all or any part of the Mortgaged Property may be bound or affected; (iv) do not and will not violate any law, statute, ordinance, rule or regulation of any administrative agency or governmental body, or any order, writ, injunction, judgment or decree of any court, administrative agency or governmental body binding on Borrower, Endeavor North or any Guarantor, or any decision or finding of any arbitration panel binding upon Borrower, Endeavor North or any Guarantor, or any assets of Borrower, Endeavor North or any Guarantor or all or any part of the Mortgaged Property (each, a "**Law**"), or any other order, writ, judgment, injunction, decree, determination, or award presently in effect; (v) do not require the consent, authorization or approval of any third person or administrative agency or Governmental Agency to which Borrower, Endeavor North or any Guarantor is subject and which has not been heretofore obtained; or (vi) do not result in the creation of any Lien of any nature upon all or any part of the Project, the Mortgaged Property, or any other assets or properties of Borrower, Endeavor North or any Guarantor (other than as contemplated by this Agreement, the Security Agreement and Second Deed of Trust and the Other Loan Documents), except as permitted by this Agreement, the Note, the Security Agreement, Second Deed of Trust, and the Other Loan Documents.

4.3 *The Project and Mortgaged Property.* Each of the Project and the Mortgaged Property is free and clear of all Liens, except for (i) the Permitted Liens, (ii) Liens permitted under this Agreement, the Note, the Security Agreement and Second Deed of Trust or any of the Other Loan Documents, and (iii) Liens to which Lender has expressly consented in writing.

4.4 *Compliance with Laws.* Each of the Borrower Parties is in compliance in all material respects with all Laws applicable to its business, and has obtained all approvals, licenses, exemptions and other authorizations from, and has made and accomplished all filings, registrations and qualifications with, any federal, state, county, local or municipal government or political subdivision, governmental or quasi-governmental agency, authority, board, bureau, commission, department or public body, or any court, administrative tribunal or public utility (each, a "**Governmental Agency**"), as may be necessary for the transaction of its business. Borrower and Endeavor North are each in

compliance with all covenants, conditions, restrictions, easements, rights of way and other rights of third parties relating to the Project and the Mortgaged Property, including, without limitation, those relating to zoning and land use issues.

4.5 *Taxes.* Each of the Borrower Parties has filed all federal, state, county, local and municipal income and other tax returns required to have been filed by it on a timely basis, and has paid, or following the Initial Disbursement shall have paid, all taxes and assessments which have become due (including any interest or penalties) pursuant to such returns or pursuant to any assessment received by such Borrower Party. None of the Borrower Parties knows of any basis for any additional assessment in respect of any such taxes or assessments, except that which may result from increased valuation resulting from the contemplated development of the Project.

4.6 *Third Party Claims.* Each of the Borrower Parties has paid or will pay in full (except for any retainages as may be permitted or required by any Law to be withheld by such Borrower Party pending completion of the work in question and except for any amounts reasonably disputed by such Borrower Party which are disclosed to Lender in writing) all sums owing by such Borrower Party or claimed to be owed by such Borrower Party for labor, material, supplies, personal property, fixtures, equipment and services of any kind and character used, furnished or installed in or on the Project, and no claim or Lien for the same exists or will be permitted to be created, except as may be permitted by this Agreement, the Note, the Security Agreement, Second Deed of Trust or the Other Loan Documents. The only such claims or Liens existing as of the date of this Agreement are described in *Exhibit G,* and Borrower will extinguish all such claims and Liens from the proceeds of the Initial Disbursement of the Loan.

4.7 *Litigation.* Except as specifically disclosed to Lender in writing in reference to this Section, there is no Material Adverse Litigation pending or, to the knowledge of Borrower, threatened against Borrower, Endeavor North or any Guarantor or all or any part of the Project or the Mortgaged Property, or involving the validity or enforceability of this Agreement, the Note, any of the Security Agreement and Second Deed of Trust or the Other Loan Documents (including, without limitation, with respect to the enforceability or priority of the Liens created hereby and thereby) which, if adversely determined, could affect (i) the ability of Borrower to repay the Loan in a timely manner, (ii) the financial condition of any Borrower Party, (iii) the Liens granted to Lender hereunder, under the Security Agreement and Second Deed of Trust and under the Other Loan Documents, or (iv) the Project, the Mortgaged Property, or any Borrower Party's rights therein.

4.8 *Environmental Requirements.* Except for the use of Hazardous Materials or other matters listed on *Exhibit H* attached hereto, neither Borrower nor, to Borrower's knowledge, any other person (including, without limitation, the prior owner of the Project), has been involved in operations at or adjacent to the Project which operations could lead to (i) the imposition of liability on Borrower or any subsequent owner of the Project under any Environmental Requirement or, to Borrower's knowledge, on any other former owner of the Project under any Environmental Requirement, or (ii) the creation of a Lien on the Project under any Environmental Requirement, and no Borrower Party has knowingly permitted, and will not knowingly permit, any tenant or occupant of the Project to engage in any activity that has imposed or would impose liability under any Environmental Requirement on such tenant or occupant, or the Borrower. Except as otherwise expressly set forth on Exhibit H, to Borrower's knowledge, there is not currently and has not been in the past any deposit, storage, disposal, burial, discharge, spillage, uncontrolled loss, seepage or filtration of any Hazardous Material at, upon, under or within the Project in violation of any Environmental Requirement. No Borrower Party has caused or knowingly permitted to occur, and no Borrower Party shall knowingly permit to exist, any condition which may cause a discharge of any Hazardous Material at, upon or within the Project in violation of any Environmental Requirement. No Borrower Party has used any Hazardous Material in, on or under the Project, nor does any Borrower Party have any knowledge of any use of any Hazardous Material by any third party in, on or under the Project, in either case in violation of any Environmental Requirement.

4.9 *No Condemnation.* No condemnation, eminent domain or other similar proceeding is pending or, to Borrower's knowledge, threatened against all or any part of the Project.

4.10 *Principal Place of Business.* As of the Closing Date, the chief executive office and principal place(s) of business of each of the Borrower Parties other than the Guarantors and all records relating to the business and operations of the Borrower Parties other than the Guarantors and those relating to the Project are located at 1324 Victorian Avenue, Sparks, Nevada 89431.

4.11 *Fictitious Name.* As of the Closing Date, none of the Borrower Parties has done during the past five (5) calendar years, and is not presently doing, business under any name other than the name set forth on the first page of this Agreement, including, without limitation, any trade name except "Duke's."

4.12 *No Default.*

4.12.1 Following the consummation of the transactions contemplated hereby, none of the Borrower Parties will be in default in any material respect under or with respect to any provision of any agreement, instrument or undertaking to which that Borrower Party is a party or by which that Borrower Party or any of its assets or properties is bound.

4.12.2 Attached to this Agreement as *Exhibit I* is a true and complete list of all the Existing Loan Documents, true and correct copies of which have been delivered to Lender as of the date hereof, each of which is in full force and effect and has not been amended or modified in any manner. Except for the agreements as described in this Section 4.13.2, there are no other agreements between any of the Borrower Parties (or any of its Affiliates) and the Senior Lender (or any of its Affiliates) relating to the Existing Loan as of the Closing Date.

4.12.3 Attached to this Agreement as *Exhibit J* is a true and complete list of all agreements (the "**Construction Documents**") between Borrower and the Construction Manager relating to the Project, true and complete copies of which have been delivered to Lender as of the date hereof, each of which is in full force and effect and has not been amended or modified in any manner. Except

for the Construction Documents, there are no other agreements between any of the Borrower Parties (or any of its Affiliates) and the Construction Manager (or any of its Affiliates) as of the Closing Date.

4.13 *Ability to Borrow.* Borrower is not subject to any law or regulation limiting its ability to incur indebtedness for money borrowed and none of the proceeds of the Loan will be used, directly or indirectly, for any purpose other than the purposes described herein or in the Other Loan Documents.

4.14 *Financial Position.* All financial statements heretofore delivered to Lender in connection with the Project, the Loan and/or relating to any of the Borrower Parties are true, correct and complete in all material respects. All of the financial statements fairly present the financial position of the parties who are the subject thereof as of the date thereof and no material adverse change has occurred in such financial position prior to the Closing Date of which Borrower has not notified Lender in writing referring to this section.

4.15 *Brokerage.* Except for fees payable to the Lender and the Existing Lender, no brokerage commission or similar fee, commission or compensation is to be paid by Borrower with respect to this Agreement or the transactions contemplated hereby or the Existing Loan, any such brokerage commission or similar fee, commission or compensation due any party in connection with this Agreement or the transactions contemplated hereby has been paid in full by Borrower, and no party has any right or claim to any further brokerage commission, fee, compensation or payment.

4.16 *Disclosure.* Neither this Agreement nor any other document, certificate or statement heretofore furnished to Lender by or on behalf of any of the Borrower Parties in connection with the transactions contemplated by this Agreement contains any untrue statement of a material fact or, to

Borrower's knowledge, omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. To the best of Borrower's knowledge, no document, certificate or statement heretofore furnished to Lender by or on behalf of any third party in connection with the transactions contemplated by this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading.

4.17 *Affiliate Payments and Payments to Borrower Parties.* *Schedule 4.17* attached hereto fully sets forth any and all items in the Approved Project Budget which shall be paid to any Borrower Parties or any Affiliate.

5. CONDITIONS PRECEDENT TO LENDING

5.1 *Initial Disbursement.* Lender's obligations to make the Initial Disbursement of the Loan on the Closing Date shall terminate unless each of the following conditions precedent has been fulfilled to the satisfaction of Lender, unless otherwise waived in writing by Lender.

5.1.1 Lender shall have reviewed and approved in all respects the composition and organization of each of the Borrower Parties, and each of such Borrower parties' organizational documents.

5.1.2 Lender shall have approved in its sole discretion all aspects of the development and construction of the Project, including, but not limited to, the Construction Manager, the Borrower and major subcontractors and the terms and conditions of Borrower's agreements with the Construction Manager.

5.1.3 The representations and warranties set forth in this Agreement, in the Security Agreement and Second Deed of Trust and in the Other Loan Documents shall be true and correct on and as of the Closing Date (except to the extent that such representations and warranties relate to an earlier date and/or except as affected by transactions expressly contemplated hereby) with the same effect as though such representations and warranties had been made on and as of such date.

5.1.4 No event shall exist as of the Closing Date which, with the giving of notice or the passage of time, or both, would constitute a breach of, a Default, or an Event of Default under this Agreement, the Note, any of the Security Agreement and Second Deed of Trust or any of the Other Loan Documents.

5.1.5 Borrower, Endeavor North and the Guarantors, as applicable, shall have delivered to Lender the following original documents on or before the Closing Date, each executed and acknowledged, as appropriate, in form and substance acceptable to lender:

5.1.5.1 This Agreement

5.1.5.2 A Request for Payment for the Initial Disbursement

5.1.5.3 The Note

5.1.5.4 The Security Agreement and Second Deed of Trust

5.1.5.5 The Option

5.1.5.6 The Lease

5.1.5.7 The Financing Statements

5.1.5.8 The Environmental Indemnity

5.1.5.9 The Guaranty (by execution and delivery of this Agreement by the Guarantors)

5.1.5.10 A certificate of the managers of Borrower certifying (i) that attached thereto is a true and complete copy of resolutions of the managers of Borrower authorizing the execution, delivery and performance of this Agreement, the Note, the Security Agreement and Second Deed of Trust, the Other Loan Documents to which Borrower is a party, the borrowings under this Agreement, and the grant of the security interests as contemplated hereby and by the Security Agreement, Second Deed of Trust and the Other Loan Documents to which Borrower is a party, (ii) certifying the incumbency and signature of each manager of Borrower, and (iii) that attached thereto is a true and complete copy of Borrower's operating agreement then in effect.

5.1.5.11 A certificate of the managers of Endeavor North certifying (i) that attached thereto is a true and complete copy of resolutions of the managers of Endeavor North authorizing the execution, delivery and performance of the Other Loan Documents to which Endeavor North is a party, and the grant of security interests as contemplated by the Other Loan Documents to which Endeavor North is a party, (ii) certifying the incumbency and signature of each manager of Endeavor North, and (iii) that attached thereto is a true and complete copy of Endeavor North's operating agreement then in effect.

5.1.5.12 Estoppel agreements and, to the extent required as a result of the encumbering of any real or personal property subject to the Security Agreement and Second Deed of Trust, consents from the holder of any Permitted Lien (other than Lender) confirming the status of such Permitted Lien and consenting to the granting of the security interests contemplated by the Security Agreement and Second Deed of Trust and Other Loan Documents, including, without limitation, the consent of the Senior Lender satisfactory in form and substance to the Lender and its counsel.

5.1.5.13 Lender shall have confirmed the status of construction of the Project with the Construction Manager in a manner satisfactory to Lender in its sole discretion.

5.1.5.14 Written opinion(s) of counsel for Borrower, Endeavor North and the Guarantors covering such matters as Lender shall reasonably request and satisfactory in form and substance to Lender.

5.1.5.15 Any and all other documents, instruments and agreements required by Lender to confirm and perfect its rights under this Agreement, the Note, the Security Agreement, Second Deed of Trust and the Other Loan Documents.

5.1.6 *Intercreditor Agreement.* Lender and the Senior Lender shall have executed the Intercreditor Agreement.

5.1.7 *Recordation of Documents.* The Security Agreement and Second Deed of Trust and appropriate Financing Statements shall have been recorded in the Official Records, and appropriate Financing Statements shall have been filed with the Nevada Secretary of State, and Lender shall have received evidence reasonably satisfactory to it showing the Financing Statements to be subject to no other filings except in favor of Lender and other Permitted Liens.

5.1.8 *Title Policy.* Borrower, at its sole expense, as the Lender shall request, shall have caused the Title Company to issue either ALTA Loan policies with ALTA Endorsement Form 1 Coverage (LP-10) or a title report (collectively, the "**Title Policies**"), insuring, or reporting to, Lender that on the Closing Date Borrower owns fee simple title to the Mortgaged Property, and that the Security Agreement and Second Deed of Trust is a valid lien on the Mortgaged Property, subject only to the applicable Permitted Liens.

5.1.9 *Payment of Taxes.* Lender shall have received evidence, satisfactory to Lender in its sole discretion, that all real and personal property taxes for the Project have been paid in full prior to delinquency.

5.1.10 *Approval of Plans.* Borrower shall have delivered to Lender, and Lender shall have approved in writing, a current list of all material licenses, permits and approvals from Governmental Agencies applicable to the Project, which list shall include the status of all such licenses, permits and approvals, including a current schedule of all Governmental Agency approvals necessary for the completion and opening for business to the general public of the Project.

5.1.11 *Financial Statements.* Lender shall have received (i) such financial statements for each of the Borrower Parties as Lender shall reasonably request; and (ii) a pro-forma projection of income prepared as of the Closing Date, in the form of, and for the periods reflected in, *Schedule 5.1.11* attached, together with a statement reflecting the assumptions underlying such projection.

5.1.12 *Consents.* All approvals and consents which are required in connection with the transactions contemplated hereby shall have been duly obtained, and true and correct copies thereof shall have been furnished to Lender.

5.1.13 *Closing Costs.* Borrower shall have paid Lender all costs and expenses (including, without limitation, attorneys' fees and disbursements of Lender's counsel) incurred up to and including the Closing Date by Lender in connection with the negotiation and preparation of this Agreement, the Note, the Security Agreement and Second Deed of Trust and the Other Loan Documents, the making of the Loan and the consummation of the transactions contemplated hereunder or thereunder.

5.1.14 *Existing Loan.* No Event of Default or Default (as such terms are defined in the Existing Loan Agreement) shall exist with respect to the Existing Loan.

5.2 *Subsequent Disbursements.* Without in any way limiting any provision of Article 3, Lender's obligation to make disbursements of the Loan after the Initial Disbursement is subject to satisfaction of each of the following conditions precedent to the satisfaction of Lender, unless otherwise waived in writing by Lender:

5.2.1 Lender shall have received a properly completed Request for Payment.

5.2.2 The representations and warranties made (i) by the Borrower in Article 4, in the Request for Payment and in any other Loan Document, and (ii) by any other Borrower Party in any of the Other Loan Documents or in any certificate or agreement delivered to Lender by any Borrower Party as of the Closing Date shall be true and correct on and as of such borrowing date with the same effect as if made on and as of such borrowing date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct as of such earlier date).

5.2.3 No Default or Event of Default shall exist or shall result from such disbursement.

6. BORROWER'S COVENANTS

Borrower covenants and agrees that from the date hereof and until payment in full of the principal of and interest on the Loan and the satisfaction of all of Borrower's obligations under this Agreement, the Note, the Security Agreement and Second Deed of Trust and the Other Loan Documents, and satisfaction of each other Borrower Party's respective obligations under the Other Loan Documents,

Borrower shall perform, or cause to be performed, each of the following covenants, unless Lender shall otherwise consent in writing:

6.1 *Existence.* Borrower shall do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and all of its rights, licenses, permits and franchises, and comply with all Laws applicable to Borrower.

