

**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 DECEMBER 31, 2016

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 No. 0-22088



MONARCH
CASINO & RESORT, INC.

MONARCH CASINO & RESORT, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

88-0300760
(I.R.S. Employer
Identification No.)

3800 S. Virginia Street
Reno, Nevada
(Address of Principal Executive Offices)

89502
(ZIP Code)

Registrant's telephone number, including area code: **(775) 335-4600**

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
None	None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

COMMON STOCK, \$0.01 PAR VALUE
(Title of Class)

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 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 check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

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

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

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

The aggregate market value of voting and non-voting common equity held by nonaffiliates as of June 30, 2016, based on the closing price as reported on The Nasdaq Stock Market (SM) of \$21.97 per share, was approximately \$283.2 million.

As of March 3, 2017, Registrant had 17,476,601 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for Registrant's 2017 Annual Meeting of Stockholders, which Proxy Statement shall be filed with the Commission not later than 120 days after the end of the fiscal year covered by this report, are incorporated by reference into Part III.

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PART I

Forward Looking Statements

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

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

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

For a more detailed description of certain Risk Factors affecting our business, see Item 1A, “Risk Factors.”

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

ITEM 1. BUSINESS

Monarch Casino & Resort, Inc., was incorporated in 1993 and, through its wholly-owned subsidiary, Golden Road Motor Inn, Inc. (“Golden Road”), owns and operates the Atlantis Casino Resort Spa, a hotel/casino facility in Reno, Nevada (the “Atlantis”). Monarch’s wholly owned subsidiaries, High Desert Sunshine, Inc. (“High Desert”), Golden East, Inc. (“Golden East”) and Golden North, Inc. (“Golden North”), each own separate parcels of land located proximate to the Atlantis.

Monarch’s wholly owned subsidiary Monarch Growth Inc. (“Monarch Growth”), formed in 2011, acquired Riviera Black Hawk, Inc., owner of the Riviera Black Hawk Casino on April 26, 2012. Riviera Black Hawk, Inc. was renamed Monarch Black Hawk, Inc. and Riviera Black Hawk Casino was renamed Monarch Casino Black Hawk in October 2013. Monarch Growth also owns a parcel of land in Black Hawk, Colorado contiguous to the Monarch Casino Black Hawk. In addition to owning the Monarch Casino Black Hawk, Monarch Black Hawk, Inc. also wholly owns Chicago Dogs Eatery, Inc. and Monarch Promotional Association, both of which were formed in relation to extended licensure for extended hours of liquor operation in Black Hawk. The Company has included the results of Monarch Black Hawk, Inc. in its consolidated financial statements since the date of acquisition.

Our operating assets are the Atlantis and the Monarch Casino Black Hawk. Our business strategy is to maximize revenues, operating income and cash flow primarily through our casino, food and beverage operations and at the Atlantis, our hotel operations. Monarch Casino Black Hawk does not yet have a hotel. We focus on delivering exceptional service and value to our guests. Our hands-on management style focuses on customer service and cost efficiencies.

Unless otherwise indicated, “Monarch,” “Company,” “we,” “our,” and “us” refer to Monarch Casino & Resort, Inc. and its subsidiaries. Our principal executive offices are located at 3800 S. Virginia Street, Reno, Nevada 89502; telephone (775) 335-4600.

Available Information

Our website address is www.monarchcasino.com. We make available, on or through our internet website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

The Atlantis Casino Resort Spa

The Atlantis is located approximately three miles south of downtown in the generally more affluent area of Reno, Nevada. The Atlantis features approximately 61,000 square feet of casino space; 824 guest rooms and suites; eight food outlets; two espresso and pastry bars; a 30,000 square foot health spa and salon with an enclosed year-round pool; two retail outlets offering clothing and traditional gift shop merchandise; an 8,000 square-foot family entertainment center; and approximately 52,000 square feet of banquet, convention and meeting room space. The casino features approximately 1,450 slot and video poker machines; approximately 38 table games, including blackjack, craps, roulette, and others; a race and sports book; a 24-hour live keno lounge and a poker room.

Through an enclosed skywalk, Atlantis is the only hotel facility to be physically connected to the Reno-Sparks Convention Center. The Reno-Sparks Convention Center offers approximately 500,000 square feet of leasable exhibition, meeting room, ballroom and lobby space.

Operations at the Atlantis are conducted 24 hours a day, every day of the year. Business is seasonal in nature, with higher revenues during the summer months and lower revenues during the winter months.

Atlantis Casino. The Atlantis offers what we believe to be higher than average payout rates on slot machines relative to other northern Nevada casinos. We seek to attract high-end players through high quality amenities and services and by extension of gaming credit after a careful credit history evaluation.

Hotel and Spa. The Atlantis includes three contiguous high-rise hotel towers with a total of 824 rooms and suites. The rooms on the top seven floors in the third tower are nearly 20% larger than the standard guest rooms and offer restricted elevator access, upscale accommodations and a private concierge service.

The Atlantis hotel rooms feature design and furnishings consistent with the highest quality in the Northern Nevada market as well as nine-foot ceilings, which create an open and spacious feel. The third hotel tower features a four-story waterfall with an adjacent year-round swimming pool in a climate controlled, five-story glass enclosure, which shares an outdoor pool deck with a seasonal outdoor swimming pool and year round whirlpool. The Salon at Atlantis is a full service salon overlooking the third floor sundeck and outdoor seasonal swimming pool and offers salon-grade products and treatments for hair, nails, skincare and body services for both men and women. Our Spa Atlantis is a high-end health spa located adjacent to the swimming area that offers treatments and amenities unique to our market. The hotel rooms on the spa floor feature décor that is themed consistent with the spa. Certain spa treatments are also available in spa floor hotel rooms. The hotel features glass elevators that rise the full 19 and 28 stories of the respective towers providing panoramic views of the Reno area and the Sierra Nevada mountain range. In 2012, our hotel was awarded with the prestigious AAA Four Diamond rating from the American Automobile Association, a rating we currently maintain.

The average occupancy rate, average daily room rate (“ADR”) and revenue per available room (“REVPAR”), calculated by dividing total room revenue (less service charges, if any) by total rooms available at the Atlantis for the following periods were:

	Year Ended December 31,		
	2016	2015	2014
Occupancy rate	88.2 %	89.7 %	89.1 %
ADR	\$ 79.52	\$ 76.92	\$ 73.66
REVPAR	\$ 77.50	\$ 75.24	\$ 72.26

We continually monitor and adjust hotel room rates based upon demand and other competitive factors.

Restaurants and Dining. The Atlantis has eight restaurants, two gourmet coffee bars and one snack bar as described below:

- The 475-seat, all new, Toucan Charlie’s Buffet & Grill, which offers a wide variety of food selections from around the globe including a carving station, live action Pho and Mongolian Bar-b-que, made-to-order salads, artisan charcuterie with a variety of imported and domestic cheeses, and an expansive array of desserts from our in-house bakery including house made gelato;
- The 160-seat Atlantis Steakhouse, a fine dining destination featuring Allen Brothers Prime steaks from Chicago, fresh seafood, and numerous tableside presentations of classic Steakhouse dishes;
- The Bistro Napa, featuring creative wine country cuisine served in a 140-seat main dining room with a central wine cellar and an adjacent upscale 60-seat lounge;
- The Oyster Bar on the Sky Terrace offering pan roasts made-to-order, fresh seafood, cioppino, house made chowder and bisques.
- Sushi Bar serving creative, made-to-order sushi rolls with a wide variety of raw and cooked options, all offered in all-you-care-to-eat lunch and dinner settings. Combined, the Oyster Bar and Sushi Bar can accommodate up to 137 guests;
- The 178-seat Purple Parrot coffee shop, which serves breakfast and American comfort food 24 hours a day;
- The 110-seat Café Alfresco featuring an Italian-inspired menu featuring pastas, wood-fired pizza and a variety of gelato desserts;
- The 170-seat Manhattan Deli featuring authentic New York Deli favorites like Matzo Ball Soup, piled high sandwiches, salads, house made soups, bagels and lox, and famous New York Cheesecake.
- Two gourmet coffee bars offering specialty coffee drinks, “grab and go” sandwiches, house made gelato and freshly baked pastries; and

- The Chicago Dogs Eatery, a snack bar, serving Chicago-style hot dogs, pizza, ice cream and arcade-style refreshments.

The Sky Terrace. The Sky Terrace is a unique structure with a diamond-shaped, blue glass body suspended approximately 55 feet, and spanning 160 feet across South Virginia Street, Reno's main thoroughfare. The Sky Terrace connects the Atlantis with parking on our 16-acre site across South Virginia Street. The structure rests at each end on two 100-foot tall Grecian columns with no intermediate support pillars. The interior of the Sky Terrace houses the Oyster Bar, the Sushi Bar, a video poker bar, banks of slot machines and a lounge area.

The Monarch Casino Black Hawk

The Monarch Casino Black Hawk is located approximately 40 miles west of Denver, Colorado and is the first casino encountered by visitors arriving from Denver on Highway 119. The Monarch Casino Black Hawk features approximately 30,000 square feet of casino space, 720 slot machines, 14 table games, a 250-seat buffet-style restaurant, a snack bar and a parking structure with approximately 1,350 spaces.

Since the acquisition of Monarch Casino Black Hawk in April 2012, our focus has been to maximize casino and food and beverage revenues while upgrading the existing facility and laying the groundwork for the major expansion. There is currently no hotel on the property. In October 2012, we began a project to redesign and upgrade the existing Monarch Casino Black Hawk facility. In September 2013, we opened a new buffet. In August 2015, we completed the redesign and upgrade of the existing Monarch Casino Black Hawk, bringing to the facility's interior the same quality, ambiance and finishes to that of the ongoing master planned expansion that will transform Monarch Casino Black Hawk into a full-scale casino resort. In the fourth quarter of 2013, we began work on a multi-phased expansion of the Monarch Casino Black Hawk, which we refer to herein as the "Monarch Black Hawk Expansion Plan." The Monarch Black Hawk Expansion Plan involves construction of a new parking structure, demolition of the existing parking structure and construction of a new hotel tower and casino expansion on the site where the old parking structure was sitting. In November 2016, the new 9-story parking structure, offering approximately 1,350 parking spaces, was completed and became available for use by Monarch Casino Black Hawk guests. In December 2016 the original parking structure was safely imploded. In February 2017 the Company broke ground on the hotel tower and casino expansion. Once completed, the Monarch Black Hawk Expansion Plan will nearly double the casino space and will add a 23-story hotel tower with approximately 500 guest rooms and suites, an upscale spa and pool facility, three additional restaurants (increasing the total to four), additional bars, a parking structure and associated support facilities. We currently expect completion of the entire expansion in the second quarter of 2019.

The Company's Monarch Black Hawk Expansion Plan is more fully discussed in the CAPITAL SPENDING AND DEVELOPMENT section.

Acquisition, Improvements and Additional Expansion Potential

We identify and evaluate strategic expansion and acquisition opportunities through market and detailed financial analyses. We develop overall master plans and then execute each phase of the master plan after re-evaluation of the current market conditions and comparison against other capital investment opportunities.

We have continuously invested in upgrading our facilities. Capital expenditures were \$24.9 million in 2016, \$38.1 million in 2015 and \$19.9 million in 2014. During 2016, 2015 and 2014, capital expenditures related primarily to the upgrade and master expansion plan of the Monarch Casino Black Hawk facility as well as acquisition of gaming equipment to upgrade and replace existing equipment at both of our properties.

Expansion potential at the Atlantis is twofold. First, we could further expand our existing hotel and casino, thereby providing more hotel rooms, casino floor space, restaurants and other amenities. Second, we could develop the 16-acre parcel we own across Virginia Street from the Atlantis. This site is connected to the Atlantis by the Sky Terrace and is currently used for surface parking and special events related to the Atlantis. Our 16-acre parcel meets all current Reno zoning requirements in the event we decide to build another resort casino or entertainment facility. We also own additional land adjacent to our two large sites that facilitate expansion opportunities by allowing us to use it for certain administrative and other non-operational personnel and offices.

On August 28, 2015, the Company entered into a 20-year lease (the “Parking Lot Lease”) with Biggest Little Investments, L.P. with respect to a portion of the shopping center, adjacent to the Atlantis property (the “Shopping Center”). This lease gives the Atlantis the right to use a parcel, approximately 4.2 acres, comprised of a commercial building and surrounding land. We demolished the building and converted the land into approximately 300 additional convenient surface parking spaces for the Atlantis guests.

Marketing Strategy

Reno/Sparks. Our marketing efforts are directed toward three broad consumer groups: leisure travelers, conventioners and northern Nevada local residents.