6.2 *Transfer of Mortgaged Property or Project; Merger, Sale of Assets, Dissolution, Etc.* Borrower shall not, except to the extent expressly permitted or authorized by this Agreement, the Note, the Security Agreement and Second Deed of Trust and the Other Loan Documents; (i) further encumber, sell, convey, transfer or assign all or any part of right, title or interest in all or any part of the Mortgaged Property or Project; (ii) enter into any transaction of merger or consolidation, or transfer, sell, assign, lease or otherwise dispose of, in one or a series of related transactions, any material part of its properties and assets other than in the ordinary course of its business, or wind up, liquidate or dissolve; (iii) allow any direct or indirect interest in Borrower or any constituent member or partner of Borrower to be encumbered, sold, conveyed, transferred or assigned to any other Person, or allow a new member to be admitted to Borrower, except pursuant to the Option; or (iv) agree to do any of the foregoing.

6.3 *Notice of Material Events.* Upon Borrower's discovery thereof in the exercise of its reasonable diligence, Borrower shall promptly give notice in writing to Lender of any of the following: (i) the occurrence of a Default or an Event of Default; (ii) any action or event of which it has knowledge that has materially and adversely affected the performance of any of the obligations of any of the Borrower Parties under this Agreement, the Note, the Security Agreement and Second Deed of Trust or the Other Loan Documents, the repayment of the Loan, or the Liens granted to Lender under the Security Agreement and Second Deed of Trust or the Other Loan Documents; (iii) the change of the principal place of business of any of the Borrower Parties, or a change in the location of the accounts and records of any of the Borrower Parties; (iv) any change in the name of any of the Borrower Parties; (v) any proposed material amendment to any agreement that materially and adversely affects the aggregate value of the Mortgaged Property or the Project; (vi) any default or event which, with notice or lapse of time or both, would constitute a default under the Existing Loan Agreement; (vii) any facts or circumstances that vitiate or render any of the representations and warranties contained herein untrue or false in any respect.

6.4 *Notice of Litigation.* Borrower shall promptly give notice in writing to Lender of all litigation affecting the Collateral, the Project, Borrower, any of the Borrower Parties, or Borrower's ability to repay the Loan, of which it has actual knowledge, regardless of whether any such litigation is Material Adverse Litigation, and furnish to Lender from time to time all information available to Borrower and not previously disclosed by Borrower to Lender concerning the status of any such controversy, claim, suit or other proceeding.

6.5 *Priority of Lien.* Subject to the release and reconveyance provisions of the Security Agreement and Second Deed of Trust and the Other Loan Documents, Borrower shall not impair the Liens created pursuant to this Agreement, the Security Agreement and Second Deed of

Trust and the Other Loan Documents with respect to the Mortgaged Property or the Project and shall keep such Liens at all times in place with the priority in favor of Lender required by the Security Agreement and Second Deed of Trust, except with respect to the Mortgaged Property released and reconveyed in accordance with the Note, the Security Agreement and Second Deed of Trust or the Other Loan Documents. Borrower shall not directly or indirectly create, incur or suffer to exist, and shall promptly discharge or cause to be discharged, any other Lien with respect to all or any part of the Mortgaged Property, other than (i) Permitted Liens, (ii) Liens permitted under this Agreement, the Note, the Security Agreement and Second Deed of Trust or any of the Other Loan Documents, and (iii) Liens to which Lender has consented.

6.6 *Compliance with Laws.* Borrower shall comply with and, to the extent Borrower has the legal right to do so, employ commercially reasonable efforts to cause others to comply in all material respects with, all Laws of all Governmental Agencies having jurisdiction over and relating to the Project or the construction or operation of the Project, and shall furnish Lender with reports of any official searches Borrower obtains disclosing any violation of any such Laws. The Project, when completed, shall comply in all material respects with all Laws, including, without limitation, all applicable building, zoning and use Laws, and shall not violate any restriction of record against the Project. If required by Lender, Borrower shall deliver to Lender, promptly after receipt thereof, copies of all permits and approvals received from any Governmental Agency relating to the construction, development, use, occupancy or operation of the Project.

6.7 *Compliance with Environmental Requirements.* Borrower shall (i) at and in relation to the Project comply with and, to the extent it has the legal right to do so, employ commercially reasonable efforts to require others to comply with, all Environmental Requirements; (ii) promptly notify Lender in the event of any discharge or discovery of any Hazardous material at, upon, under or within the Project in violation of any Environmental Requirement and of which Borrower is aware; and (iii) promptly forward to Lender copies of all orders, notices, permits and reports received by Borrower in connection with any discharge or the presence of any Hazardous Material or any other matters relating to any actual violation of any Environmental Requirement, or any violation alleged in writing, which affects, or may affect, the Project.

6.8 *Mechanics' Liens.* Borrower shall pay and discharge any mechanics' or materialmens' liens or claims of lien filed or otherwise asserted against all or any part of the Mortgaged Property or the Project; provided, however, that Borrower shall have the right to contest in good faith and with reasonable diligence the validity of any such lien or claim upon causing such lien or claim to be released of record and furnishing Lender with such additional security or indemnity as Lender may reasonably require.

6.9 *Lender Inspections.* During normal business hours, Borrower shall permit Lender and Lender's representatives, inspectors and consultants to enter upon the Project premises to inspect the Project and materials to be used therein and to examine all of Borrower's contracts, records, plans and shop drawings which are kept at the construction site or at Borrower's offices. Lender shall use reasonable efforts to give Borrower prior written notice of all such inspections, except after the occurrence and during the continuation of a Default or Event of Default. Borrower shall cooperate, and shall employ commercially reasonable efforts to cause its general contractor, other independent contractors and/or Construction Manager and (through its general contractor, other independent contractors and/or Construction Manager or otherwise) all subcontractors to cooperate, with all such representatives, inspectors and consultants. Borrower shall cause the general contractor, other independent contractors and/or Construction Manager to maintain and make available for inspection by Lender and Lender's representatives, inspectors and consultants, on demand, all documents and materials created and maintained in the ordinary course of business in connection with the Project.

6.10 *Approved Project Budget.* Borrower shall cause the proceeds of the Loan to be expended only for costs and expenses reflected in the Approved Project Budget. In the event that Borrower desires to revise the Approved Project Budget, any such revision shall be subject to Lender's prior written approval, in its sole discretion.

6.11 *Service Contracts.* Upon the execution of each of the Service Contracts, such Service Contract shall automatically become subject to the assignment of contracts to the extent provided in the Security Agreement and Second Deed of Trust. All of the Service Contracts shall, subject to applicable law, be subordinate to Lender's interest pursuant to the Note and the Security Agreement and Second Deed of Trust except as otherwise agreed in writing by Lender with respect to those Service Contracts in effect prior to the Closing Date. Promptly following the execution of any Service

Contract after the date hereof, Borrower shall deliver a copy thereof to Lender. Borrower shall strictly enforce all of the Service Contracts and shall not agree, without Lender's consent in its reasonable discretion, to any alterations or amendments thereof, to the end that all contractors promptly and diligently perform all of the obligations on their part to be performed thereunder. In the event Lender does not respond to a request for consent to any alteration or amendment of a Service Contract within five business days, Lender's consent shall be deemed to have been given. Borrower shall cause all of the work set forth in the Service Contracts for the benefit of the Project to be performed substantially in the manner set forth in each of the Service Contracts. Within five business days after notice thereof, Borrower shall commence and thereafter proceed with diligence to correct any defects in the Project or any departure from the scope or manner of work set forth in the Service Contracts, which defect or departure affects any portion of the Project which remains subject to the lien of the Security Agreement and Second Deed of Trust.

6.12 *Changes and Change Orders.* Borrower shall not change or in any manner cause or seek a change in any laws, requirements of governmental authorities and obligations created by private contracts which now or hereafter may significantly and materially adversely affect the ownership, construction, equipping, fixturing, use or operation of the Project without the prior written consent of Lender.

6.13 *Construction Services.* Borrower shall not change, waive or otherwise modify the form or content of any development or construction services contract, including Borrower's Design-Build Agreement with the Construction Manager, or agree to or permit a change in the persons performing such services without the prior written approval of Lender in its sole discretion. In the event of any such change without Lender's approval, Lender shall have the right to refrain from making any further disbursements under this Agreement. Lender shall be provided with no less than ten (10) days prior written notice of any proposed change, waiver, amendment or other modification.

6.14 *Expenses of the Project; Distributions of Borrower Assets.* Borrower shall promptly and diligently cause the completion and opening of the Project. Borrower agrees to pay any and all expenses, costs and disbursements of every kind and nature incurred by or on behalf of Borrower during the term of the Loan with respect to the completion and opening of the Project in excess of those set forth in the Approved Project Budget. Except as expressly permitted in this Agreement, the Note, the Security Agreement and Second Deed of Trust or the Other Loan Documents, Borrower shall not, without the prior written consent of Lender in each instance, make any distribution of assets of the Borrower to any member of Borrower, whether or not such distribution is permitted under the terms of Borrower's operating agreement, including, without limitation, repayment of any loans made by a member of Borrower or any accrued interest thereon, return of capital contributions and distributions upon termination, liquidation or dissolution of Borrower, except that Borrower shall have the right to make cash distributions (i) in accordance with the terms and conditions of Borrower's operating agreement (in the form approved by Lender) for the sole purpose of paying income taxes attributable to income derived from Borrower and (ii) pursuant to Section 6.25(iii) hereof.

6.15 *No Leasing.* Borrower shall not enter, or make any attempt to enter, into any lease, sublease, or other occupancy agreement for any portion of the Project (except the Lease and leases or other agreements for Gaming FF&E (as defined in the Lease) by the Lessee in accordance with the terms of the Lease and assumed by Borrower on termination of the Lease) without Lender's prior written approval. Prior to entering into any other lease, sublease, letting, license or occupancy agreement relating to the Project, or any portion thereof or interest therein, Borrower shall, if so required by Lender, execute and deliver to Lender an assignment of leases and rents in form and substance satisfactory to Lender.

6.16 *No Installment Purchases.* Except in the ordinary course of business, no materials, equipment, fixtures or any other part of the Project, or articles of personal property placed in the

Project, shall be purchased or installed under any security agreement or other arrangements wherein the seller reserves or purports to reserve a security interest in any such items or the right to remove or to repossess any such items or to consider them personal property after their incorporation in the work of construction, unless authorized by lender in writing.

6.17 *No Additional Financing.* Other than (i) the Existing Loan, (ii) indebtedness on terms no more favorable to the replacement lender than the terms of the Existing Loan are to the Senior Lender the proceeds of which are applied to repayment of the Existing Loan in whole or in part (together with the Existing Loan, "**Senior Debt**"); and (iii) indebtedness permitted and incurred pursuant to Section 6.26, Borrower shall not enter into any additional secured or unsecured financing of any sort without Lender's prior written consent.

6.18 *Utilities, Streets and Easements.* To the best knowledge of Borrower, telephone services, gas, electric power, storm sewers, sanitary sewers and water facilities are available to the Project or agreements are in place to provide said services, adequate to serve the Project, and are not subject to any conditions, other than normal charges to the utility supplier, which would limit the use of such utilities. To the best knowledge of Borrower, all streets and easements necessary for the Project are available to the boundaries of the Project or if not currently available, are reflected as an expenditure in the Approved Project Budget.

6.19 *Indemnity.* Whether or not the transactions contemplated by this Agreement shall be consummated and anything in this Agreement, the Note, the Security Agreement and Second Deed of Trust or the Other Loan Documents to the contrary notwithstanding, Borrower shall indemnify and hold Lender harmless and defend Lender at Borrower' sole cost and expense against any loss or liability, cost or expense (including, without limitation, attorneys' fees and disbursements of Lender's counsel, whether in-house staff, retained firms or otherwise), and all claims, actions, procedures and suits arising out of or in connection with: (i) any ongoing matters arising out of the transactions contemplated hereby, the Loan, this Agreement, the Note, the Security Agreement and Second Deed of Trust, the Other Loan Documents or any other document or instrument now or hereafter executed and/or delivered in connection with the Loan, including, but not limited to, the development and construction of the Project, all costs of reappraisal and environmental audit of the Project or any part thereof required by law, regulation, or any governmental or quasi-governmental authority or required by Lender following a Default under any provision of this Agreement, the Note, the Security Agreement and Second Deed of Trust or the Other Loan Documents relating to environmental matters; (ii) any amendment to, or restructuring of, the Loan and this Agreement, the Note, the Security Agreement and Second Deed of Trust or any of the Other Loan Documents which was required by Borrower or arising from a Borrower Default; (iii) any and all lawful action that may be taken by the Lender in connection with the enforcement of the provisions of this Agreement, the Note, the Security Agreement and Second Deed of Trust or any of the Other Loan Documents, whether or not suit is filed in connection with the same, or in connection with Borrower, any Guarantor and/or any member, partner, joint venturer, member, trustee or shareholder thereof becoming a party to a voluntary or involuntary federal or state bankruptcy, insolvency or similar proceeding; and (iv) the past, current and/or future sale or offering of interests in Borrower, including, without limitation, liabilities under any applicable securities or blue sky laws, except in all events under the foregoing clauses (i) through (iv) with respect to the gross negligence or willful misconduct of Lender. All sums expensed by Lender shall be payable on demand and, until reimbursed by the Borrower pursuant hereto, shall be deemed additional principal of the Loan and secured hereby and shall bear interest at the Default Rate.

6.20 *Financial Statements and Reports.* Borrower shall furnish or cause to be furnished the following information and documents to be furnished to Lender from time to time:

6.20.1 As soon as practicable and in any event within 45 days after the end of each calendar quarter, an unaudited balance sheet of Borrower as at the end of such period and the related statements of income and cash flows of Borrower for such quarter setting forth in each case in comparative form the figures for the corresponding period of the previous calendar year, all in reasonable detail and certified by the manager or chief financial officer of Borrower that they fairly present the financial condition of such persons as at the dates indicated and the results of its operations for the periods indicated, subject to changes resulting from audit and normal year-end adjustment;

6.20.2 As soon as practicable and in any event within 90 days after the end of each calendar year, a balance sheet of Borrower as at the end of such year and the related statement of income, owner's equity and cash flows of Borrower for such year, setting forth in each case in comparative form the figures for the previous year, all in reasonable detail and certified by the manager or chief financial officer of Borrower;

6.20.3 As soon as practicable and in any event within 30 days after the filing thereof with the Internal Revenue Service, each of the Borrower Parties' respective fiscal year end tax returns; and

6.20.4Such other financial statements, documents and information regarding each of the Borrower Parties as Lender may reasonably request, including, without limitation, updated statements of the financial condition of or financial statements on any Borrower Party.

6.21 *Books and Records.* Borrower shall maintain or cause to be maintained at all times true and complete books, records and accounts of the financial operations of Borrower in accordance with GAAP. Borrower shall allow representatives of Lender to examine all such books, records and accounts of Borrower, and to make copies thereof, at all reasonable times and on reasonable prior written notice during regular business hours. Borrower shall furnish Lender, with reasonable promptness, such information regarding Borrower's operations or the Project as Lender may from time to time reasonably request.

6.22 *Taxes and Claims.* Borrower shall timely file all tax returns and reports required to be filed by Borrower; and duly pay and discharge (or cause to be paid and discharged) (i) all taxes, assessments and governmental charges upon or against Borrower or all or any part of the Project subject to the Security Agreement and Second Deed of Trust prior to the date on which penalties attach thereto, unless and to the extent that the same are being diligently contested in good faith by appropriate proceedings promptly instituted and appropriate reserves therefor as required by GAAP have been established; and (ii) all lawful claims, including, but not limited to, those for labor, materials, services, supplies or anything else which might or could if unpaid become a Lien upon all or any part of the Project subject to the Security Agreement and Second Deed of Trust, unless and to the extent that the same are being diligently contested in good faith by appropriate proceedings and appropriate reserves or other appropriate provision therefor as required by GAAP have been established.

6.23 *Trade Names.* Borrower shall immediately notify Lender in writing of any change in the place of business of or change in the legal, trade or fictitious business names used by Borrower.

6.24 *Approved Budget.* Except as otherwise specifically permitted in this Agreement, Borrower shall not amend, modify or otherwise change the amount of any line item, description of work or services or any other matter set forth in the Approved Project Budget without Lender's prior written approval, in its sole and absolute discretion. Lender shall be provided with no less than ten (10) days prior written notice of any such proposed amendment, modification or other change. Upon approval by lender, each approved amendment, modification or other change shall be deemed to be incorporated

into the Approved Project Budget and shall, for all purposes of this Agreement be the Approved Project Budget with respect to the period covered.

6.25 *Application of Lease Rentals.* Borrower shall use Lease Rentals only (i) to make required payments of debt service on the Existing Loan and the Loan; (ii) to pay Operating Expenses and Property Taxes, as defined in, and provided for in Section 3.3 of the Lease, as they become due and payable; and (iii) to make distributions of cash flow to the Class A and Class B Members of Borrower not to exceed a 10% "cash on cash" return on the aggregate capital investment of the Class A and Class B Members in the Borrower.

6.26 *EBITDA Shortfall.* If, for any full fiscal quarter ending after the Lease terminates or expires, EBITDA does not equal or exceed required payments for such quarter of principal of and interest on the Existing Loan and the Loan, Borrower will, within thirty (30) days of determination of such shortfall, fund a reserve account (the "**Shortfall Reserve Account**") from the proceeds of (i) equity contributions to Borrower or (ii) indebtedness either subordinated to, or ranking *pari passu* with, the Loan, in an aggregate amount equal to such shortfall. Use

of funds deposited in the Shortfall Reserve Account will be restricted, in a manner satisfactory to Lender, to payment of debt service on the Existing Loan and the Loan pro rata in accordance with their respective terms.

7. DEFAULT

7.1 *Default.* The term "**Event of Default**," wherever used in this Agreement, shall mean any one or more of the following events, without regard to any grace period or notice and cure period provided or referenced below with respect to any such events, and the term "**Default**,: wherever used in this Agreement, shall mean any one or more of the following events, after expiration of any applicable grace, notice or cure period expressly provided or referenced below with respect to any such events. The term "**Triggering Event of Default**," wherever used in this Agreement, shall mean an Event of Default, after expiration of the earlier of (i) fifteen (15) days following written notice for an Event of Default for which there is an applicable grace or cure period, of fifteen (15) days following the occurrence of an Event of Default for which there is no applicable grace or cure period; or (ii) any applicable grace, notice, or cure period expressly provided or referenced below with respect to any such events. The Loan shall become immediately due and payable at the option of Lender upon the occurrence of any one or more Defaults, whether such Default shall be voluntary, involuntary, by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any rule or regulation of any administrative body or Governmental Agency:

7.1.1 if (a) any sum payable by Borrower under the Note, the Security Agreement and Second Deed of Trust or any of the Other Loan Documents (other than the outstanding amount of the Loan at maturity) is not paid within ten (10) days after written notice from Lender that such payment is past due; or (b) if the outstanding amount of the Loan is not paid in full at maturity;

7.1.2 if any representation or warranty of Borrower, Endeavor North or any Guarantor contained in this Agreement, the Note, the Security Agreement and Second Deed of Trust or any of the Other Loan Documents, shall prove false or misleading in any material respect or shall have omitted any substantial contingent or unliquidated liability or claim. Notwithstanding the foregoing, if the default under this Section 7.1.2 is not the result of gross negligence or intentional misconduct, and Lender reasonably determines that the Project is not in imminent danger of significant harm, then Borrower shall have a period of ten (10) days following receipt of written notice from lender to cure such default, provided that if such default cannot reasonably be cured within such ten (10) day period and Borrower shall have commenced to cure such default within such ten (10) day period and thereafter diligently and expeditiously proceeds to cure the same, such ten (10) day period shall be extended for so long as it shall require Borrower in the exercise

of due diligence to cure such default, it being agreed that no such extension shall be for a period in excess of sixty (60) days, unless Borrower can demonstrate to the reasonable satisfaction of Lender that it can cure such default within an additional sixty (60) days, in which case such period shall be extended for an additional period of time agreed to by the Lender in the exercise of reasonable discretion not to exceed sixty (60) days;

7.1.3 if Borrower, Endeavor North, a Guarantor or any member in Borrower (each of whom is hereinafter in this subparagraph referred to as an "**Obligor**") shall commence any case, proceeding or other action relating to it in bankruptcy or seeking reorganization, liquidation, dissolution, winding-up, arrangement, composition or readjustment of its debts, or for any other relief, under bankruptcy, insolvency, reorganization, liquidation, dissolution, winding-up, arrangement, composition, readjustment of debt or other similar act or law of any jurisdiction, domestic or foreign, now or hereafter existing; or if an Obligor shall apply for a receiver, custodian or trustee of it or for all or a substantial part of its property; or if an Obligor shall make an assignment for the benefit of creditors; or if an Obligor shall be unable to, or shall admit in writing the inability to pay its debts generally as they become due; or if an Obligor shall take any action indicating its consent to, approval of, acquiescence in, or in furtherance of, any of the foregoing; or if any case, proceeding or other action against an Obligor shall be commenced in bankruptcy or seeking reorganization, liquidation, dissolution, winding-up, arrangement, composition or readjustment of its debts, or any other relief, under any bankruptcy, insolvency, reorganization, liquidation, dissolution, arrangement, composition, readjustment of debt or other similar act or law of any jurisdiction, domestic or foreign, now or hereafter existing, and such condition shall continue for a period of sixty

(60) days undismissed, undischarged or unbonded; or if a receiver, custodian or trustee of an Obligor or for all or a substantial part of its property shall be appointed and such condition shall continue for a period of sixty (60) days undismissed, undischarged or unbonded; or if a warrant of attachment, execution or distraint, or similar process, shall be issued against any substantial part of the property of an Obligor and such condition shall continue for a period of sixty (60) days undismissed, undischarged or unbonded;

7.1.4 if there exists a Default by Borrower under the Note, the Security Agreement and Second Deed of Trust or any of the Other Loan Documents;

7.1.5 if Borrower shall be in default beyond any applicable notice or cure period under the Existing Loan Agreement, the Existing Deed of Trust or any other agreement in respect of the Existing Loan or any other indebtedness of Borrower or otherwise material to the Project, the Mortgaged Property, or Borrower;

7.1.6 if Borrower shall continue to be in default under any of the other terms, covenants or conditions of this Agreement for ten (10) days after notice from Lender in the case of any default which can be cured by the payment of a sum of money or for thirty (30) days after notice from Lender in the case of any other default, provided that if such default cannot reasonably be cured within such thirty (30) day period and Borrower shall have commenced to cure such default within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for so long as it shall require Borrower in the exercise of due diligence to cure such default, it being agreed that no such extension shall be for a period in excess of one hundred twenty (120) days.

7.2 *Remedies.* During the continuance of an Event of Default or upon the occurrence of a Default, Lender may, at its option, exercise any and all rights, remedies and recourses granted under the Note, the Security Agreement and Second Deed of Trust and the Other Loan Documents, or now or hereafter existing in equity, at law, by virtue of statute or otherwise.

7.3 *Lender Cure Right.* If Borrower shall fail to do any act or thing which it has covenanted to do hereunder or any representation or warranty of Borrower shall be breached, and a Default occurs

hereunder, Lender may (but shall not be obligated to) do the same or cause it to be done or remedy any such breach and there shall be added to the Loan the cost or expense incurred by Lender in so doing, and any and all amounts expended by Lender in taking any such action shall be repayable to it upon its demand therefor and shall bear interest at the Default Rate from the date advanced to the date of repayment prior to maturity or acceleration of the Loan.

7.4 *Cumulative Remedies.* Lender's rights and remedies under this Agreement, the Note, the Security Agreement and Second Deed of Trust and the Other Loan Documents are cumulative and shall be in addition to all rights and remedies provided by law from time to time. The exercise by Lender of any right or remedy shall not constitute a cure or waiver of any default, nor invalidate any notice of default or any act done pursuant to any such notice, nor prejudice Lender in the exercise of any other right or remedy, until Lender realizes all amounts owed to it under this Agreement, the Note, the Security Agreement and Second Deed of Trust and the Other Loan Documents, and all Defaults are cured.

8. GUARANTY

8.1 *Guaranty.*

8.1.1 Subject to subsection 8.1.2 below, each Guarantor hereby irrevocably and unconditionally jointly and severally guarantees (such guarantees being collectively called the "**Guaranty**") to the Lender that: (i) the principal of, premium, if any, and interest on the Note, and all costs and reasonably attorneys' fees, including any allocated in-house attorneys' costs and fees, incurred by Lender in connection with the collection thereof promptly will be paid in full when due, whether at maturity, by acceleration or otherwise, and interest on the overdue principal, premium, if any, and interest, if any, of the Note, if lawful, and all other obligations

of the Borrower to the Lender hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof, and (ii) in case of any extension of time of payment or renewal of the Note or any of such other obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due by the Borrower of any amount so guaranteed for whatever reason, each Guarantor shall be jointly and severally obligated to pay the same immediately. Each Guarantor agrees that he or she shall not be entitled to any right of subrogation in relation to Lender in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

8.1.2 This is a guaranty of payment and performance, not collection; each Guarantor hereby agrees that his or her obligations hereunder shall be absolute and unconditional, irrespective of:

(a) any lack of validity, regularity or enforceability of the Note, this Loan Agreement or the other Loan Documents;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the amounts payable or obligations to be performed by Borrower under the Note or pursuant to the Loan Documents, including interest or the principal amount of the Loan and Lender's costs and expenses of collection (collectively, the "**Indebtedness**") or of any of the Loan Documents, or any other amendment, waiver or consent by the Lender to any departure from the Loan Documents, including, without limitation, any increase in the Indebtedness resulting from the extension of additional credit to Borrower or otherwise;

(c) the absence of any action to enforce the Note or this Loan Agreement, or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor;

(d) the recovery of any judgment against the Borrower, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor, including, but not limited to, the taking, holding or sale of any Collateral or any termination or release of any Collateral from the Liens created by any Loan Documents;

(e) whether now or hereafter recovery upon such Indebtedness may be or hereafter become barred by any statute of limitation; or

(f) any change, restructuring or termination of the limited liability company or other structure or existence of Borrower or of any owner or partner of Borrower.

8.1.3 Each Guarantor hereby waives:

(a) promptness, diligence, notice of acceptance, and any other notice with respect to any of the Indebtedness or this Guaranty;

(b) presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Borrower, any right to require a proceeding first against the Borrower or any other person or the Mortgaged Property or any other Collateral, protest, notice and all demands whatsoever;

(c) any requirement that Lender or any other person protect, secure or insure any Lien or any Collateral; and

(d) any and all defenses now or hereafter arising or asserted by reason of: (1) any claim or defense based upon an election of remedies by Lender which in any manner impairs, reduces, releases or otherwise adversely affects Guarantors' respective subrogation, contribution or reimbursement rights or other rights to proceed against Borrower or any other

person or any Collateral (to the extent such rights have not been effectively waived as hereinafter provided); (2) any disability or other defense of Borrower or any other guarantor or any other person with respect to the Indebtedness; (3) the unenforceability or invalidity of any security, indemnity or guaranty for the Indebtedness or the lack of perfection or continuing perfection or failure of priority of any security for the Indebtedness; (4) the cessation for any cause whatsoever of the liability of Borrower or either of the Guarantors or any other person (other than by reason of the full payment and performance of all Indebtedness); (5) except as otherwise provided in any Loan Document, any failure of Lender to give notice of sale or other disposition of Collateral to Borrower or Guarantors or any other person or any defect in any notice that may be given in connection with any sale or disposition of Collateral; (6) except as otherwise provided in any Loan Document, any failure of Lender to comply with applicable laws in connection with the sale or other disposition of any Collateral or other security for any Indebtedness, including without limitation, any failure of Lender to conduct a commercially reasonable sale or other disposition of any Collateral or other security for any Indebtedness; (7) any act or omission of Lender or others that directly or indirectly results in or aids the discharge or release of Borrower, either of the Guarantors or any other person or the Indebtedness or any other security or guaranty therefor by operation of law or otherwise; (8) any law which provides that the obligation of a surety or guarantor must neither be larger in amount nor in other respects more burdensome than that of the principal or which reduces a surety's or guarantor's obligation in proportion to the principal obligation; (9) any failure of Lender to file or enforce a claim in any bankruptcy or other proceeding with respect to any person; (10) the election by Lender, in any bankruptcy proceeding of any person, of the application or non-application of Section 1111(b)(2) of the United States Bankruptcy Code; (11) any extension of credit or the grant of any lien under Section 364 of the United States Bankruptcy Code; (12) any use of cash collateral under

Section 363 of the United States Bankruptcy Code; (13) any agreement or stipulation with respect to the provision of adequate protection in any bankruptcy proceeding of any person; (14) the avoidance of any Lien in favor of Lender for any reason; (15) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against any person, including any discharge of, or bar or stay against collecting, all or any of the Indebtedness (or any interest thereon) in or as a result of any such proceeding; (16) to the extent permitted in NRS 40.495(2), the benefits of the one-action rule under NRS 40.430; and (17) Guarantors' respective rights under NRS 104.3605, Guarantors specifically agreeing that the provisions of this clause (17) shall constitute a waiver of discharge under NRS 104.3605(9).

8.1.4 If Lender is required by any court or otherwise to return to Borrower or any custodian, trustee, liquidator or other similar official acting in relation to Borrower, any amount paid by Borrower to such trustee or such Lender, this Guaranty, to the extent theretofore discharged, shall be reinstated in full force and effect. Each guarantor hereby waives and relinquishes, to the maximum extent permitted by law, any right of subrogation, reimbursement, contribution or indemnification in relation to Lender in respect of any obligations guaranteed hereby or any suretyship or guarantor defenses he or she might have under Nevada law or other applicable law (including any defense or benefit that may be derived from NRS 40.430 and judicial decisions relating thereto, and/or NRS 40.451 *et seq.*, and judicial decisions relating thereto) until payment in full and performance of all obligations guaranteed hereby is complete. Each Guarantor covenants that this Guaranty shall not be discharged except by complete performance of the obligations contained in the Note and this Loan Agreement and the other Loan Documents and agrees that he or she will be fully liable under this Guaranty even though Lender forecloses on any of the Mortgaged Property.

8.1.5 It is the intention of each Guarantor and Borrower that the obligations of each Guarantor hereunder shall be, but not in excess of, the maximum amount permitted by applicable law. Accordingly, if the obligations in respect of the Guaranty would be annulled, avoided or subordinated to the creditors of any Guarantor by a court of competent jurisdiction in a proceeding actually pending before such court as a result of a determination both that such Guaranty was made without fair consideration and,

immediately after giving effect thereto, such Guarantor was insolvent or unable to pay his or her debts as they mature or left with an unreasonably small capital, then the obligations of such Guarantor under this Guaranty shall be reduced by such court if such reduction would result in the avoidance of such annulment, avoidance or subordination; *provided, however,* that any reduction pursuant to this Section 8.1.5 shall be made in the smallest amount as is strictly necessary to reach such result. For purposes of this paragraph, "fair consideration," "insolvency," "unable to pay his or her debts as they mature," "unreasonably small capital" and the effective times of reductions, if any, required by this paragraph shall be determined in accordance with applicable law. Any such reduction in respect of any individual Guarantor shall not affect the joint and several nature of this Guaranty or the obligations of any other Guarantor hereunder.

8.1.6 Each Guarantor shall be subrogated to all rights of Lender against Borrower in respect of any amounts paid by such Guarantor pursuant to the provisions of the Guaranty or this Agreement; *provided, however,* that such Guarantor shall not be entitled to enforce or to receive any payments arising out of, or based upon, such right of subrogation until the principal of, premium, if any, and interest on the Note and all other sums due and owing by or on behalf of Borrower to Lender shall have been paid in full.

8.1.7 Each of the Guarantors acknowledges that he or she will receive direct and indirect benefits from the Loan and that the waivers set forth in this Guaranty are knowingly made in contemplation of such benefits and that such waivers are a material part of the consideration Lender is receiving for extending financial accommodations to Borrower. Each of the Guarantors hereby acknowledges and agrees that such waivers are intended to benefit Lender and shall not limit or otherwise affect such Guarantor's liability hereunder, under any other Loan Document to which any of the Guarantors is a party, or the enforceability hereof or thereof. Each of the Guarantors further represents, warrants and agrees that each of the waivers and consents set forth herein is made with full knowledge of its significance and consequences, with the understanding that events giving rise to any defense waived may diminish, destroy or otherwise adversely affect rights which either of the Guarantors otherwise may have against Borrower, any other guarantors, Lender, or others, or against any Collateral. If any of the waivers or consents herein is determined

to be contrary to any applicable law or public policy, such waivers and consents shall be effective to the maximum extent permitted by law.

8.2 *Execution and Delivery of Guaranty.* To evidence the Guaranty set forth in Section 8.1, Borrower and each Guarantor hereby agree that the Note will refer to such Guaranty and that this Agreement shall be executed by each Guarantor.

8.3 *Release of Guarantors.* The Guarantors shall be released from their obligations under the Guaranty and under this Agreement if and when the grantee of the Option exercises the Option.

9. SUBORDINATION OF NOTE

9.1 *Note Subordinated to Senior Debt.* Borrower, for itself, its successors and assigns, covenants and agrees, and Lender likewise covenants and agrees, that the indebtedness evidenced by the Note (and any renewals or extensions thereof), including the principal of, premium, if any, and interest thereon and any interest payable on such interest, shall be subordinate and subject in right of payment, to the extent and in the manner hereinafter set forth, to the prior payment in full of all Senior Debt, and that each holder of Senior Debt whether now outstanding or hereafter created, incurred, assumed or guaranteed shall be deemed to have acquired Senior Debt in reliance upon the covenants and provisions contained in this Agreement and the Note.