The Reno/Sparks region is a major gaming and leisure destination with aggregate gaming revenues of approximately \$720 million (as reported by the Nevada State Gaming Control Board for the twelve months ended December 31, 2016).

Our Atlantis revenues and operating income are principally dependent on the level of gaming activity at the Atlantis casino. Our predominant marketing goal is to utilize all of the Atlantis amenities to generate additional casino play. Our secondary goal is to maximize revenues from our hotel, food and beverage, spa, convention and meeting rooms, retail and other amenities.

We believe the Atlantis’ location south of downtown Reno (near the airport, near major freeway arteries and physically connected to the Reno-Sparks Convention Center) makes the facility appealing to all three groups.

Leisure Travelers: The Reno/Tahoe region is a popular gaming and vacation destination. The principal segments of Reno’s leisure traveler market are independent travelers, package tour and travel guests, guests we reach through the internet and high-end players. We attempt to maximize our gaming revenues and hotel occupancy through a balanced marketing approach that addresses each market segment.

Independent travelers make reservations directly with hotels of their choice, through independent travel agents or through the internet. We strive to attract the middle to upper-middle income strata of this consumer segment through advertising and direct marketing. This segment represents a large portion of the Atlantis’ guests.

The package tour and travel segment consists of visitors who utilize travel packages offered by wholesale operators. We market to this segment through relationships with select wholesalers, primarily to generate guest visits and supplement mid-week occupancy.

We welcome domestic and international reservations on the Atlantis’ website www.atlantiscasino.com and we are featured on major package tour and travel websites.

We market to high-end players selectively through direct sales and hosts. We utilize complimentary rooms, food and beverage, special events and the extension of gaming credit to attract, and maintain patronage from, high-end players.

Conventioners: Convention business, like package tour and travel business, supplements occupancy during lower-demand periods. Conventioners also typically pay higher average room rates than non-conventioners. We selectively seek convention and meeting groups that we believe will materially enhance the Atlantis’ occupancy and daily room rates, as well as those we believe will be more likely to utilize our gaming products. As the only hotel-casino physically connected to the Reno-Sparks Convention Center, the Atlantis is, in our view, uniquely positioned to capitalize on this segment. We believe the Reno-Sparks Convention Center has created, and we expect will continue to create, additional guest traffic for the Atlantis within this market segment that is presently underserved in the Reno area.

We market to all guest segments, including conventioners, on the basis of the location, quality and ambiance of the Atlantis facility, gaming values, friendly, efficient service, and the quality and relative value of Atlantis rooms, food and beverage offerings, entertainment and promotions.

Our players' club, "Club Paradise," allows our guests to be eligible to receive rewards and privileges based on the amount of their play, while allowing us to track play patterns through a computerized system. We use this information to determine appropriate levels of complimentary awards and to guide our direct marketing efforts. We believe that Club Paradise significantly enhances our ability to build guest loyalty and generate repeat guest visits.

Northern Nevada Residents: We market to northern Nevada residents (referred to as "Locals") on the basis of the Atlantis' location and accessibility; convenient surface parking; gaming values; ambiance; friendly efficient service; quality and relative value of food and beverage offerings.

Black Hawk. Our marketing efforts are directed toward patrons from the Denver metropolitan area and to Colorado mountain areas. Black Hawk is approximately 40 miles west of Denver.

Our Monarch Casino Black Hawk revenues and operating income are principally dependent on the level of gaming activity in the Black Hawk market. Our predominant marketing goal is to provide a desired mix of high quality gaming products in an attractive setting while providing superior food and beverage offerings. In August 2015, we completed the redesign and upgrade of the existing Monarch Casino Black Hawk property, bringing to the facility's interior the same quality, ambiance and finishes to that of the ongoing master planned expansion. In November 2016, we opened our elegant new parking facility for guest use. The completion and opening of the new parking structure is an important milestone in the Black Hawk expansion project and towards transforming the property into a luxurious full-scale resort destination that will satisfy all of our guests' requirements during their visit.

Competition

Reno/Sparks. Gaming competition in the Reno area is intense. Based on information obtained from the December 31, 2016 Gaming Revenue Report published by the Nevada State Gaming Control Board, there are approximately 14 casinos in the Reno-Sparks area which each generated more than \$12.0 million in annual gaming revenues.

We believe that the Atlantis' primary competition for leisure travelers comes from other large-scale casinos that offer amenities that appeal to middle to upper-middle income guests. We compete for leisure travelers on the basis of the desirability of our location, the quality and ambiance of the Atlantis facility, friendly, efficient service, the quality and relative value of our rooms, food and beverage offerings, entertainment offerings, promotions and gaming values. We believe that our location away from downtown Reno is appealing to first-time and more affluent guests.

We believe that the Atlantis' primary competition for conventioners comes from other large-scale hotel casinos in the Reno area that actively target the convention market segment, and from other cities in the western United States with large convention facilities and substantial hotel capacity, including Las Vegas. We compete for conventioners based on the desirability of our location, the quality and ambiance of the Atlantis facility, meeting and banquet rooms designed to appeal to conventions and groups, friendly, efficient service, and the quality and relative value of our rooms and food and beverage offerings. We believe that the Atlantis' proximity to the Reno-Sparks Convention Center, and the enclosed pedestrian sky bridge that connects the Atlantis directly with the Reno-Sparks Convention Center facilities, afford us a distinct competitive advantage in attracting conventioners.

We believe that the Atlantis' competition for northern Nevada residents comes primarily from other large-scale casinos located outside of downtown Reno that offer amenities that appeal to middle to upper-middle income guests, and secondarily with those casinos located in downtown Reno that offer similar amenities. We compete for northern Nevada residents primarily on the basis of the desirability of our location, the quality and ambiance of the Atlantis facility, friendly, efficient service, the quality and relative value of our food and beverage offerings, entertainment offerings, promotions and gaming values. We believe the Atlantis' proximity to residential areas in south Reno and its abundant surface parking provide us an advantage over the casinos located in downtown Reno in attracting Locals.

The Atlantis also competes for gaming guests with hotel casino operations located in other parts of Nevada, especially Las Vegas and Lake Tahoe, and with hotel casinos located elsewhere throughout the United States and the World. Major Native American owned facilities in central and northern California have been very successful, adversely impacting many hotel casinos in Reno. We believe that the Atlantis also competes to a lesser extent with state-sponsored lotteries, off-track wagering, card parlors and other forms of legalized gaming, particularly in northern California and the Pacific Northwest. We believe our numerous amenities, such as a wide array of restaurants, banquet facilities, spa and surface parking are key advantages in our ability to attract Locals that competitor facilities cannot easily match without significant capital expenditures.

We also believe that the legalization of additional land-based casino gaming in or near any major metropolitan area in the Atlantis' feeder markets, such as San Francisco or Sacramento, could have a material adverse impact on our business.

The legalization of internet poker and other forms of internet gaming in additional jurisdictions throughout the United States could create further competition for the Atlantis.

Black Hawk. There is strong competition in the concentrated Black Hawk/Central City area gaming market including approximately 23 casinos, which generated approximately \$680 million in gaming revenues for the twelve months ended December 31, 2016 according to the Colorado Division of Gaming.

The Black Hawk and Central City gaming market is geographically isolated. The only other non-tribal gaming market is Cripple Creek, seventy-five miles away. There are two federally recognized tribes in southwest Colorado, both with gaming facilities, and both more than 350 miles from Denver. There have been proposals for the development of Native American, racetrack and video lottery terminal casinos throughout the state over the years. None of the proposals has been adopted by the state's electorate or by the legislature. Should any form of additional gaming be authorized in the Denver metropolitan area, the Black Hawk and Central City market would be adversely affected.

We believe that the Monarch Casino Black Hawk's primary competition for visitors comes from larger-scale casinos in the market which offer amenities that appeal to the guests' entire vacation experience including hotel, broader dining choices as well as other amenities. We compete for patrons on the basis of the desirability of our location, which is the first casino encountered when entering the area on the main thoroughfare, as well as the attractive setting, friendly, efficient service, quality and relative value of our food and beverage offerings, promotions and gaming values.

Financial Information about Segments and Geographic Areas

For additional information regarding revenues, operating profit or loss and total assets, see Item 8, "FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA."

Regulation and Licensing

Nevada. The ownership and operation of casino gaming facilities in Nevada are subject to the Nevada Gaming Control Act and the regulations promulgated thereunder, referred to as the "Nevada Act," and various local regulations. Our gaming operations are subject to the licensing and regulatory control of the Nevada Gaming Commission, the Nevada State Gaming Control Board, and the Reno City Council, referred to collectively as the Nevada Gaming Authorities.

The laws, regulations and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy that are concerned with, among other things:

- the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- the establishment and maintenance of responsible accounting practices and procedures;
- the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues, providing reliable record keeping and requiring the filing of periodic reports with the Nevada Gaming Authorities;

- the prevention of cheating and fraudulent practices; and
- the provision of 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 our gaming operations.

Golden Road, our subsidiary which operates the Atlantis, is required to be licensed by the Nevada Gaming Authorities. This gaming license requires the periodic payment of fees and taxes and is not transferable. We are registered by the Nevada Gaming Commission as a publicly traded corporation, or Registered Corporation. As such, we are required periodically to submit detailed financial and operating reports to the Nevada Gaming Commission and to furnish any other information that the Nevada Gaming Commission may require. No person may become a stockholder of, or receive any percentage of profits from Golden Road without first obtaining licenses and approvals from the Nevada Gaming Authorities. Golden Road and Monarch have obtained from the Nevada Gaming Authorities the various registrations, approvals, permits and licenses required in order to engage in gaming activities in Nevada.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, Golden Road or Monarch in order to determine whether that individual is suitable or should be licensed as a business associate of a gaming licensee. Officers, directors and key employees of Golden Road must file applications with the Nevada Gaming Authorities and may be required to be licensed or found suitable by the Nevada Gaming Authorities. Our officers, directors and key employees who are actively and directly involved in gaming activities of Golden Road may be required to be licensed or found suitable by the Nevada Gaming Authorities. The Nevada Gaming Authorities may deny an application for licensure on suitability for any cause that they deem reasonable. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation. Applicants for licensing or a finding of suitability must pay all costs of the investigation. Changes in licensed positions must be reported to the Nevada Gaming Authorities. In addition to their authority to deny an application for a finding of unsuitability or licensure requirements, the Nevada Gaming Authorities also have jurisdiction to disapprove a change in a corporate position.

If the Nevada Gaming Authorities were to find an officer, director or key employee unsuitable for licensing or unsuitable to continue having a relationship with Golden Road or us, the companies involved would have to sever all relationships with that person. In addition, the Nevada Gaming Commission may require that we terminate the employment of any person who refuses to file appropriate applications. Determinations of suitability and questions pertaining to licensing are not subject to judicial review in Nevada.

We are required to submit detailed financial and operating reports to the Nevada Gaming Authorities. Substantially all material loans, leases, sales of securities and similar financing transactions by us must be reported to, or approved by, the Nevada Gaming Authorities.

If it were determined that we violated the Nevada Act, our gaming licenses and registrations with the Nevada Gaming Commission could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory procedures. In addition, we and the persons involved could be subject to substantial fines for each separate violation of the Nevada Act at the discretion of the Nevada Gaming Commission. Further, the Nevada Gaming Commission could appoint a supervisor to operate our gaming properties and, under certain circumstances, earnings generated during the supervisor's appointment (except for the reasonable rental value of our gaming properties) could be forfeited to the State of Nevada. The limitation, conditioning or suspension of any gaming license or the appointment of a supervisor could (and revocation of any gaming license would) materially adversely affect our gaming operations.

Any beneficial holder of our voting securities, regardless of the number of shares owned, may be required to file an application, be investigated, and have his or her suitability as a beneficial holder of our voting securities determined if the Nevada Gaming Commission has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the State of Nevada. The applicant must pay all costs of investigation incurred by the Nevada Gaming Authorities in conducting any such investigation.

The Nevada Act requires any person who acquires more than 5% of Monarch's voting securities to report the acquisition to the Nevada Gaming Commission. The Nevada Act requires that beneficial owners of more than 10% of our voting securities apply to the Nevada Gaming Commission for a finding of suitability within 30 days after the Chairman of the Nevada Gaming Control Board mails the written notice requiring such filing. Under certain circumstances, an "institutional investor," as defined in the Nevada Act, which acquires more than 10%, but not more than 25%, of our voting securities may apply to the Nevada Gaming Commission for a waiver of such finding of suitability if the institutional investor holds the voting securities for investment purposes only. If the acquisition is above 20% of the voting securities, the institutional investor may also apply for a waiver of the requirement for an approval of a change of control. An institutional investor is not deemed to hold voting securities for investment purposes unless the securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of the board of directors, any change in our corporate charter, bylaws, management, policies or operations, or any of our gaming affiliates, or any other action that the Nevada Gaming Commission finds to be inconsistent with holding our voting securities for investment purposes only. Activities that are not deemed to be inconsistent with holding voting securities for investment purposes only include:

- voting on all matters voted on by stockholders;
- making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in its management, policies or operations; and
- such other activities as the Nevada Gaming Commission may determine to be consistent with such investment intent.