9.2 *Note Subordinated to Prior Payment of all Senior Debt on Dissolution, Liquidation, Reorganization, etc. of Borrower.* Upon any payment or distribution of the assets of Borrower of any kind or character, whether in cash, property or securities (including any collateral at any time securing the Note, except for property as to which the Security Agreement and Second Deed of Trust expressly provides is subject to a first Lien in favor of Lender) to creditors upon any dissolution, winding-up, total or partial liquidation, reorganization, or recapitalization or readjustment of Borrower or its property or securities (whether voluntary or involuntary, or in bankruptcy, insolvency, reorganization,

liquidation, or receivership proceedings, or upon an assignment for the benefit of creditors, or any other marshalling of the assets and liabilities of Borrower or otherwise), then in such event,

9.2.1 all holders of Senior Debt shall first be entitled to receive payment in full in cash, before any payment is made on account of the principal, premium, if any, or interest on the indebtedness evidenced by the Note;

9.2.2 any payment or distribution of assets of Borrower, of any kind or character, whether in cash, property or securities (other than equity interests in Borrower), to which Lender would be entitled except for the provisions of this Section 9, except for property as to which the Security Agreement and Second Deed of Trust expressly provides is subject to a first Lien in favor of Lender, shall be paid or delivered by any debtor or other person making such payment or distribution, directly to the holders of the Senior Debt or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any of such Senior Debt may have been issued, ratably according to the aggregate amounts remaining unpaid on account of the Senior Debt held or represented by each, for application to payment of all Senior Debt remaining unpaid, to the extent necessary to pay all Senior Debt in full after giving effect to any concurrent payment or distribution to the holders of such Senior Debt; and

9.2.3 in the event that, notwithstanding the foregoing provisions of this Section 9.2, any payment or distribution of assets of Borrower, whether in cash, property or securities (other than equity interests in Borrower), shall be received by Lender before all Senior Debt is paid in full, such payment or distribution (subject to the provisions of Sections 9.6 and 9.7) shall be held in trust for the benefit of, and shall be immediately paid or delivered by Lender, as the case may be, to the holders of Senior Debt remaining unpaid or unprovided for, or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any

instruments evidencing any of such Senior Debt may have been issued, ratably according to the aggregate amounts remaining unpaid on account of the Senior Debt held or represented by each, for application to the payment of all Senior Debt remaining unpaid, to the extent necessary to pay all Senior Debt in full after giving effect to any concurrent payment or distribution to the holders of such Senior Debt.

Borrower shall give prompt written notice to Lender of any action or plan of dissolution, winding-up, liquidation or reorganization of the Company or any other facts known to it which would cause a payment to violate this Section 9.

Upon any payment or distribution of assets of Borrower referred to in this Section 9, Lender shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding-up, liquidation or reorganization proceeding is pending, or a certificate of the liquidating trustee or agent or other person making any distribution to Lender, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Debt and other debt of the Company, the amount thereof payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Section 9.

9.3 *Lender to be Subrogated to Right of Holders of Senior Debt.* Subject to the payment in full of all Senior Debt in cash or cash equivalents, the Lender shall be subrogated (equally and ratably with the holders of all debt of Borrower that, by its terms, is not superior in right of payment to the Note and ranks on a parity with the Note) to the rights of the holders of Senior Debt to receive payments or distributions of assets of Borrower applicable to the Senior Debt until the principal of, premium, if any, and interest, on the Note shall be paid in full, and for purposes of such subrogation, no payments or distributions to the holders of Senior Debt of assets, whether in cash, property or securities, distributable to the holders of Senior Debt under the provisions hereof to which Lender would be entitled except for the provisions of this Section 9, and no payment over pursuant to the provisions of this Section 9 to the holders of Senior Debt by Lender shall, as between Borrower, its creditors (other than the holders of Senior Debt) and lender, be deemed to be a payment by Borrower to or on account of Senior Debt, it being understood that the provisions of this Section 9 are, and are intended, solely for the purpose of defining the relative rights of Lender, on the one hand, and the holders of Senior Debt, on the other hand.

9.4 *Obligations of Borrower Unconditional.* Nothing contained in this Section 9 or elsewhere in this Agreement or in the Note is intended to or shall impair or affect, as between Borrower, its creditors (other than the holders of Senior Debt) and Lender, the obligation of Borrower, which is absolute and unconditional, to pay to Lender the principal of, premium, if any, and interest on, the Note, as and when the same shall become due and payable in accordance wits terms, or to affect the relative rights of Lender and creditors of Borrower other than the holders of Senior Debt, nor shall anything herein or therein prevent or limit Lender from exercising all remedies otherwise permitted by applicable law upon the happening of an Event of Default hereunder, subject to the rights, if any, under this Section 9 of the holders of Senior Debt in respect of assets, whether in cash, property or securities, of Borrower received upon the exercise of any such remedy. Nothing contained in this Section 9 or elsewhere in this Agreement or in the Note, shall, except during the pendency of any dissolution, winding-up, total or partial liquidation, reorganization, recapitalization or readjustment of Borrower or its securities (whether voluntary or involuntary, or in bankruptcy, insolvency, reorganization, liquidation or receivership proceedings, or upon an assignment for the benefit of creditors, of any other marshalling of assets and liabilities of Borrower or otherwise), affect the obligation of Borrower to make, or prevent Borrower from making, at any time (except under the circumstances described in Section 9.5 hereof), payment of principal of, premium, if any, or interest on, the Note.

9.5 *Borrower not to Make Payments with Respect to Note in Certain Circumstances.*

9.5.1 Upon the maturity of any Senior Debt by lapse of time, acceleration or otherwise, all principal thereof and interest thereon and all other obligations in respect thereof shall first be paid in full in cash or cash equivalents, or such payment duly provided for, before any payment is made on account of principal of, premium, if any, or interest on the Note in cash or property (other than property as to which the Security Agreement and Second Deed of Trust expressly provides is subject to a first Lien in favor of Lender), or to acquire or repurchase the Note.

9.5.2 Upon the happening of an event of default (as such term is used in any instrument governing Senior Debt) in respect of the payment of any Senior Debt, then, unless and until such default shall have been cured or waived by the holders of such Senior Debt or shall have ceased to exist, no payment shall be made by Borrower with respect to the principal of, premium, if any, or interest on the Note in cash or property or to acquire or repurchase the Note.

9.5.3 Upon the happening of a default or an event of default with respect to any Senior Debt as such terms are used in such instruments, other than a default in payment of the principal of, premium, if any, or interest on the Senior Debt, or if an event of default would result upon any payment with respect to the Note, upon written notice of (i) the default given to Borrower, each Guarantor and Lender by holders of Senior Debt representing a majority of the principal amount thereof or their representative, or (ii) the event of default given to Borrower, each Guarantor and Lender by the holders of Senior Debt representing a majority of the principal amount thereof or their representative, then, unless and until such default or event of default has been cured or waived or otherwise has ceased to exist, no payment may be made by Borrower with to the principal of, premium, if any, or interest on the Note in cash or property (other than property as to which the Security Agreement and Second Deed of Trust expressly provides is subject to a first Lien in favor of Lender), or to acquire or repurchase the Note for cash or property. Notwithstanding the foregoing, (i) if the event of default in respect of Senior Debt relates solely to the failure of Borrower to make payments to Lender on the Note and such default can be cured by payment of funds in the Shortfall Reserve Account, then such funds may be applied to such payment; and (ii) unless the Senior Debt in respect of which such default or event of default exists has been declared due and payable in its entirety, in the case of a default, within thirty (30) days and, in the case of an event of default, within 180 days after the date written notice of such default or event of default is delivered as set forth above (the "**Payment Blockage Period**"), and such declaration has not been rescinded, Borrower is required then to pay all sums not paid to Lender during the Payment Blockage Period due to the foregoing prohibitions and to resume all other payments as and when due on the Note. Any number of such notices may be given; *provided, however,* that (x) during any 360 consecutive days, the aggregate of all Payment Blockage Periods shall not exceed 180 days, (y) there shall be a period of at least 180 consecutive days during each continuous 360-day period when no Payment Blockage Period is in effect, and (z) any default or event of default that resulted in the commencement of a 180-day period may not be the basis for the commencement of any other 180-day period.

In the event that, notwithstanding the foregoing provisions of this Section 9.5, any payment or distribution of assets of Borrower, whether in cash, property (except as aforesaid) or securities (other than equity interests in Borrower), shall be received by Lender at a time when such payment or distribution should not have been made because of Section 9.5, such payment or distribution (subject to the provisions of Sections 9.6 and 9.7) shall be held in trust for the benefit of the holders of, and shall be paid or delivered by Lender, to the holders of the Senior Debt remaining unpaid or unprovided for or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any of such Senior Debt may have been issued, ratably according to the aggregate amounts remaining unpaid on account of the Senior Debt held or represented by each, for application to the payment of all Senior Debt remaining unpaid, to the extent necessary to pay all

Senior Debt in full after giving effect to any concurrent payment or distribution to the holders of such Senior Debt.

9.6 *Lender Entitled to Assume Payments not Prohibited in Absence of Notice.* Lender shall not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment to Lender, unless and until Lender shall have received written notice thereof at its address set forth for notice in Section 11.1 hereof from Borrower or from one or more holders of Senior Debt or from any representative thereof or trustee therefor, and, prior to the receipt of any such written notice, Borrower shall be entitled to assume conclusively that no such facts exist, and shall be fully protected in making any such payment in any such event.

Lender shall be entitled to rely on the delivery to it of a written notice by a Person representing himself or itself to be a holder of Senior Debt (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of Senior debt or a trustee on behalf of any such holder. In the event that Lender determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Debt to participate in any payment or distribution pursuant to this Section 9, Lender may request such Person to furnish evidence to the reasonable satisfaction of Lender as to the amount of Senior Debt held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Section 9, and, if such evidence is not furnished, Lender may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

9.7 *Application by Lender of Monies Deposited with it.* Any deposit of monies by Borrower with Lender for the payment of the principal of, premium, if any, or interest on, the Note shall be subject to the provisions of Section 9.1, 9.2, 9.3 and 9.5 hereof, except (a) as otherwise provide in Section 9.5 and (b) that, if prior to the opening of business on the second Business day next prior to the date on which, by the terms of this Agreement, any such monies may become payable for any purpose (including, without limitation, the payment of principal of, premium, if any, or interest on the Note) Lender shall not have received with respect to such monies the notice provided for in Section 9.6, then Lender shall have the full power and authority to receive such monies and to apply such monies to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such date; without, however, limiting any rights that holders of Senior Debt may have to recover any such payments from Lender in accordance with the provisions of this Section 9.

9.8 *Subordination Rights Not Impaired by Acts or Omissions of Borrower or Holders of Senior Debt.* No right of any present or future holder of any Senior Debt to enforce subordination, as herein provided, shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of Borrower or by any act or failure to act, in good faith, by any such holder, or by any non-compliance by the Borrower with the terms, provisions and covenants of this Agreement, the Note, or any other agreement or instrument regardless of any knowledge thereof any such holder may have or be otherwise charged with.

Lender, by its acceptance thereof, undertakes and agrees for the benefit of each holder of Senior Debt to execute, verify, deliver and file any proofs of claim, consents, assignments or other instruments that any holder of Senior Debt may at any time require in order to prove and realize upon any rights or claims pertaining to the Note and to effectuate the full benefit of the subordination contained in this Section 9, and upon failure of Lender so to do, any such holder of Senior debt (or a trustee or representative on its behalf) shall be deemed to be irrevocably appointed the agent and attorney-in-fact of Lender to execute, verify, deliver and file any such proofs of claim, consents, assignments or other instrument.

Without limiting the effect of the first paragraph of this Section 9.8, any holder of Senior Debt may at any time and from time to time without the consent of or notice to Lender, without impairing

or releasing any of the rights of any such holder of Senior Debt hereunder, upon or without any terms or conditions and in whole or in part:

(i) change the manner, place or terms of payment, or change or extend the time of payment of or increase the amount of, renew or alter, any Senior Debt or any other liability of Borrower to such holder, any security therefor, or any liability incurred directly or indirectly in respect thereof, and the provisions hereof shall apply to the Senior Debt of such holder as so changed, extended, renewed or altered;

(ii) sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order any property by whomsoever at any time pledged or mortgaged to secure, or however securing, any Senior Debt or any other liability of Borrower to such holder or any other liabilities incurred directly or indirectly in respect thereof or hereof, or any offset against it;

(iii) exercise or refrain from exercising any rights or remedies against Borrower or others or otherwise act or refrain from acting or for any reason fail to file, record or otherwise perfect any security interest in or lien on any property of Borrower or any other Person;

(iv) settle or compromise any Senior Debt or any other liability of Borrower to such holder or any security therefor, or any liability incurred directly or indirectly in respect thereof or hereof, and may subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) of Borrower to creditors of Borrower other than such holder; and

(v) apply any sums by whomsoever paid and however realized to any liability or liabilities of Borrower to such holder (other than in respect of the Note or any liability or liabilities which rank *pari passu* or junior in right of payment to the Note) regardless of what liability or liabilities of Borrower to such holder remain unpaid.

9.9. *Section 9 not to Prevent Events of Default.* The failure to make a payment on account of principal of, premium, if any, or interest on, the Note by reason by any provision in this Section 9 shall not be construed as preventing the occurrence of an Event of Default.

10. SUBORDINATION OF GUARANTY

10.1 *Guaranty Subordinated to Senior Debt.* Each Guarantor, for his or her self, their successors and assigns, covenants and agrees, and Lender, by its acceptance thereof, likewise covenants and agrees, that payments by the guarantors in respect of the Guaranty shall be subordinate and subject in right of payment, to the extent and in the manner hereinafter set forth, to the prior payment in full of all Senior Debt, and that each holder of Senior Debt whether now outstanding or hereafter created, incurred, assumed or guaranteed shall be deemed to have acquired Senior Debt in reliance upon the covenants and provisions contained in this Agreement and the Note. For purposes of this Section 10, "payment in respect of the Guaranty" means any payment made by or on behalf of any Guarantor in respect of the Guaranty, including, but not limited to, any payment on account of the principal of, premium, if any, or interest on the Note in cash or property or to acquire or repurchase the Note.

10.2 *Guaranty Subordinated to Prior Payment of all Senior Debt on Dissolution, Liquidation, Reorganization, etc. of the Guarantor.* Upon any payment or distribution of the assets of any Guarantor of any kind or character, whether in cash, property or securities (including any collateral at any time securing the Note) to creditors upon any dissolution, or winding-up, or total or partial liquidation, or reorganization, or recapitalization or readjustment of any Guarantor or his or her property or securities (whether voluntary or involuntary, or in bankruptcy, insolvency, reorganization, liquidation, or receivership proceedings, or upon an assignment for the benefit of creditors, or any other marshalling of the assets and liabilities of such Guarantor or otherwise), then in such event,

10.2.1 the holders of all Senior Debt shall first be entitled to receive payment in full in cash or cash equivalents before any payment in respect of the Guaranty is made;

10.2.2 any payment or distribution of assets of any Guarantor of any kind or character, whether in cash, property or securities, to which Lender would be entitled except for the provision of this Section 10-, shall be paid or delivered by any debtor or other person making such payment or distribution, directly to the holders of the Senor Debt or their representatives or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any of such Senior Debt may have been issued, ratably according to the aggregate amounts remaining unpaid on account of the Senior Debt held or represented by each, for application to payment of all Senior Debt remaining unpaid, to the extent necessary to pay all Senior Debt in full after giving effect to any concurrent payment or distribution to the holders of such Senior Debt; and

10.2.3 in the event that, notwithstanding the foregoing provisions of this Section 10.2, any payment or distribution of assets of any Guarantor of any kind or character, whether in cash, property or securities, shall be received Lender before all Senior Debt is paid in full, such payment or distribution (subject to the provisions of Section 10.6 and 10.7) shall be held in trust for the benefit or, and shall be immediately paid or delivered by Lender, to the holders of Senior Debt remaining unpaid or unprovided for, or their representative or representatives, or to the trustee or trustee under any indenture pursuant to which any instruments evidencing any of such Senior Debt may have been issued, ratably according to the aggregate amounts remaining unpaid on account of the Senior Debt held or represented by each, for application to the payment of all Senior Debt remaining unpaid, to the extent necessary to pay all Senior Debt in full after giving effect to any concurrent payment or distribution to the holders of such Senior Debt.

Each Guarantor shall give prompt notice to the trustee and any paying agent of any liquidation or reorganization of such Guarantor or any other facts known to it which would cause a payment to violate this Section 10.