If the beneficial holder of voting securities who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Nevada Gaming Commission or the Chairman of the Nevada State Gaming Control Board may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any stockholder found unsuitable and who holds, directly or indirectly, any beneficial ownership of the common stock of a Registered Corporation beyond such period of time as may be prescribed by the Nevada Gaming Commission may be guilty of a criminal offense. We are subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us, we:

- pay that person any dividend or interest upon voting securities;
- allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person;
- pay remuneration in any form to that person for services rendered or otherwise; or
- fail to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities for cash at fair market value.

The Nevada Gaming Commission may, in its discretion, require the holder of any debt security of a Registered Corporation to file applications, be investigated and be found suitable to own the debt security of a Registered Corporation. If the Nevada Gaming Commission determines that a person is unsuitable to own such security, then pursuant to the Nevada Act, the Registered Corporation can be sanctioned, including the loss of its approvals if, without the prior approval of the Nevada Gaming Commission, it:

- pays to the unsuitable person any dividend, interest, or any distribution;
- recognizes any voting right by such unsuitable person in connection with such securities;
- pays the unsuitable person remuneration in any form; or
- makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation or similar transaction.

We are required to maintain a current stock ledger in Nevada, and the Nevada Gaming Authorities may examine the ledger at any time. If any securities are held in trust by an agent or 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 holder unsuitable. We are also required to render maximum assistance in determining the identity of the beneficial owner. The Nevada Gaming Commission may require our stock certificates to bear a legend indicating that the securities are subject to the Nevada Act.

We may not make a public offering of our securities without the prior approval of the Nevada Gaming Commission if the securities or proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for purposes of constructing, acquiring or financing gaming facilities. Any approval, if granted, does not constitute a finding, recommendation or approval by the Nevada Gaming Authorities as to the accuracy or adequacy of the prospectus or the investment merits of the securities offered. Any representation to the contrary is unlawful.

Changes in our control through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby that person obtains control (including foreclosure on the pledged shares), may not occur without the prior approval of the Nevada Gaming Commission. Entities seeking to acquire control of a Registered Corporation must satisfy the Nevada Gaming Authorities in a variety of stringent standards prior to assuming control of such Registered Corporation. The Nevada Gaming Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed or found suitable as part of the approval process relating to the transaction.

The Nevada Legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and corporate defense tactics affecting Nevada gaming licensees, and Registered Corporations that are affiliated with those operations, may be injurious to stable and productive corporate gaming. The Nevada Gaming 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:

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

We are, in certain circumstances, required to receive approval from the Nevada Gaming Commission before we can make exceptional repurchases of voting securities above their current market price and before we can consummate a corporate acquisition opposed by management. The Nevada Act also requires prior approval of a plan of recapitalization proposed by the board of directors in response to a tender offer made directly to a Registered Corporation's stockholders for the purposes of acquiring control of the Registered Corporation.

Licensee fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Nevada and to the counties and cities in which the Nevada licensee's respective operations are conducted. Depending upon the particular fee or tax involved, these fees and taxes are payable monthly, quarterly or annually and are based upon either:

- a percentage of the gross revenues received;
- the number of gaming devices operated; or
- the number of table games operated.

A live entertainment tax is also paid on admission charges where entertainment is furnished. Nevada licensees that hold a license as an operator of a slot route, a manufacturer or a distributor also pay certain fees and taxes to the State of Nevada.

Any person who is licensed, required to be licensed, registered, required to be registered, or is under common control with such persons, referred to as “Licensees,” and who is or proposes to become involved in a gaming venture outside of Nevada is required to deposit with the Nevada State Gaming Control Board, and thereafter maintain, a revolving fund in the amount of \$10,000 to pay the expenses of investigation by the Nevada State Gaming Control Board of their participation in foreign gaming. The revolving fund is subject to increase or decrease in the discretion of the Nevada Gaming Commission. Thereafter, Licensees are required to comply with certain reporting requirements imposed by the Nevada Act. Licensees are also subject to disciplinary action by the Nevada Gaming Commission if they knowingly violate any laws of the foreign jurisdiction pertaining to the foreign gaming operation, fail to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations, engage in activities that are harmful to the State of Nevada or its ability to collect gaming taxes and fees, or employ a person in the foreign operation who has been denied a license or finding of suitability in Nevada on the ground of personal unsuitability.

Colorado. As prescribed by the Colorado Limited Gaming Act of 1991 (the “Colorado Act”), the ownership and operation of limited stakes gaming facilities in Colorado are subject to the Colorado Gaming Regulations (the “Colorado Regulations”) and final authority of the Colorado Limited Gaming Control Commission (the “Colorado Commission”). The Colorado Act also created the Colorado Division of Gaming within the Colorado Department of Revenue to license, supervise and enforce the conduct of limited stakes gaming in Colorado.

The Colorado Act declares public policy on limited stakes gaming to be that: (1) the success of limited stakes gaming is dependent upon public confidence and trust that licensed limited stakes gaming is conducted honestly and competitively, the rights of the creditors of licensees are protected and gaming is free from criminal and corruptive elements; (2) public confidence and trust can be maintained only by strict regulation of all persons, locations, practices, associations and activities related to the operation of licensed gaming establishments and the manufacture or distribution of gaming devices and equipment; (3) all establishments where limited gaming is conducted and where gambling devices are operated, and all manufacturers, sellers and distributors of certain gambling devices and equipment, must therefore be licensed, controlled and assisted to protect the public health, safety, good order and the general welfare of the inhabitants of the state to foster the stability and success of limited stakes gaming and to preserve the economy, policies and free competition in Colorado; and (4) no applicant for a license or other affirmative Colorado Commission approval has any right to a license or to the granting of the approval sought. Having the authority to impose fines, the Colorado Commission has broad discretion to issue, condition, suspend for up to six months, revoke, limit or restrict at any time the following licenses: slot machine manufacturer or distributor, operator, retail gaming, support and key employee gaming licenses. With limited exceptions applicable to licensees that are publicly traded entities, no person may sell, lease, purchase, convey or acquire any interest in a retail gaming or operator license or business without the prior approval of the Colorado Commission. Any license issued or other Colorado Commission approval granted pursuant to the Colorado Act is a revocable privilege, and no holder acquires any vested rights therein.