Upon any payment or distribution of assets of any Guarantor referred to in this Section 10, Lender shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding-up, liquidation or reorganization proceeding is pending, or a certificate of the liquidating trustee or agent or other person making any distribution to Lender, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Debt, the amount thereof payable thereon, the mount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Section 10.

10.3 *Lender to be Subrogated to Rights of Holders of Senior Debt.* Subject to the payment in full of all Senior Debt in cash or cash equivalents, Lender shall be subrogated to the rights of the holders of Senior Debt to receive payments or distribution of assets of any Guarantor applicable to the Senior Debt until the principal of, premium, if any, and interest on the Note shall be paid in full, and for purposes of such subrogation, no payments or distributions to the holders of Senior Debt of assets, whether in cash, property or securities, distributable to the holders of Senior Debt under the provisions hereof to which Lender would be entitled except for the provisions of this Section 10, and no payment over pursuant to the provisions of this Section 10 to the holders of Senior Debt by Lender shall, as between any Guarantor, his or her creditors (other than the holders of Senior Debt) and Lender, be deemed to be a payment by any Guarantor to or on account of Senior Debt, it being understood that the provisions of this Section 10 are, and are intended, solely for the purpose of defining the relative rights of Lender, on the one hand, and the holders of Senior Debt, on the other hand.

10.4 *Obligations of Guarantors Unconditional.* Nothing contained in this Section 10 or elsewhere in this Agreement or in the Note is intended to or shall impair or affect, as between any Guarantor, its creditors (other than the holders of Senior Debt) and Lender, the obligation of any Guarantor under

the Guaranty, or to affect the relative rights of Lender and creditors of any Guarantor, other than the holders of Senior Debt, nor shall anything herein or therein prevent or limit Lender from exercising all remedies otherwise permitted by applicable law upon the happening of an Event

of Default hereunder, subject to the rights, if any, under this Section 10 of the holders of Senior Debt in respect of assets, whether in cash, property or securities, of any Guarantor, received upon the exercise of any such remedy. Nothing contained in this Section 10 or elsewhere in this Agreement or in the Note, shall, except during the pendency of any winding-up, total or partial liquidation or readjustment of any Guarantor (whether voluntary or involuntary, or in bankruptcy, insolvency, reorganization, liquidation or receivership proceedings, or upon an assignment for the benefit of creditors, or any other marshalling of assets and liabilities of such Guarantor or otherwise), affect the obligation of such Guarantor to make, or prevent such Guarantor from making, at any time (except under the circumstances described in Section 10.5 hereof), any payment in respect of the Guaranty.

10.5 *Guarantor Not to make Payments in Respect of the Guaranty in Certain Circumstances.*

10.5.1 Upon the maturity of any Senior Debt by lapse of time, acceleration or otherwise, all principal thereof and interest thereon and all other obligations in respect thereof shall first be paid in full in cash or cash equivalents, or such payment duly provided for before any payment in respect of the Guaranty is made.

10.5.2 Upon the happening of an event of default (as such term is used in such instrument) in respect of the payment of any Senior Debt), then, unless and until such default shall have been cured or waived by the holders of Senior Debt or shall have ceased to exist, no payment in respect of the Guaranty shall be made.

10.5.3 Upon the happening of a default or an event of default with respect to any Senior Debt, other than a default in payment of the principal of, premium, if any, or interest on the Senior Debt, or if an event of default would result upon any payment pursuant to the Guaranty with respect to the Note, upon written notice of (i) the default given to Borrower, each Guarantor and Lender by holders of Senior Debt representing a majority of the principal amount thereof or their representative, or (ii) the event of default given to Borrower, each Guarantor and Lender by the holders of Senior Debt representing a majority of the principal amount thereof or their representative, then, unless and until such default or event of default has been cured or waived or otherwise has ceased to exist, no payment in respect of the Guaranty may be made. Notwithstanding the foregoing, unless the Senior Debt in respect of which such default or event of default exists has been declared due and payable in its entirety, in the case of a default, within 30 days and, in the case of an event of default, within 180 days after the date written notice of such default or event of default is delivered as set forth above (the "**Payment Blockage Period**"), and such declaration has not been rescinded, each Guarantor is required then to pay all sums not paid to Lender during the Payment Blockage Period due to the foregoing prohibitions and to resume all other payments as and when due on the Note. Any number of such notices may be given; *provided, however,* that (i) during any 360 consecutive days, the aggregate of all Payment Blockage Periods shall not exceed 180 days, (ii) there shall be a period of at least 190 consecutive days during each continuous 360-day period when no Payment Blockage Period is in effect, and (iii) any default or event of default that resulted in the commencement of a 180-day period may not be the basis for the commencement of any other 180-day period.

10.6 *Lender Entitled to Assume Payments not Prohibited in Absence of Notice.* Lender shall not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment to Lender, unless and until Lender shall have received written notice thereof at the address set forth in Section 11.1 hereof from Borrower or any Guarantor or from one or more holders of Senior Debt or from any representative thereof or trustee therefor, and, prior, to the receipt of any such written notice, Lender shall be entitled to assume conclusively that no such facts exist, and shall be fully protected in making any such payment in any such event.

Lender shall be entitled to rely on the delivery to it of a written notice by a Person representing himself or itself to be a holder of Senior Debt (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of Senior Debt or a trustee on behalf of any such holder. In the event that Lender determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Debt to participate in any payment or distribution pursuant to this Section 10, Lender may request such Person to furnish evidence to the reasonable satisfaction of Lender as to the amount of Senior Debt held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Section 10, and, if

such evidence is not furnished, Lender may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

10.7 *Application by Lender of Monies Deposited with it.* Any deposit of monies by any Guarantor with Lender for any payment in respect of the Guaranty shall be subject to the provisions of Sections 10.1, 10.2, 10.3 and 10.5 hereof except that, if prior to the opening of business on the second Business Day next prior to the date on which, by the terms of this Agreement, any such monies may become payable for any purpose (including, without limitation, the payment of principal of, or interest on, the Note) Lender shall not have received with respect to such monies the notice provided for in Section 10.6, then Lender shall have the full power and authority to receive such monies and to apply such monies to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such date; without, however, limiting any rights that

holders of Senior Debt may have recover any such payments from Lender in accordance with the provisions of this Section 10.

10.8 *Subordination Rights not Impaired by Acts or Omissions of Guarantors or Holders of Senior Debt.* No right of any present or future holder of any Senior Debt to enforce subordination, as herein provided, shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of any Guarantor or by any act or failure to act, in good faith, by any such holder, or by any non-compliance by any Guarantor with the terms, provisions and covenants of this Agreement, the Note, or any other agreement or instrument regardless of any knowledge thereof any such holder may have or be otherwise charged with.

Lender undertakes and agrees for the benefit of each holder of Senior Debt to execute, verify, deliver and file any proofs of claim, consents, assignments or other instruments that any holder of Senior Debt may at any time require in order to prove and realize upon any rights or claims pertaining to the Guaranty and to effectuate the full benefit of the subordination contained in this Section 10; and upon failure of Lender so to do, any such holder of Senior Debt) or a trustee or representative on its behalf) shall be deemed to be irrevocably appointed the agent and attorney-in-fact of Lender to execute, verify, deliver and file any such proofs of claim, consents, assignments or other instrument.

Without limiting the effect of the first paragraph of this Section 10.8, any holder of Senior Debt may at any time and from time to time without the consent of or notice to Lender, without impairing or releasing any of the rights of any such holder of Senior Debt hereunder, upon or without any terms or conditions and in whole or in part:

(i) change the manner, place or terms of payment, or change or extend the time of payment of or increase the amount of, renew or alter, any Senior Debt or any other liability of any Guarantor to such holder, any security therefor, or any liability incurred directly or indirectly in respect thereof, and the provisions hereof shall apply to the Senior Debt of such holder as so changed, extended, renewed or altered;

(ii) sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order any property by whomsoever at any time pledged or mortgaged to secure, or however securing, any Senior Debt or any other liability of any Guarantor to such holder or any other liabilities incurred directly or indirectly in respect thereof or hereof, or any offset against it;

(iii) exercise or refrain from exercising any rights or remedies against any Guarantor or others or otherwise act or refrain from acting or for any reason fail to file, record or otherwise perfect any security interest in or lien on any property of any Guarantor or any other Person;

(iv) settle or compromise any Senior Debt or any other liability of Borrower to such holder or any security therefor, or any liability incurred directly or indirectly in respect thereof or hereof, and may subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) of any Guarantor to creditors of any Guarantor other than such holder; and

(v) apply any sums by whomsoever paid and however realized to any liability or liabilities of any Guarantor to such holder (other than in respect of the Guaranty or any liability or liabilities which rank *pari passu* or junior in right of payment to the Guaranty) regardless of what liability or liabilities of such Guarantor to such holder remain unpaid.

10.9 *Section 10 Not to Prevent Events of Default.* The failure to make a payment in respect of the Guaranty, by reason by any provision in this Section 10 shall not be construed as preventing the occurrence of an Event of Default hereunder.

10.10 *Lender not Fiduciary for Holders of Senior Debt.* The provisions of this Agreement are not intended to create, nor shall they create, any trust or fiduciary relationship between Lender and the holders of Senior Debt, nor shall any implied covenants or obligations with respect to holders of Senior

Debt (other than those expressly set forth herein) be read into this Agreement against Lender. Accordingly, notwithstanding any provision of this Section 10, to the contrary, Lender shall not be liable to any such holders if it shall in good faith, inadvertently pay over or distribute to holders or any Guarantor or any other person monies or assets to which any holders of Senior Debt shall be entitled by virtue of this Section 10 or otherwise.

11. MISCELLANEOUS PROVISIONS

11.1 *Notices.* Any notice, request, demand, statement, authorization, approval or consent made hereunder shall be in writing and shall be sent by Federal Express, or other reputable nationally recognized overnight courier service, or by postage prepaid registered or certified mail, return receipt requested, and shall be deemed given when received or refused (as indicated on the receipt) and addressed as follows:

If to Borrower:

Duke's−Sparks, LLC
1324 Victorian Avenue
Sparks, Nevada 89431
Attention: Mr. Ray Brown, Manager
Facsimile: (775) 331-1109

With a copy to:

Allison, MacKenzie, Hartman, Soumbeniotis & Russell, Ltd.
402 North Division Street
Carson City, Nevada 89703
Attention: James R. Cavilia, Esq.
Facsimile: (775) 882-7918

If to Endeavor North:

Endeavor North, LLC
1324 Victorian Avenue
Sparks, Nevada 89431
Attention: Mr. Ray Brown, Manager
Facsimile: (775) 331-1109

With a copy to:

Allison, MacKenzie, Hartman, Soumbeniotis & Russell, Ltd.
402 North Division Street
Carson City, Nevada 89703
Attention: James R. Cavilia, Esq.
Facsimile: (775) 882-7918

If to Lender:

Archon Corporation
3993 Howard Hughes Parkway, Suite 630
Las Vegas, Nevada 89109
Attention: Mr. Charles Sandefur, Chief Financial Officer
Facsimile: (702) 732-9465

With a copy to:

Jones Vargas
3773 Howard Hughes Parkway
Third Floor South
Las Vegas, Nevada 89109
Attention: Craig H. Norville, Esq.
Facsimile: (702) 734-2722

If to Guarantors:

Ray and Sharon Brown
1386 Decareo Court
Henderson, NV 89014

Kevin and Kathy Hogan
5200 Guide Meridien
Suite 217
Bellingham, WA 98226

Christopher Lowden
1324 Victorian Avenue
Sparks, NV 89431

With a copy to:

Allison, MacKenzie, Hartman, Soumbeniotis & Russell, Ltd.
402 North Division Street
Carson City, Nevada 89703
Attention: James R. Cavilia, Esq.
Facsimile: (775) 882-7918

it being understood and agreed that each party will use reasonable efforts to send copies of any notices to the addresses marked "With a copy to" hereinabove set forth; provided, however, that failure to deliver such copy or copies shall have no consequence whatsoever to the

effectiveness of any notice made to the other party. Each party may designate a change of address by notice given, as herein provided, to the other party, at least fifteen (15) days prior to the date such change of address is to become effective.

11.2 *Joint and Several Liabilities.* If Borrower is more than one person or party, the obligations and liabilities of each such person or party hereunder shall be joint and several.

11.3 *Governing Law.* The terms of this Agreement shall be governed by and construed under the laws of the State of Nevada without reference to such State's principles of conflicts of law.

11.4 *Survival of Representations and Warranties.* All covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making by Lender of the Loan and the execution and delivery to Lender of this Agreement and shall continue in full force and effect until the Loan is paid in full and any other obligations of Borrower under this Agreement, the Note, the Security Agreement and Second Deed of Trust and the Other Loan Documents are performed in full. Whenever in this Agreement either of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of Borrower, Endeavor North and the Guarantors which are contained in this Agreement shall bind the successors and assigns of Borrower, Endeavor North and the Guarantors and inure to the benefit of the successors and assigns of Lender.

11.5 *Estoppel Certificates.* Borrower, within ten (10) days after request by Lender and at Borrower's expense, will furnish Lender with a statement, duly acknowledged and certified, setting forth the amount of the Loan and the defenses, thereto, if any.

11.6 *Further Acts, etc.* Borrower will, at the cost of Borrower, and without expense to Lender, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignments, transfers and assurances as Lender shall, from time to time, reasonably require for the better assuring, conveying, assigning, transferring and confirming unto Lender the property and rights hereby mortgaged or which Borrower may be or may hereafter become bound to convey or assign to Lender, or for carrying out the intention or facilitating the performance of the terms of this Agreement, the Note, the Security Agreement and Second Deed of Trust or the Other Loan Documents, or for filing, registering or recording the Security Agreement and Second Deed of Trust or the Other Loan Documents.

11.7 *Usury Laws.* This Agreement, the Note, the Security Agreement and Second Deed of Trust and the Other Loan Documents are subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the principal balance due under the Note at a rate which could subject the holder of the Note to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by law to contract or agree to pay. If, by the terms of this Agreement, the Note, the Security Agreement and Second Deed of Trust or the Other Loan Documents, Borrower is at any time required or obligated to pay interest on the principal balance due under the Note at a rate in excess of such maximum rate, the rate of interest under the Note shall be deemed to be immediately reduced to such maximum rate and the interest payable shall be computed at such maximum rate and all prior interest payments in excess of such maximum rate shall be applied and shall be deemed to have been payments in reduction of the principal balance of the Note.

11.8 *Jurisdiction.* Borrower and each Guarantor agrees to submit to personal jurisdiction in Washoe County, Nevada in any action or proceeding arising out of this Agreement and, in furtherance of such agreement, Borrower and each Guarantor hereby agrees and consents that, without limiting other methods of obtaining jurisdiction, personal jurisdiction over Borrower and each Guarantor in any such action or proceeding may be obtained within or without the jurisdiction of any court located in Washoe County, Nevada and that any process or notice of motion or other application to any such court in connection with any such action or proceeding may be served upon Borrower and each Guarantor by registered or certified mail to or by personal service at the last known address of Borrower and each Guarantor, whether such address be within or without the jurisdiction of any such court.

11.9 *Delay not Waiver.* No delay on the part of lender in exercising any right or remedy under this Agreement, the Note, the Security Agreement and Second Deed of Trust or the Other Loan Documents or failure to exercise the same shall operate as a waiver in whole or in

part of any such right or remedy or be construed as an election of remedies. Without limiting the generality of the foregoing provisions, the acceptance by lender from time to time of any payment under this Agreement or the Note which is past due or which is less than the payment full of all amounts due and payable at the time of such payment, shall not (i) constitute a waiver of or impair or extinguish the right of the holder hereof to accelerate the maturity of the Note or to exercise any other right or remedy at the time or at any subsequent time, or nullify any prior exercise of any such right or remedy, (ii) constitute a waiver of the requirement of punctual payment and performance, or (iii) constitute a novation in any respect, except that Lender's written acceptance of past due payment as payment in full shall constitute a cure of such payment default. No notice to or demand on Borrower shall be deemed to be a waiver of the obligation of Borrower or of the right of Lender to take further action without further notice or demand as provided in this Agreement, the Note, the Security Agreement and Second Deed of Trust and the Other Loan Documents.

11.10 *Relationship.* The relationship of Lender to Borrower hereunder is strictly and solely that of lender and borrower, and nothing contained in this Agreement, the Note, the Security Agreement and Second Deed of Trust or any of the Other Loan Documents now or hereafter executed and delivered in connection therewith or otherwise in connection with the Loan is intended to create, or shall in any event or under any circumstance be construed as creating, a partnership, joint venture, tenancy-in-common, joint tenancy or other relationship of any nature whatsoever between Lender and Borrower other than as lender and borrower.

11.11 *Written Modification only.* This Agreement may only be modified, amended, changes or terminated by an agreement in writing signed by Lender and Borrower, or in the case of the Guaranty, each Guarantor. No waiver of any term, covenant or provision of this Agreement shall only be effective unless given in writing by the waiving party, and, if so given, shall only be effective in the specific instance in which given.

11.12 *Offsets and Defenses.* This Agreement, the Note, the Security Agreement and Second Deed of Trust and the Other Loan Documents set forth the entire agreement and understanding of Lender, Borrower and each Guarantor regarding the Loan. Borrower and each Guarantor hereby absolutely, unconditionally and irrevocably waives any and all right to assert any offset with respect to amounts payable pursuant to this Agreement, the Note, any of the Security Agreement and Second Deed of Trust or any of the Other Loan Documents. In addition, in connection with any action brought by Lender to enforce the provisions of this Agreement, the Note, any of the Security Agreement and Second Deed of Trust or any of the Other Loan Documents or to enforce, foreclose and realize upon the Liens created hereby, by the Security Agreement and Second Deed of Trust or by the Other Loan Documents, Borrower absolutely, unconditionally and irrevocably waives any and all right to assert in such action any noncompulsory counterclaim or cross claim of any nature whatsoever with respect to (i) this Agreement, the Note, the Security Agreement and Second Deed of Trust or the Other Loan documents, (ii) the obligations of Borrower under this Agreement, the Note, the Security Agreement and Second Deed of Trust or the Other Loan Documents, (iii) the obligations of any other person or party relating to this Agreement, the Note, the Security Agreement and Second Deed of Trust or the Other Loan Documents, (iv) the obligations of Borrower hereunder or otherwise with respect to the Loan, or (v) any claim or other matter relating to the Existing Loan or the Existing Loan Documents or the respective obligations of any of the Borrower Parties or Lender thereunder. Any noncompulsory counterclaim or cross claim asserted by Borrower shall be raised only in a separate action or actions initiated by Borrower. As a material consideration to Lender, in any action brought by Lender to enforce the provisions of this Agreement, the Note, the Security Agreement and Second Deed of Trust or any of the Other Loan Documents, Borrower and each Guarantor absolutely, unconditionally and irrevocably waives any and all right to assert any defense for the sole purpose (as judicially determined) of delaying, hindering or impairing Lender's rights or remedies.

11.13 *Entire Agreement.* Borrower and each Guarantor acknowledges that no oral or other agreements, understandings, representations or warranties exist with respect to this Agreement, the Note, the Security Agreement and Second Deed of Trust or Other Loan Documents with respect to the obligations of Borrower, except those specifically set forth herein or therein.

11.14 *Sale; Assignment.* Borrower and each Guarantor acknowledges that Lender shall have the right in its sole and absolute discretion during the term of the Loan (i) to sell and assign the Loan or participation interests in the Loan, and/or (ii) to effect a so-called securitization of the Loan, in each instance in such manner and on such terms and conditions as Lender shall deem to be appropriate. Borrower

and each Guarantor shall reasonably cooperate, at Lender's expense, in all respects with Lender in connection with such sale, assignment, participation and/or securitization, and shall, in connection therewith, execute and deliver such estoppel certificates, instruments and documents as may be reasonably requested by Lender. Borrower and each Guarantor grants to Lender the right to distribute on a confidential basis financial and other information concerning Borrower, each Guarantor

and the Project and other pertinent information with respect to the Loan to any party who has indicated to Lender an interest in entering into such sale, assignment and/or securitization of the Loan. If Borrower or any Guarantor shall default in the performance of its, his or her obligations as set forth in this Section, and if such default shall not be remedied by Borrower or such Guarantor within ten (10) days after written notice by Lender, Lender shall have the right in its discretion to declare the Loan immediately due and payable.

11.15 *Trial by Jury Waiver.* TO THE EXTENT PERMITTED BY LAW, BORROWER AND EACH GUARANTOR HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY ACTION, CAUSE OF ACTION, CLAIM, DEMAND OR PROCEEDING ARISING UNDER OR WITH RESPECT TO THIS AGREEMENT, THE NOTE, THE SECURITY AGREEMENT AND SECOND DEED OF TRUST OR ANY OF THE OTHER LOAN DOCUMENTS, OR IN ANY WAY CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE DEALINGS OF BORROWER AND LENDER WITH RESPECT TO THIS AGREEMENT, THE NOTE, THE SECURITY AGREEMENT AND SECOND DEED OF TRUST OR THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE. TO THE MAXIMUM EXTENT PERMITTED BY LAW, BORROWER HEREBY AGREES THAT ANY SUCH ACTION, CAUSE OF ACTION, CLAIM, DEMAND, OR PROCEEDING SHALL BE DECIDED BY A COURT TRIAL WITHOUT A JURY AND THAT LENDER MAY FILE AN ORIGINAL COUNTERPART OF THIS SECTION WITH ANY COURT OR OTHER TRIBUNAL AS WRITTEN EVIDENCE OF THE CONSENT OF BORROWER TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

11.16 *Successors and Assigns.* Whenever used and appropriate in the context, the singular number shall include the plural, the plural the singular and the words "Lender," "Borrower," "Endeavor North" and "Guarantor" include their respective successors and assigns, provided, however, that Borrower, Endeavor North and the Guarantors shall in no event or under any circumstance have the right without obtaining the prior written consent of lender to assign or transfer their respective obligations under this Agreement, the Note, the Security Agreement and Second Deed of Trust or the Other Loan Documents, in whole or in part, to any other Person.

11.17 *Headings.* The headings of the Articles, Sections and subdivisions of this Agreement are for convenience of reference only, are not to be considered a part hereof and shall not modify, limit or otherwise affect any of the terms hereof.

11.18 *Severability.* Every provision of this Agreement is intended to be severable, if any term or provision hereof is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable for any reason whatsoever, such illegality, invalidity or unenforceability shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain in full force and effect.

11.19 *Counterparts.* This Agreement may be executed in one or more counterparts, each of which when taken together will constitute one and the same agreement, and each of which shall constitute an original copy of this Agreement.

11.20 *Time is of the Essence.* Time is of the essence of this Agreement.

11.21 *Non-Liability of Lender.* Notwithstanding any other term or provision of this Agreement, Borrower and each Guarantor acknowledges and agrees that the various rights of approval herein given to Lender are for the purpose of protecting Lender's own rights and interests and not for the benefit of Borrower, any Guarantor or any third person. Lender's approval of any plan, design, contractor or other matter shall not be deemed approval of such plan, design, contract or other matter from the standpoint of structural safety, conformance with building codes or other Laws or requirements of any Governmental Agency, but solely an approval for the benefit of Lender, nor shall Lender's approval of

any contractor or other third party be deemed an affirmation by Lender of such person's ability to perform its obligations to Borrower. Neither Lender nor any person acting on behalf of Lender shall be liable to Borrower, any Guarantor or any other Person for any liabilities arising out of or in any way connected with the exercise of Lender's rights under this Agreement, unless due to the willful misconduct of Lender.

11.22. *Third Parties.* Other than the provisions of Sections [9 and 10] hereof with respect to holders of Senior Debt, nothing herein expressed or implied is intended or shall be construed to confer upon or give to any person or corporation other than parties hereto and their successors or assigns, any rights or remedies under or by reason of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

ARCHON CORPORATION

By: /s/ CHARLES W. SANDEFUR

DUKE'S–SPARKS, LLC,
a Nevada limited-liability company

By Endeavor Gaming, Inc., Manager

By: /s/ RAY BROWN, JR.
Ray Brown, Jr., Treasurer

/s/ RAY BROWN, JR.
Ray Brown, Jr., Member

/s/ KEVEN HOGAN
Kevin Hogan, Member

/s/ CHRISTOPHER LOWDEN
Christopher Lowden, Member

ENDEAVOR NORTH, LLC

By: /s/ RAY BROWN, JR.
Ray Brown, Jr., Manager

/s/ RAY BROWN, JR.
Ray Brown, Jr., Guarantor

/s/ SHARON BROWN
Sharon Brown, Guarantor

/s/ KEVIN HOGAN
Kevin Hogan, Guarantor

/s/ KATHY HOGAN

Kathy Hogan, Guarantor

/s/ CHRISTOPHER LOWDEN

Christopher Lowden, Guarantor

QuickLinks

Exhibit 10.33

CASINO LEASE AGREEMENT

THIS CASINO LEASE AGREEMENT ("Archon Lease") is made and entered into as of the 4th day of October, 2002, by and between Duke's-Sparks LLC, a Nevada limited liability company, as lessor ("Lessor"), and Archon Sparks Management Company, a Nevada corporation, as lessee ("Lessee"), with reference to the following facts and objectives:

(a) Lessor owns that certain improved real property consisting of a restaurant, bar, casino and related assets commonly known as Duke's Casino located at 1324 Victorian Avenue, in the City of Sparks, County of Washoe, State of Nevada.

(b) By that certain Casino Lease dated February 15, 2002, Lessor entered into a lease with Pioneer Hotel, Inc., a Nevada corporation ("Pioneer") for the casino area within Duke's Casino (the "Casino Lease").

(c) By that certain Assignment and Assumption of Casino Lease with an effective date of March 15, 2002, (i) Pioneer assigned all of its right, title, and interest in the Casino Lease to Lessee, (ii) Lessee agreed to assume all of Pioneer's obligations under the Casino Lease, and (iii) Lessor consented to the assignment of the Casino Lease from Pioneer to Lessee.

(d) Pursuant to Section 1.2 of the Casino Lease, on August 13,2002, Lessee gave written notice of termination of the Casino Lease, which termination shall be effective on the midnight immediately succeeding 11:59 p.m. on August 15,2002.

(e) Lessor and Lessee now desire to enter into this Archon Lease to reflect, among other matters, that Lessor shall lease all of Duke's Casino to Lessee, and the parties desire to replace the terminated Casino Lease in its entirety as set forth herein.

ARTICLE 1
LEASED PREMISES AND TERM

1.1 *Leased Premises.* The "Leased Premises" consist of the entire property known as Duke's Casino in Sparks, Nevada, including, without limitation, the casino area, restaurant, bar, offices, parking areas, cashier's cage, count room, surveillance room or area, all as shown on **Exhibit 1.1** attached hereto and incorporated herein by reference, together with all furniture, fixtures and equipment used in connection therewith.

1.2 *Lease Term.* The term of this Archon Lease (the "Lease Term") shall commence on the first day of the month (the "Commencement Date") immediately following the month in which Lessee has obtained all licenses, findings of suitability, and approvals required in order for Lessee to lawfully conduct gaming activities at the Leased Premises (collectively, "Gaming Approval") from the Nevada Gaming Control Board, Nevada Gaming Commission, the City of Sparks and any other governmental agency having jurisdiction over the Leased Premises (collectively, the "Gaming Authorities" and individually, a "Gaming Authority"). Notwithstanding the preceding sentence, the Commencement Date shall not occur until all of the remodeling work being performed by Lessor on the Leased Premises has been substantially completed and the City of Sparks has issued a certificate of occupancy for the Leased Premises. Except as otherwise provided herein, the Lease Term shall expire (the "Termination Time") on the midnight immediately succeeding 11:59 p.m. on the date which is the earlier of the following: (a) three (3) years after the Commencement Date, or (b) the date which is the first (1st) day of the month which immediately follows the month in which Lessor has received Gaming Approval to operate the casino within the Leased Premises. Lessor and Lessee may agree to extend the termination time from time to time provided such extension is in writing. If at any time (a) Lessor or any person associated in any way with Lessor, (i) is denied Gaming Approval with respect to the leased premises by Gaming Authorities, (ii) is required by the Gaming Authorities to apply for Gaming Approval and does not apply within any required time limit, as the same may be extended by such Gaming

Authorities, or (iii) withdraws any application for Gaming Approval other than upon a determination by the applicable Gaming Authority that such Gaming Approval is not required for Lessor or any affiliate or (b) any Gaming Authority commences or threatens to commence any suit or preceding against Lessor or any affiliate of Lessor or to terminate or deny any Gaming Approval of Lessor or any affiliate of Lessor as a result of this Archon Lease, Lessee may terminate this Archon Lease upon ten (10) business days notice to Lessor.

1.3 *Entry.* Lessor may enter the Leased Premises upon at least forty-eight (48) hours written notice to Lessee to (i) inspect the Leased Premises, (ii) determine whether Lessee is complying with all its obligations hereunder, and (iii) make "Repairs" as defined below in accordance with this Archon Lease. In no event shall Lessor have access to any area for which access is restricted in accordance with Nevada gaming laws, except pursuant to such laws.

ARTICLE 2
GAMING FF&E

2.1 *Gaming FF&E.* For purposes of this Archon Lease, "Gaming FF&E" means all Gaming Devices as that term is defined in NRS 463.0155, Associated Equipment as that term is defined in NRS 463.0136, and any other furniture, fixtures and equipment used by Lessee in its gaming activities at the Leased Premises that are acquired or leased by Lessee and used at the Leased Premises during the Lease Term. It is contemplated by the parties that the specific Gaming FF&E will consist primarily of (a) Gaming Devices acquired by Lessee from International Game Technology ("IGT") through a capital lease or other finance contract (the "IGT Equipment"), and (b) a gaming system acquired by Lessee from Konami Gaming, Inc. which Lessee will have acquired for use at the Leased Premises (the "Gaming System"). Attached hereto as **Exhibit 2.1** is a list of the Gaming FF&E Lessee has agreed to purchase or finance for use at the Leased Premises, including an amortization schedule for such Gaming FF&E.

2.2 *Lessee's Cash.* On the Commencement Date, Lessee shall be required to have on hand all necessary cash or cash equivalents for use in the Leased Premises as reasonably required for initial fills or loads for the Gaming Devices, all amounts required by the Gaming Authorities for minimum bankroll purposes, and for the payment of all license fees necessary to commence casino operation (collectively, "Lessee's Cash").

ARTICLE 3
RENT

3.1 *Base Rent.* Lessee shall pay to Lessor a base rent ("Rent"), without deduction or offset, in arrears in equal consecutive monthly installments commencing thirty (30) days after Commencement Date and continuing thereafter on the first day of each calendar month of the Lease Term in the amount of Eighty-one Thousand Two Hundred Sixteen and No/100 Dollars ($81,216.00) for each month of the Lease Term. If this Archon Lease shall commence or expire on a day other than the last day of a calendar month, the Rent for any such month shall be prorated on the basis of a thirty (30) day month. Rent shall be payable without notice or demand in lawful money of the United States to Lessor at the address stated herein for notices as set forth in Section 15.5 below or to such other address or such other persons as Lessor may designate to Lessee in writing. Rent will be subject to change in the event there is an increase in the First Mortgage Interest Rate to fourteen percent (14%).

3.2 *Defined Terms.* For purposes of this Article 3, the term Property Taxes shall mean the aggregate amount of all real estate taxes, assessments (whether they be general or special), sewer rents and charges, transit taxes, taxes based upon the receipt of rent and any other federal, state or local governmental charge, general, special, ordinary or extraordinary, which Lessor shall pay or become obligated to pay in connection with Leased Premises, or any part thereof. The term Operating

Expenses shall mean all costs, fees, disbursements and expenses paid or incurred by or on behalf of Lessor in the operation, ownership, maintenance, repair, security, cleaning, security, and surveillance of Leased Premises.

3.3 *Additional Rent.* During the Lease Term, Lessee shall pay to Lessor as rental for the Leased Premises the Rent described in Section 3.1 above, the Property Taxes and the Operating Expenses. Lessee shall pay the Property Taxes for Leased Premises on a timely bases after written notification from Lessor as to the amount of the Property Taxes. Lessee shall pay the Operating Expenses for Leased Premises on a timely basis.

3.4 *Utilities.* During the Lease Term, Lessee shall also pay for Utilities for the Leased Premises on a timely basis. For purposes of this Section 3.4, the term Utilities shall include without limitation, all electrical power, gas, oil, water, phone, cable services and garbage collection.

ARTICLE 4
USE; MAINTENANCE; ALTERATIONS; MECHANICS' LIENS

4.1 *Use.* Lessee shall use the Leased Premises as a casino, bar and restaurant or for any other lawful purpose or purposes consented to by Lessor. Subject to such closure(s) of all or a part of the Leased Premises as from time to time may be necessary to make repairs, replacements, restorations or improvements required or permitted by this Archon Lease, Lessee shall operate the Leased Premises and shall keep the Leased Premises open for business continuously during all such hours and on such days as is customary for casinos in the Reno/ Sparks metropolitan area. Lessee shall carry on the business of the Leased Premises in compliance with all applicable statutes, ordinances, resolutions, rules, regulations, orders or other requirements (collectively "Laws") of any governmental authority having jurisdiction over the Leased Premises in effect on the Commencement Date or at any time during the Lease Term, provided that in no event shall Lessee be required to make any capital improvement or alteration. Without limiting the generality of the foregoing, Lessee at its cost shall obtain and maintain any and all such business licenses and permits as are required by applicable law in connection with operation of the Leased Premises including, without limitation, the Gaming Approval.