Pursuant to an amendment to the Colorado Constitution (the “Colorado Amendment”), limited stakes gaming became lawful in the cities of Central City, Black Hawk and Cripple Creek on October 1, 1991. Currently, limited stakes gaming means a maximum single bet of \$100 on slot machines and in the games of blackjack, poker, craps and roulette. Gaming is permitted to be conducted 24 hours each day.

Limited stakes gaming is confined to the commercial districts of these cities as defined by Central City on October 7, 1981, by Black Hawk on May 4, 1978, and by Cripple Creek on December 3, 1973. In addition, the Colorado Amendment restricts limited stakes gaming to structures that conform to the architectural styles and designs that were common to the areas prior to World War I and that conform to the requirements of applicable city ordinances regardless of the age of the structures. Under the Colorado Amendment, no more than 35% of the square footage of any building and no more than 50% of any one floor of any building may be used for limited stakes gaming. Persons under the age of 21 cannot participate in limited stakes gaming. The Colorado Constitution provides for a tax on the total amount wagered less all payouts to players at graduated annual rates. The gaming tax rates in effect as of July 1, 2008 can only be increased by amendment to the Colorado Constitution by voters in a statewide election. With respect to games of poker, the tax is calculated based on the sums wagered that are retained by the licensee as compensation, which must be consistent with the minimum and maximum amounts established by the Colorado Commission. The graduated rates effective as of July 1, 2012 are:

- 0.25% up to and including \$2 million of the subject amounts;
- 2.0% on amounts from \$2 million to \$5 million;
- 9.0% on amounts from \$5 million to \$8 million;
- 11.0% on amounts from \$8 million to \$10 million;
- 16.0% on amounts from \$10 million to \$13 million; and
- 20.0% on amounts over \$13 million.

The City of Black Hawk also assesses two monthly device fees that are based on the number of gaming devices operated. These consist of a \$78.75 fee per device and a transportation device fee of \$3.67 per device.

The Colorado Commission has enacted Rule 4.5, which imposes requirements on publicly traded corporations holding gaming licenses in Colorado and on gaming licenses owned directly or indirectly by a publicly traded corporation, whether through a subsidiary or intermediary company. The term “publicly traded corporation” includes corporations, firms, limited liability companies, trusts, partnerships and other forms of business organizations. Such requirements automatically apply to any ownership interest held by a publicly traded corporation, holding company or intermediary company thereof, where the ownership interest directly or indirectly is, or will be upon approval of the Colorado Commission, 5% or more of the entire licensee. In any event, if the Colorado Commission determines that a publicly traded corporation or a subsidiary, intermediary company or holding company has the actual ability to exercise influence over a licensee, regardless of the percentage of ownership possessed by such entity, the Colorado Commission may require the entity to comply with the disclosure regulations contained in Rule 4.5.

Under Rule 4.5, gaming licensees, affiliated companies and controlling persons commencing a public offering of voting securities must notify the Colorado Commission no later than 10 business days after the initial filing of a registration statement with the Securities and Exchange Commission. Licensed publicly traded corporations are also required to send proxy statements to the Division of Gaming within five days after their distribution. Licensees to whom Rule 4.5 applies must include in their charter documents provisions that restrict the rights of the licensees to issue voting interests or securities except in accordance with the Colorado Act and the Colorado Regulations; limit the rights of persons to transfer voting interests or securities of licensees except in accordance with the Colorado Act and the Colorado Regulations; and provide that holders of voting interests or securities of licensees found unsuitable by the Colorado Commission may, within 60 days of such finding of unsuitability, be required to sell their interests or securities back to the issuer at the lesser of the cash equivalent of the holders’ investment or the market price as of the date of the finding of unsuitability. Alternatively, the holders may, within 60 days after the finding of unsuitability, transfer the voting interests or securities to a suitable person, as determined by the Colorado Commission. Until the voting interests or securities are held by suitable persons, the issuer may not pay dividends or interest, the securities may not be voted and may not be included in the voting or securities of the issuer, and the issuer may not pay any remuneration in any form to the holders of the securities.

Pursuant to Rule 4.5, persons who acquire direct or indirect beneficial ownership of (a) 5% or more of any class of voting securities of a publicly traded corporation that is required to include in its articles of incorporation the Rule 4.5 charter language provisions; or (b) 5% or more of the beneficial interest in a gaming licensee directly or indirectly through any class of voting securities of any holding company or intermediary company of a licensee, referred to as “qualifying persons,” shall notify the Division of Gaming within 10 days of such acquisition and submit all requested information. Such persons are subject to a finding of suitability as required by the Division of Gaming or the Colorado Commission. Licensees also must notify any qualifying persons of these requirements. A qualifying person other than an institutional investor whose interest equals 10% or more must apply to the Colorado Commission for a finding of suitability within 45 days after acquiring such securities. Licensees must also notify any qualifying persons of these requirements. Whether or not notified, qualifying persons are responsible for complying with these requirements.

A qualifying person who is an institutional investor under Rule 4.5 and who, individually or in association with others, acquires, directly or indirectly, the beneficial ownership of 20% or more of any class of voting securities must apply to the Colorado Commission for a finding of suitability within 45 days after acquiring such interests.

The Colorado Regulations provide for exemption from the requirements for a finding of suitability when the Colorado Commission finds such action to be consistent with the purposes of the Colorado Act.

Pursuant to Rule 4.5, persons found unsuitable by the Colorado Commission must be removed from any position as an officer, director or employee of a licensee, or from a holding or intermediary company. Such unsuitable persons also are prohibited from any beneficial ownership of the voting securities of any such entities. Licensees, or affiliated entities of licensees, are subject to sanctions for paying dividends or distributions to persons found unsuitable by the Colorado Commission, or for recognizing voting rights of, or paying a salary or any remuneration for services to, unsuitable persons. Licensees or their affiliated entities also may be sanctioned for failing to pursue efforts to require unsuitable persons to relinquish their interest. The Colorado Commission may determine that anyone with a material relationship to, or material involvement with, a licensee or an affiliated company must apply for a finding of suitability or must apply for a key employee license.

The Colorado Regulations require that every officer, director and stockholder of private corporations or equivalent office or ownership holders for non-corporate applicants, and every officer, director or stockholder holding either a 5% or greater interest or controlling interest of a publicly traded corporation or owners of an applicant or licensee, shall be a person of good moral character and submit to a full background investigation conducted by the Division of Gaming and the Colorado Commission. The Colorado Commission may require any person having an interest in a license to undergo a full background investigation and pay the cost of investigation in the same manner as an applicant.