4.2 *Alterations.* Lessee shall not make any other additions or changes to the Leased Premises ("Alterations") without first obtaining Lessor's consent, which shall not be unreasonably withheld or delayed. Any Alterations made by Lessee pursuant to this Section shall remain on and be surrendered with the Leased Premises on expiration or earlier termination of the Lease Term.

4.3 *Lessee's Mechanics' Liens.* Lessee shall pay all costs of construction done by or for Lessee on the Leased Premises as permitted by this Archon Lease. Lessee shall keep the Leased Premises free and clear of any mechanics' lien resulting from any such construction; provided, however, that Lessee shall have the right to contest the correctness or validity of any such lien if, promptly on demand of Lessor, Lessee procures a bond and secures the release of the lien.

4.4 *Lessor's Rights and Obligations Regarding Alterations and Improvements.* Lessor may, at its sole cost and expense, make or cause to be made such repairs, alterations, additions, improvements, remodeling, renovations, renewals and replacements (collectively, the "Repairs") to or of the structural, mechanical, electrical, heating, ventilating, air conditioning, plumbing, vertical transportation and other elements of the Leased Premises or any other part of the Leased Premises or any equipment or improvements thereon, other than the Gaming FF&E, as Lessor in its sole discretion shall deem to be necessary and advisable. Lessor must give Lessee prior written notice of Lessor's intention to undertake Repairs at least six (6) days prior to undertaking such Repairs, except in the case of an emergency in which case no notice or such notice (which may be telephonic) as may be reasonably practicable shall be required. Repairs must comply with all applicable laws. Lessor shall cause any such Repairs to be made in such manner as to interfere as little as practically possible with the conduct of Lessee's business in the Leased Premises.

4.5 *Lessor's Mechanics' Liens.* Lessor shall pay all costs of construction done by or for Lessor on Leased Premises. Lessor shall keep Leased Premises free and clear of any mechanics' lien resulting from any such construction. In the event of Lessor does not keep Leased Premises free and clear of any mechanics' liens, Lessee may, but shall not be obligated to, make the payments to remove the mechanics' liens, without waiving or releasing Lessor of its obligations under this Archon Lease. Any sums so paid by Lessee and all necessary incidental costs,

together with interest thereon at the lesser of the maximum rate permitted by law if any or ten percent (10%) per annum from the date of such payment, shall be set off against the Rent payable to Lessor.

4.6 *Lessee's Rights Regarding Mortgages.* In the event of a default by Lessor under any deed of trust, mortgage or other security interest encumbering Leased Premises or any personal property, furniture, fixtures or equipment contained within Leased Premises or used in the operation thereof ("Security Instrument"), Lessee may, but shall not be obligated to, cure and make all necessary payments under any Security Instrument, without waiving or releasing Lessor of its obligations under this Archon Lease. Any sums so paid by Lessee and all necessary incidental costs, together with interest thereon at the lesser of the maximum rate permitted by law if any or ten percent (10%) per annum from the date of such payment, shall be set off against the Rent payable to Lessor pursuant to this Archon Lease.

ARTICLE 5
LESSOR SERVICES; UTILITIES

5.1 *Utilities.* Subject to Section 3.4 above, Lessor, at Lessor's sole cost and expense, shall, throughout the Lease Term, provide the Leased Premises with all necessary and appropriate utility services (including, without limitation, power, gas, heating and air conditioning, garbage collection, phone and cable services).

5.2 *Point-of-Sale System.* In addition to the equipment set forth in Section 5.2 above, Lessor shall install a point-of-sale system at Leased Premises for use by Lessee in connection with its operation of the Leased Premises.

ARTICLE 6
INDEMNITY

6.1 Lessee shall indemnify and defend Lessor and hold Lessor harmless from and against any and all costs and expenses (including reasonable attorneys' fees) incurred by Lessor as a result of the breach of any term, covenant or condition of this Archon Lease by Lessee or as a result of any actual or alleged injury, damage or loss to any person or property occurring in, on or about the Leased Premises, unless caused by the negligence or wilful misconduct of Lessor, its agents, employees or contractors. Lessor shall indemnify and defend Lessee and hold Lessee harmless from and against any and all costs and expenses (including reasonable attorneys' fees) incurred by Lessee as a result of the breach of any term, covenant or condition of this Archon Lease by Lessor or as a result of any actual or alleged injury, damage or loss to any person or property occurring in, on or about the Leased Premises, unless caused by the negligence or wilful misconduct of Lessee, its agents, employees or contractors. A party's obligation under this Section to indemnify, defend and hold the other party harmless shall be limited to the amount that exceeds the amount of insurance proceeds, if any, received by the party being indemnified and defended.

ARTICLE 7
INSURANCE

7.1 *Property Insurance.* Lessee at its cost shall procure and maintain "all risk" property damage insurance insuring the Gaming FF&E in an amount equal to the full replacement value of the Gaming

FF&E. The insurance policy shall be issued in the names of Lessee and Lessor as their interests appear, and shall provide that any proceeds shall be payable to Lessee.

7.2 *Liability Insurance.* Lessee at its cost shall procure and maintain commercial general liability insurance with a single combined limit (including umbrella coverage) of not less than Five Million Dollars ($5,000,000) insuring against any and all liability of Lessor, Lessee and their agents and employees arising out of and in connection with the use or occupancy of Leased Premises. Both Lessor and Lessee shall be named as an additional insured, and the policies shall contain contractual liability endorsements insuring the liability under the indemnity covenants of this Archon Lease.

7.3 *Property Insurance.* Lessor shall procure and maintain "all-risk" property insurance, for damage or other loss caused by fire or other casualty or cause including, but not limited to, vandalism and malicious mischief, theft, water damage of any type, including sprinkler leakage, bursting of pipes, explosion, in an amount not less than one hundred percent (100%) of the replacement cost covering (a) Leased Premises; and (b) Lessor's trade fixtures, equipment and other personal property from time to time situated in Leased Premises. The proceeds of such insurance shall be used for the repair or replacement of the property so insured. The insurance policy shall be issued in the names of Lessee and Lessor as their interests appear, and shall provide that any proceeds shall be payable to Lessor.

7.4 *Delivery of Policies.* An executed copy of each policy of insurance required hereunder, or a certificate of the policy, shall be delivered by Lessor to Lessee or by Lessee to Lessor, as the case may be, within ten (10) days after the Commencement Date.

7.5 *Other Insurance.* Each party may also maintain at its cost such other coverages in such amounts as it may determine. Policies of insurance purchased by any party under this Section will be in the name of such party and any proceeds will be payable to such party.

7.6 *Form of Policies.* Each insurance policy and certificate shall provide, in effect, that the policy will be renewed and further renewed on substantially the same terms and conditions unless the insurer shall give Lessee and Lessor at least thirty (30) days' notice in writing of the insurer's unwillingness to renew. The insurance coverage required to be carried under this Archon Lease shall (a) be written by companies rated "A" or better in current edition of "Best's Insurance Reports" and authorized to do business in Nevada, and (b) name any parties reasonably designated by Lessor or Lessee, as applicable, including any mortgagee, as additional insureds.

ARTICLE 8
TAXES

8.1 *Taxes on Personalty.* Lessee shall pay before delinquency all taxes, assessments, license fees and other charges levied or assessed against the Gaming FF&E during the Lease Term.

8.2 *Payment of Taxes.* Lessor shall notify Lessee of the taxes payable by Lessee hereunder, and immediately on receipt of the tax bill shall furnish Lessee a copy of the same. Lessee shall pay the taxes no later than the taxing authority's delinquency date or ten (10) days after receipt of a copy of the tax bill, whichever is later. If permitted by applicable law, Lessee may pay any tax in installments as determined by Lessee in Lessee's reasonable business judgment.

8.3 *Proration.* Personal property taxes payable pursuant to this Article 8 shall be prorated on a time basis for any partial tax year.

ARTICLE 9
DAMAGE OR DESTRUCTION

9.1 *Major Destruction.* If all or any portion of the Leased Premises is so damaged or destroyed as to materially impair Lessee's operation of the Leased Premises or the results of operations

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therefrom, either party may terminate this Archon Lease by written notice to the other within thirty (30) days after such damage or destruction. Any such termination shall be effective as of the date of such notice.

9.2 *Other Damage or Destruction.* If this Archon Lease is not terminated as a result of damage or destruction, Lessor shall promptly repair all damaged portions of Leased Premises, and Lessee shall repair or replace the Gaming FF&E.

ARTICLE 10
EMINENT DOMAIN

10.1 *Definitions.* For purposes of this Article 10, "Eminent domain" means (i) the exercise of any governmental power, whether by legal proceedings or otherwise, by a condemnor, and (ii) any sale or other transfer by Lessor to any Condemnor, either under threat of

condemnation or while legal proceedings or condemnation are pending. "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial condemnation. "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of condemnation.

10.2 *Major Taking.* If all or any portion of the Leased Premises is taken by eminent domain so as to materially impair Lessee's operation of the Leased Premises or the results of operations therefrom, either party may terminate this Archon Lease. If either party so elects to terminate this Archon Lease, that party shall notify the other party of the same within thirty (30) days after the nature and extent of the taking have been finally determined. Such notice shall specify the date of termination of this Archon Lease, which date shall not be earlier than thirty (30) days nor later than sixty (60) days after the date on which the termination notice is given.

10.3 *Other Taking.* If this Archon Lease is not terminated as a result of a taking, Lessor shall promptly repair all untaken portions of Leased Premises and replace any taken Gaming FF&E so as to enable Lessee to recommence operation of the Leased Premises in as close as practicable to the manner such business was conducted prior to the taking.

10.4 *Awards Distribution.* Any Award with respect to interference with Lessee's business shall be payable to Lessee. Any other Award shall be payable to Lessor.

ARTICLE 11
ASSIGNMENT AND SUBLETTING

11.1 Lessee shall not voluntarily assign, mortgage or transfer or encumber its interest in the Archon Lease or in the Leased Premises without first obtaining Lessor's consent.

ARTICLE 12
EVENTS OF DEFAULT AND REMEDIES

12.1 *Lessee Event of Default.* The occurrence of any one or more of the following shall constitute a "Lessee Event of Default":

(a) Lessee shall fail to pay Rent when due, if such failure continues for ten (10) days after written notice of the same has been given to Lessee; or

(b) Lessee shall fail to perform any other provision of this Archon Lease to be performed by Lessee, if such failure continues for thirty (30) days after written notice of the same has been given to Lessee (provided, however, that if the default cannot reasonably be cured within thirty (30) days, Lessee shall not be in default of this Archon Lease if Lessee commences to cure such default during such 30-day period and proceeds diligently to cure the default); or

(c) Lessee shall fail to possess at all times during the Lease Term all necessary licenses and findings of suitability for the operation of a casino at the Leased Premises.

12.2 *Remedies Upon Lessee Default.* Upon the occurrence of a Lessee Event of Default, Lessor may terminate Lessee's right to possession of the Leased Premises by giving notice to Lessee of the same, whereupon this Archon Lease shall terminate. The remedies afforded to Lessor by this Archon Lease shall be cumulative and in addition to any one or more remedies now or later available by law.

12.3 *Lessor Event of Default.* The occurrence of any one or more of the following shall constitute a "Lessor Event of Default":

(a) Lessor shall fail to perform any provision of this Archon Lease to be performed by Lessor, if such failure continues for thirty (30) days after written notice of the same has been given to Lessor (provided, however, that if the default cannot reasonably be

cured within thirty (30) days, Lessor shall not be in default of this Archon Lease if Lessor commences to cure such default during such 30-day period and proceeds diligently to cure the default); or

(b) Lessor shall file a voluntary petition of bankruptcy or a petition or answer seeking reorganization, arrangement, composition or similar relief under present or future federal bankruptcy laws or other applicable law of the United States of America or any state thereof, or shall file a petition to take advantage of any present or future insolvency act or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts as they become due, or shall consent to the appointment of any receiver, trustee or liquidator of all or a substantial part of its property, or if any petition seeking any of the aforementioned relief shall be commenced against Lessor, and if such proceeding is not dismissed within sixty (60) days after such proceeding is commenced.

12.4 *Remedies Upon Lessor Default.* Upon the occurrence of a Lessor Event of Default, Lessee may terminate this Archon Lease. The remedies afforded to Lessee by this Archon Lease shall be cumulative and in addition to any one or more remedies now or later available by law.

12.5 *Late Payments.* Should Lessee fail to pay any other sum when due hereunder, such amount shall bear interest at the rate of five percent (5%) per annum from the date due until the date paid.

ARTICLE 13
LEASE TERMINATION

13.1 *Lease Termination.* Upon termination or expiration of this Archon Lease:

(a) *Possession.* Lessee shall surrender the possession of the Leased Premises to Lessor.

(b) *Cash on Hand.* Subject to Lessor receiving the Gaming Approval, at the Termination Time the parties shall determine the amount of cash on hand at the Leased Premises, including, without limitation, cage cash, cash in cage banks, and cash in Gaming Devices ("Cash on Hand"). For purposes of this Section deposits by Lessee with third parties shall be deemed cash on hand so long as such deposits are in the form of cash. To the extent that any such deposits are not in the form of cash, Lessor shall cause such deposits to be replaced in such form as such deposits then exist. All such deposits paid by Lessor to Lessee or replaced by Lessor shall be the sole property of Lessor at the Termination Time. Lessor shall immediately make a payment to Lessee for the amount of the Cash on Hand; provided, however, that in the event the amount of the Cash on Hand is less than the original amount of Lessee's Cash, Lessor shall immediately pay the difference to Lessee.

(c) *Employees.* Lessor shall hire, effective at and upon the Termination Time, and will maintain or cause to be maintained for a period of at least ninety (90) days after the Termination Time (other than termination upon good cause), all of Lessee's employees at the Leased Premises,

on terms and conditions reasonably comparable to those in effect on the Commencement Date. To the extent that Lessor fails to comply with any of the foregoing covenants, Lessor agrees that it shall be responsible for the payment of any and all costs, charges, penalties, compensation, severance pay, and liabilities arising under the WARN Act, if any, and Lessor agrees to indemnify, defend and hold Lessee harmless from and against any and all claims, causes of action, judgments, damages, penalties and liabilities asserted under the WARN Act, if any, whether against Lessor or Lessee, arising from Lessor's failure to comply with the foregoing covenants.

(d) *Gaming FF&E.* Lessee shall sell the Gaming FF&E and/or assign its interest in any and all finance contracts or leases for the Gaming FF&E to Lessor effective upon the Termination Time. The purchase price for the Gaming FF&E shall be the unamortized cost of the Gaming FF&E on Lessee's books. In the case of leases for the Gaming FF&E, Lessor shall assume the

balance of all of Lessee's obligations under such leases as of the Termination time. Lessor shall indemnify and defend Lessee and hold Lessee harmless from and against any and all liability, costs and expenses (including reasonable attorneys' fees) incurred by Lessee as a result of the breach of this Section by Lessor. Specifically, Lessor shall purchase the IGT Equipment from Lessee by assuming Lessee's obligation to IGT under the capital lease or finance contract effective as of the Termination Time. Lessor acknowledges that IGT has agreed to allow Lessor to assume such finance contracts with IGT as long as Ray Brown, Kevin Hogan and Chris Lowden agree to personally guarantee such financing shall be mutually agreed upon by the parties.

In the event Lessor has not received the Gaming Approval or any other approvals necessary for Lessor to own or hold title to the Gaming FF&E as of the Termination Time, Lessor shall be obligated to assume all obligations or pay all amounts to Lessee that are owed to IGT, other vendors of the Gaming FF&E, or to Lessee under the Gaming System Financing, commencing effective as of the Termination Time, as if Lessor was purchasing such Gaming FF&E. Notwithstanding the foregoing, Lessee shall continue to hold title to the Gaming FF&E until Lessor receives all approvals necessary for Lessor to own or hold title to the Gaming FF&E. Upon receipt of all approvals necessary for Lessor to own or hold title to the Gaming FF&E, Lessee shall transfer title to the Gaming FF&E to Lessor subject to all security interests.

(e) *Progressive Liability.* At the Termination Time, Lessee shall certify to Lessor the amount of Lessee's incremental progressive prizes (the amount owing on a machine, less the base amount) associated with slot machines and other coin operated Gaming FF&E (the "Progressive Liability"). Lessor shall assume all of the Progressive Liability as of the Termination Time. Lessor shall indemnify and defend Lessee and hold Lessee harmless from and against any and all liability, costs and expenses (including reasonable attorneys' fees) incurred by Lessee as a result of the breach of this Section by Lessor.

(f) *Closing Memorandum.* Lessee shall prepare a closing memorandum in compliance with the requirements of the Gaming Authorities and shall submit such closing memorandum to the Gaming Authorities and Lessor prior to the Termination Time. Such memorandum shall be submitted to the Gaming Authorities within sufficient time to allow their review and approval prior to the Termination Time.

(g) *Reimbursement of Expenses.* At the Termination Time, Lessor shall reimburse Lessee for a prorated amount of all expenditures made by Lessee during the Lease Term for liquor or gaming taxes that Lessor receives credit for after the Termination Time.

13.2 *Procedures.* The parties acknowledge and agree that to most efficiently calculate certain amounts pursuant to this Article 13 certain counts and determinations may be made at shift end or other times which may or may not exactly coincide with the Termination Time. The parties shall cooperate with each other to develop a reasonable procedure for effectuating such counts and calculations, recognizing that the same may take time and may not most practicably be conducted

exactly at the Termination Time. In any event, such procedure shall be consistent with the memorandum submitted to the Gaming Authorities pursuant to Section 13.1(f).

ARTICLE 14
SUBORDINATION

14.1 *Subordination; Non-Disturbance.* This Archon Lease is and shall be subject and subordinate in all respects to any mortgage or deed of trust affecting the Leased Premises and granted by Lessor to any lender on or after the date of this Archon Lease, and Lessee shall execute and deliver to any such lender such documentation such lender may reasonably require to evidence the subordination of this Archon Lease. Subject to Section 14.2 below, if the interests of Lessor under the Archon Lease shall be transferred to any mortgagee or other purchaser or person taking title to Leased Premises by reason of foreclosure of any mortgage or deed of trust, Lessee shall be bound to such successor Lessor under all of the terms, covenants and conditions of the Archon Lease for the balance of the term thereof remaining and any extensions or renewals thereof which may be effected in accordance with any option therefor in the Archon Lease, with the same force and effect as if successor Lessor were the Lessor under the Archon Lease, and Lessee shall attorn to and recognize as Lessee's Lessor under this Archon Lease such successor Lessor, as its Lessor, said attornment to be effective and self-operative without the execution of any further

instruments upon successor Lessor's succeeding to the interest of Lessor under the Archon Lease. Concurrently, Lessor shall obtain a Non-Disturbance Agreement from the successor Lessor. Such Non-Disturbance Agreement shall be in a form acceptable to Lessee.

14.2 *Gaming Matters.* If at any time (a) the successor Lessor or any person associated in any way with the successor Lessor is (i) denied Gaming Approval with respect to the Leased Premises by the Gaming Authorities, (ii) is required by the Gaming Authorities to apply for Gaming Approval and does not apply within any required time limit, as the same may be extended by such Gaming Authorities, or (iii) withdraws any application for Gaming Approval other than upon a determination by the applicable Gaming Authority that such Gaming Approval is not required for Lessor or any affiliate, Lessee shall not be bound to any successor Lessor and shall have the right to terminate the Archon Lease as provided in Section 1.2 above.

ARTICLE 15
MISCELLANEOUS

15.1 *Governing Law.* This Archon Lease shall be construed in accordance with and governed by the laws of the State of Nevada.

15.2 *Severability.* The unenforceability, invalidity or illegality of any provision hereof shall not affect the enforceability, validity or legality of any other provision hereof, and any such unenforceable, invalid or illegal provision shall be limited only to the extent necessary to conform to applicable law and so as to most closely carry out the intent of the parties hereto as expressed herein.

15.3 *Construction.* No provision of this Archon Lease shall be construed in favor of or against either party hereto by reason of the extent to which such party or its counsel participated in the drafting hereof or by reason of the extent to which such provision or any other provision of this Archon Lease is inconsistent with any prior draft hereof.

15.4 *Captions.* The captions of the Articles and Sections of this Archon Lease have been inserted for convenience only, and shall not be used in any way to modify, construe or otherwise affect this Archon Lease. All references to Sections hereof include all subsections of such Sections.

15.5 *Notices.* Any and all notices that either party hereto desires or is required to give to the other party pursuant to this Archon Lease shall be in writing and delivered in person, sent by overnight

courier (with confirmation of delivery) or sent by express, certified or priority U.S. mail postage prepaid (return receipt requested), addressed as follows:

If to Lessor:	Duke's-Sparks, LLC 1324 Victorian Avenue Sparks, Nevada 89431 Attn: Chris Lowden
If to Lessee:	Archon Sparks Management Company 3993 Howard Hughes Parkway, Suite 630 Las Vegas, Nevada 89109 Attn: Charles Sandefur

or to such other person or place as either party hereto may designate in writing in the manner provided herein for giving notice. Each such notice so delivered, couriered or mailed shall be deemed delivered when personally delivered, as of the first business day after the date so sent by courier, or as of the third business day after the date so sent by mail, as the case may be.

15.6 *Successors in Interest.* The provisions of this Archon Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Nothing in this Archon Lease, express or implied, is intended to confer on any person or entity other than the parties hereto and their respective successors and permitted assigns any right or remedy under or by reason of this Archon Lease.

15.7 *No Merger.* The voluntary or other surrender of this Archon Lease by Lessee or actual termination or other cancellation thereof shall not work a merger, and shall, at Lessor's sole option, either terminate any or all existing subleases or subtenancies, or operate as an assignment to Lessor of all rights of Lessee under or pursuant to such subleases or subtenancies.

15.8 *Attorneys' Fees.* In the event that any action, suit or proceeding is commenced under or in connection with this Archon Lease or for the recovery of possession of the Leased Premises, including any insolvency or bankruptcy proceeding, the losing party shall pay to the prevailing party in any such action, suit or proceeding the reasonable attorneys' fees incurred by the prevailing party in connection therewith, together with all costs and expenses of the prevailing party.

15.9 *Counterparts.* This Archon Lease may be entered into in more than one counterpart, each of which shall be deemed an original when executed, and which together shall constitute but one and the same Archon Lease.

15.10 *Integration.* This Archon Lease contains all of the terms and conditions agreed upon by the parties hereto with respect to the subject matter hereof, and no representation, warranty or agreement not specifically made herein shall be deemed to exist or to bind any of the parties hereto with respect to the subject matter hereof.

15.11 *Termination of Casino Lease.* Upon full execution and delivery of this Archon Lease, the Casino Lease shall be deemed terminated and shall be superseded in all respects by this Archon Lease.

15.11 *Amendments.* This Archon Lease may not be amended or supplemented except by a writing signed by the party or parties to be bound thereby.

15.12 *Cooperation.* Lessor and Lessee shall each render the other its full and complete cooperation in effectuating the provisions hereof. Without limiting the generality of the foregoing, Lessor shall fully cooperate with the Gaming Authorities so that Lessee may lawfully conduct gaming activities at the Leased Premises, including, without limitation, provision of such information, books

and records as may be requested by such authorities and compliance with all orders and requirements of such authorities.

IN WITNESS WHEREOF, the parties hereto have executed this Archon Lease as of the date first written above.

LESSEE:

ARCHON SPARKS MANAGEMENT COMPANY,
a Nevada corporation

By: /s/ CHARLES W. SANDEFUR

Its: /s/ CFO

LESSOR:

DUKE'S-SPARKS LLC,
a Nevada limited liability company

By: /s/ CHRISTOPHER LOWDEN

Its: /s/ MEMBER

Approved and Agreed to by:

/s/ RAY BROWN

Ray Brown

/s/ KEVIN HOGAN

Kevin Hogan

QuickLinks

EXHIBIT 10.34

OPTION AGREEMENT

THIS OPTION AGREEMENT (the "Option Agreement") is entered into as of October 8, 2002, 2002, between ENDEAVOR NORTH, LLC, a Nevada limited-liability company (the "Grantor") and ARCHON CORPORATION, a Nevada corporation (the "Grantee") with reference to the following facts:

A. The Grantor holds the entire Class A membership interest in Duke's−Sparks, LLC, a Nevada limited-liability company (the "Borrower").

B. The Grantee has agreed to make a subordinated loan to the Borrower in the aggregate principal amount of $1,100,000 (the "Subordinated Loan"), on the terms and conditions set forth in that certain Subordinated Loan Agreement dated as of October 8, 2002 (the "Subordinated Loan Agreement").

C. One of the conditions to the obligation of the Grantee to make the Subordinated Loan pursuant to the Subordinated Loan Agreement is the grant by the Grantor of the option provided for herein.

NOW, THEREFORE, in consideration of the above facts and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Grantor and the Grantee hereby agree as follows:

1. **Grant of Option.** The Grantor hereby grants to the Grantee an option (the "Option"), exercisable during the period commencing on the date of the first advance under the Subordinated Loan and ending upon payment in full of the Subordinated Loan (the "Option Period"), to purchase units of membership interest in the Grantor equal in the aggregate to a 70% membership interest, subject to adjustment as provided in Section 2 hereof (such units, as the same may be adjusted, being herein called the "Optioned Units") on the following terms and conditions:

a. The exercise price for the Optioned Units shall be $100.

b. Grantee shall exercise the Option by transmitting to Grantor, at the address set forth in Section 6 hereof, a written notice of exercise, together with a check for the exercise price, on or before the last day of the Option Period.

c. The issuance to Grantee of the Optioned Units shall be deemed to be effective as of the date of transmittal of the notice of exercise; and

d. The Optioned Units to be issued and delivered on exercise of the Option will be issued in the name of, and delivered to, the Grantee, and the Grantee will become a Member of the Grantor on the terms and subject to the conditions of the Grantor's Operating Agreement.

2. **Adjustment of Optioned Units.** If the original maximum principal amount of the Subordinated Loan is reduced to $450,000 or less prior to the first advance thereunder, then the aggregate number of Optioned Units shall be adjusted to equal a 30% rather than 70% membership interest in the Grantor.

3. **Representations and Warranties of the Grantor.** The Grantor represents and warrants to the Grantee, now and as of the transfer of the Optioned Units, as follows:

a. The Grantor is a Nevada limited-liability company duly organized, validly existing and in good standing under the laws of the State of Nevada, and has full power and authority to make, execute and deliver, and perform its obligations under this Option Agreement.

b. The execution, delivery and performance of this Option Agreement and the consummation of the transactions contemplated hereby (i) have been duly authorized by all requisite action on the part of the Grantor; (ii) do not and will not result in the breach of any of

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the terms or conditions of, or constitute a default under the operating agreement of the Grantor; (iii) do not and will not result in the breach of any of the terms or conditions of, or constitute a default under, or permit the acceleration of the Grantor's obligations under, any contract, agreement, lease, commitment, indenture, mortgage, note, security agreement, bond, license, lien or other instrument or obligation to which the Grantor is now a party or by which any of its assets may be bound or affected; (iv) do not and will not violate any law, statute, ordinance, rule or regulation of any administrative agency or governmental body binding on the Grantor, or any decision or finding of any arbitration panel binding upon the Grantor, or any assets of the Grantor, or any other order, writ, judgment, injunction, decree, determination, or award presently in effect; or (v) do not require the consent, authorization or approval of any third person or administrative agency or governmental agency to which the Grantor is subject and which has not been heretofore obtained.

4. **Representations and Warranties of the Grantee.** The Grantee hereby represents and warrants, now and as of the date of transfer of the Optioned Units, to the Grantor as follows:

a. The Grantee is acquiring the Optioned Units for its own account, for investment purposes only and not with a view to, or for resale in connection with, any distribution or public offering thereof within the meaning of the Securities Act of 1933 (the "Act") and applicable state securities laws;

b. The Grantee understands that (1) the Grantor has been recently formed and has no meaningful history with the result that an investment in the Grantor is highly speculative, (2) the offer and sale of the Optioned Units have not been registered under the Act or any state securities laws in reliance upon an exemption from the registration requirements of the Act and state securities laws which relate to the representations of the Grantee herein, (3) the Grantee must bear the economic risk of such investment indefinitely unless a subsequent disposition thereof is registered under the Act and applicable state securities laws or is exempt therefrom, and (4) investment in and transfer of the Optioned Units is further subject to the Nevada Gaming Control Act and the regulations promulgated thereunder (collectively, the "Nevada Act") and to licensing and regulatory control of the Nevada gaming authorities. The grantee further understands that such exemptions under the Act and such state securities laws depend upon, among other things, the *bona fide* nature of the investment intent of the Investor expressed herein.

c. The Grantee understands and agrees that the Grantee will sell or otherwise transfer its interest in the Grantor or any portion thereof only in accordance with the provisions of the Act, pursuant to registration under the Act or pursuant to an available exemption from registration thereunder and otherwise in a manner which does not violate the securities laws of any state of the United States or the Nevada Act. The Grantee understands that the Grantor is under no obligation to register any equity interest in the Grantor on behalf of the Grantee or to assist the Grantee in complying with any exemption from registration under the Act or under any other applicable securities laws. The Grantee also understands that sales or transfers of Optioned Units are further restricted by the provisions of the Grantor's Operating Agreement and the securities laws of the states of the United States and the Nevada Act.

d. The Grantee has knowledge, skill and experience in financial, business and investment matters relating to an investment of this type and is capable of evaluating the merits and risks of such investment and protecting the Grantee's interest in connection with the acquisition of the Optioned Units. The Grantee understands that the acquisition of the Optioned Units is a speculative investment and involves substantial risks that the Grantee could lose its entire investment in the Optioned Units.

5. **Additional Documentation.** The Grantor and Grantee will execute, deliver, acknowledge and file any and all further documents and provide any and all further information reasonably necessary or appropriate in connection with the transactions contemplated by this Agreement.

6. **Notices.** Any notice, request, demand, statement, authorization, approval or consent made hereunder shall be in writing and shall be sent by Federal Express, or other reputable nationally recognized overnight courier service, or by postage prepaid registered or certified mail, return receipt requested, and shall be deemed given when received or refused (as indicated on the receipt) and addressed as follows:

If to Endeavor North:

Endeavor North, LLC
1324 Victorian Avenue
Sparks, Nevada 89431
Attention: Mr. Ray Brown, Manager
Facsimile: (775) 331-1109

With a copy to:

Allison, MacKenzie, Hartman, Soumbeniotis & Russell, Ltd.
401 North Division Street
Carson City, Nevada 89703
Attention: James R. Cavilia, Esq.
Facsimile: (775) 882-7918

If to Lender:

Archon Corporation
3993 Howard Hughes Parkway, Suite 630
Las Vegas, Nevada 89109
Attention: Mr. Charles Sandefur, Chief Financial Officer
Facsimile: (702) 732-9465

With a copy to:

Jones Vargas
3773 Howard Hughes Parkway
Third Floor South
Las Vegas, Nevada 89109
Attention: Craig H. Norville, Esq.
Facsimile: (702) 734-2722

it being understood and agreed that each party will use reasonable efforts to send copies of any notices to the addresses marked "With a copy to" hereinabove set forth; provided, however, that failure to deliver such copy or copies shall have no consequence whatsoever to the effectiveness of any notice made to the other party. Each party may designate a change of address by notice given, as herein provided, to the other party, at least fifteen days prior to the date such change of address is to become effective.

7. **Governing Law.** The terms of this Agreement shall be governed by and construed under the laws of the State of Nevada without reference to such State's principles of conflicts of law.

IN WITNESS WHEREOF, Grantor has executed this Option Agreement as of the 8th day of October, 2002.

ENDEAVOR NORTH, LLC
a Nevada limited-liability company

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By: /s/ RAY BROWN, JR.
Manager

/s/ RAY BROWN, JR.
Member

/s/ KEVIN HOGAN
Member

/s/ CHRISTOPHER LOWDEN
Member

ARCHON CORPORATION,
a Nevada Corporation

By: /s/ CHARLES W. SANDEFUR

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QuickLinks

EXHIBIT 10.34

Exhibit 21

Subsidiaries of the Registrant

The following lists the subsidiaries of the registrant:

Archon Sparks Management Company	Nevada
Casino Properties, Inc.	Nevada
Ever-Ski Properties, Inc.	Utah
Hacienda Hawaiian Properties	Hawaii
Hacienda Hotel Inc.	Nevada
Pioneer Finance Corp.	Nevada
Pioneer Hotel Inc.	Nevada
SAHAC Corp.	Nevada
Sahara Finance Corp.	Nevada
Sahara Las Vegas Corp.	Nevada
Sahara Nevada Corp.	Nevada
Sahara Resorts	Nevada
SFHI, Inc.	Nevada

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-44700 on Form S-8, in Registration Statement No. 333-44024 on Form S-8, and in Registration Statement No. 333-46218 on Form S-8 of our report dated December 19, 2002 appearing in the Annual Report on Form 10-K of Archon Corporation for the year ended September 30, 2002.

Deloitte & Touche LLP
Las Vegas, Nevada
December 23, 2002

Exhibit 99.1

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

Each of the undersigned hereby certifies, in his capacity as an officer of Archon Corporation (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

the Annual Report of the Company on Form 10-K for the period ended September 30, 2002 fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: December 20, 2002

/s/ PAUL W. LOWDEN

Paul W. Lowden
Chairman of the Board and President
(Principal Executive Officer)

/s/ CHARLES W. SANDEFUR

Charles W. Sandefur
Director and Chief Financial Officer
(Principal Accounting and Financial Officer)

QuickLinks