The sale of alcoholic beverages in gaming establishments is subject to strict licensing, control and regulation by state and local authorities. Alcoholic beverage licenses are revocable and nontransferable. State and local licensing authorities have full power to limit, condition, suspend for as long as six months or revoke any such licenses.

There are various classes of retail liquor licenses which may be issued under the Colorado Liquor Code. A gaming licensee may sell malt, vinous or spirituous liquors only by the individual drink for consumption on the premises. An application for an alcoholic beverage license in Colorado requires notice, posting and a public hearing before the local liquor licensing authority prior to approval. The Colorado Department of Revenue’s Liquor Enforcement Division must also approve the application. Monarch Casino Black Hawk has been approved for a restaurant liquor license by both the local Black Hawk licensing authority and the State Division of Liquor Enforcement.

Compliance with Environmental Laws

Requirements to comply with environmental laws may have an impact on capital expenditures, earnings, and our competitive position. See Item 1A, “RISK FACTORS.”

Employees

As of January 20, 2017, we had approximately 2,100 employees. None of our employees are covered by collective bargaining agreements. We believe that our relationship with our employees is good.

ITEM 1A. RISK FACTORS

Our business prospects are subject to various risks and uncertainties that impact our business. You should carefully consider the following discussion of risks, and the other information provided in this annual report on Form 10-K. The risks described below are not the only ones facing us; however, they do represent all material risks currently known to us. Additional risks that are presently unknown to us or that we currently deem immaterial may also impact our business.

OUR BUSINESS MAY BE ADVERSELY IMPACTED IF THE RENO OR DENVER METROPOLITAN ECONOMIES DECLINE OR STAGNATE

We market to and rely upon business from the Reno and Denver metropolitan areas. Adverse changes in the business and employment conditions in Reno and Denver may adversely impact our business. There can be no guarantee that economic conditions will continue to improve or will not stagnate or worsen in our feeder markets, including Reno and Denver. Erosion in business and employment conditions in the Reno or Denver metropolitan areas could adversely impact our business.

OUR BUSINESS MAY BE ADVERSELY IMPACTED BY WEAKENED ECONOMIC CONDITIONS IN CALIFORNIA AND THE PACIFIC NORTHWEST

Because California and the Pacific Northwest are also significant markets for our leisure traveler and conventioner guests, our business may be adversely impacted in the event of weakened economic conditions in those geographical markets.

OUR BUSINESS IS PARTICULARLY SENSITIVE TO WEAK DISCRETIONARY CONSUMER SPENDING

Consumer demand for entertainment and other amenities at hotel-casino properties and casino properties, such as ours, are particularly sensitive to a weak economy and the corresponding impact on discretionary spending on leisure activities. Changes in discretionary consumer spending or consumer preferences brought about by factors such as perceived or actual general economic conditions, effects of the recession and economic slowdown, including the housing crisis and credit crisis, the impact of high energy and food costs, the increased cost of travel, the potential for bank failures, perceived or actual disposable consumer income and wealth, or fears of war and future acts of terrorism could further reduce customer demand for the amenities that we offer, thus imposing practical limits on pricing and negatively impacting our results of operations and financial condition.

We have recently experienced one of the toughest economic periods in post-World War II Nevada history. The recent housing crisis and economic slowdown in the United States resulted in a significant decline in the amount of tourism and spending in Reno. While the economy has improved significantly since the end of the recent economic recession, our business continues to experience lingering effects from changes in consumer spending habits due to the recession. Reno visitation has improved, and we are seeing improving economies in our local and regional markets.

CERTAIN OF OUR STOCKHOLDERS OWN LARGE INTERESTS IN OUR CAPITAL STOCK AND MAY SIGNIFICANTLY INFLUENCE OUR AFFAIRS

John Farahi and Bob Farahi, officers and directors of the Company, together with their brother Ben Farahi, beneficially own in the aggregate approximately 38% of the Company's outstanding shares of common stock, inclusive of options held by them which are exercisable within 60 days. As such, members of the Farahi family, if voting together, have the ability to significantly influence our affairs, including the election of members of the board of directors and, except as otherwise provided by law, approving or disapproving other matters submitted to a vote of our stockholders, including a merger, consolidation, or sale of assets.

TO SERVICE OUR INDEBTEDNESS, WE WILL REQUIRE A SIGNIFICANT AMOUNT OF CASH. OUR ABILITY TO GENERATE CASH DEPENDS ON MANY FACTORS BEYOND OUR CONTROL

Our ability to make payments on and to refinance our indebtedness and to fund future capital expenditures and expansion efforts will depend upon our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. It is possible that our business will generate insufficient cash flows from operations, or that future borrowings will not be available to us under our credit facility, in amounts sufficient to enable us to pay our indebtedness as it matures and to fund our other liquidity needs. We may have to adopt one or more alternatives, such as reducing or delaying planned expenses and capital expenditures, selling assets or obtaining additional equity or debt financing or joint venture partners. These financing strategies may not be affected on satisfactory terms, if at all.

LIMITATIONS OR RESTRICTIONS ON OUR CREDIT FACILITY COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR LIQUIDITY

Our Credit Facility is an important component of our liquidity. Any material restriction on our ability to use our Credit Facility or the failure to obtain a new credit facility upon either the maturity of the Credit Facility or the depletion of funds remaining under the Credit Facility could adversely impact our operations and future growth options.

INTENSE COMPETITION EXISTS IN THE GAMING INDUSTRY, AND WE EXPECT COMPETITION TO CONTINUE TO INTENSIFY

The gaming industry is highly competitive for both customers and employees, including those at the management level. We compete with numerous casinos and hotel-casinos of varying quality and size in our markets. We also compete with other non-gaming resorts and vacation destinations, and with various other casino and other entertainment businesses, and could compete with any new forms of gaming, including internet gaming, that has been or may be legalized in the future. The casino entertainment business is characterized by competitors that vary considerably in their size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, level of amenities, management talent and geographic diversity. We compete directly with other casino facilities operating in the immediate and surrounding market areas in which we operate. In some markets, we face competition from nearby markets in addition to direct competition within our market areas.

As competitive pressures increase, other casinos in our markets may intensify their marketing efforts. Increased competitive pressures in the local markets could adversely impact our ability to continue to attract local residents to the Atlantis and the Monarch Casino Black Hawk or require us to use more expensive, and therefore, less profitable promotions to compete more efficiently. Competitive pressures from internet gaming could also affect our future operations.

In recent years, with fewer new markets opening for development, competition in existing markets has intensified. We have invested in expanding the Atlantis and renovating Monarch Casino Black Hawk, and are in the process of expanding the Monarch Casino Black Hawk. Our competitors have also invested in expanding their existing facilities and developing new facilities. This expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies of many of our competitors have increased competition in our markets, and this intense competition can be expected to continue. In addition, competition may intensify if our competitors commit additional resources to aggressive pricing and promotional activities in order to attract customers.

If our competitors operate more successfully than we do, if they attract customers away from us as a result of aggressive pricing and promotion, if they are more successful than us in attracting and retaining employees, if their properties are enhanced or expanded, if they operate in jurisdictions that give them operating advantages due to differences or changes in gaming regulations or taxes, or if additional hotels and casinos are established in and around our markets, we may lose market share or the ability to attract or retain employees. In particular, the expansion of casino gaming in or near any geographic area from which we attract or expect to attract a significant number of our customers could have a significant adverse effect on our business, financial condition and results of operations.

We also believe that the legalization of additional casino gaming in or near any major metropolitan area in the Atlantis' or Monarch Casino Black Hawk's key marketing areas could have a material adverse impact on our business.

In addition, Native American gaming facilities in some instances operate under regulatory requirements less stringent than those imposed on our properties, which could provide them a competitive advantage in our markets. Moreover, there is a possibility of competition from internet and other account wagering gaming services, which would allow their guests to wager on a wide variety of sporting events and play Las Vegas-style casino games from home, and this could have a material adverse effect on our business, financial condition, operating results and prospects. The legalization of internet poker and other forms of internet gaming could create further competition for our operations.

OUR BUSINESS MAY BE ADVERSELY IMPACTED IF WE ARE UNABLE TO ADEQUATELY STAFF OUR OPERATIONS

From time to time, the competition for employees increases. During such times, new and growing business in the area may create job opportunities that at times have exceeded the area's supply of qualified employees. If we are unable to attract and retain qualified employees, or if competition for employees results in materially increased wages, our ability to maintain and grow our business could be adversely impacted.

OUR BUSINESS MAY BE ADVERSELY IMPACTED BY DOMESTIC AND INTERNATIONAL EVENTS

The terrorist attacks that took place in the United States on September 11, 2001, were unprecedented events that created economic and business uncertainties, especially for the travel and tourism industry. The potential for future terrorist attacks, the national and international responses, and other acts of war or hostility have created economic and political uncertainties that could materially adversely affect our business, results of operations and financial condition in ways we cannot predict.

AN OUTBREAK OF HIGHLY INFECTIOUS DISEASE COULD ADVERSELY AFFECT THE NUMBER OF VISITORS TO OUR FACILITIES AND DISRUPT OUR OPERATIONS, RESULTING IN A MATERIAL ADVERSE EFFECT ON OUR FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

There have been recent fears concerning the spread of certain influenza or other diseases, as well as outbreaks on cruise ships. Potential future outbreaks of highly infectious diseases may adversely affect the number of visitors to our property and our business and prospects. Furthermore, a major outbreak might disrupt our ability to adequately staff our business and could generally disrupt our operations. If any of our guests or employees is suspected of having contracted certain highly contagious diseases, we may be required to quarantine these customers or employees or the affected areas of our facilities and temporarily suspend part or all of our operations at affected facilities. Any new outbreak of such a highly infectious disease could have a material adverse effect on our financial condition, results of operations and cash flows.

FAILURE OF THE RENO-SPARKS CONVENTION CENTER TO BOOK AND ATTRACT CONVENTION BUSINESS COULD ADVERSELY IMPACT OUR BUSINESS AT THE ATLANTIS

The Atlantis is the closest hotel-casino to the Reno-Sparks Convention Center. If the Reno-Sparks Convention Center does not succeed in booking the anticipated level of conventions, our future results of operations could be adversely impacted.

OUR BUSINESS IS SUBJECT TO RESTRICTIONS AND LIMITATIONS IMPOSED BY GAMING REGULATORY AUTHORITIES THAT COULD ADVERSELY AFFECT US

The ownership and operation of casino gaming facilities are subject to extensive state and local regulation. The State of Nevada, the State of Colorado and the applicable local authorities require various licenses, registrations, permits and approvals to be held by us and our subsidiaries. The Nevada Gaming Commission and the Colorado Commission may, among other things, limit, condition, suspend, revoke or decline to renew a license or approval to own the stock of our subsidiaries for any cause deemed reasonable by such licensing authority. If we violate gaming laws or regulations, substantial fines could be levied against us, our subsidiaries and the persons involved, and we could be forced to forfeit a portion of our assets. The suspension, revocation or non-renewal of any of our licenses or the levy on us of substantial fines or forfeiture of assets would have a material adverse effect on our business, financial condition and results of operations.

To date, we have obtained all governmental licenses, findings of suitability, registrations, permits and approvals necessary for the operation of our current gaming activities. However, gaming licenses and related approvals are deemed to be privileges under Nevada and Colorado law. We cannot assure you that our existing licenses, permits and approvals will be maintained or extended.

OUR INSURANCE COVERAGE MAY NOT BE ADEQUATE TO COVER ALL POSSIBLE LOSSES THAT OUR PROPERTIES COULD SUFFER. IN ADDITION, OUR INSURANCE COSTS MAY INCREASE AND WE MAY NOT BE ABLE TO OBTAIN THE SAME INSURANCE COVERAGE IN THE FUTURE

Although we have general property insurance covering damage caused by a casualty loss (such as fire and natural disasters), each such policy has certain exclusions. In addition, our property insurance is in an amount that may be less than the expected replacement cost of rebuilding the applicable complex if there was a total loss. Our level of insurance coverage may not be adequate to cover all losses in the event of a major casualty. In addition, certain casualty events, such as labor strikes, nuclear events, acts of war, loss of income due to cancellation of room reservations or conventions due to fear of terrorism, deterioration or corrosion, insect or animal damage and pollution, might not be covered at all under our policies. Therefore, certain acts could expose us to heavy, uninsured losses.

In addition, although we currently have insurance coverage for occurrences of terrorist acts and for certain losses that could result from these acts, our terrorism coverage is subject to the same risks and deficiencies as those described above for our general property coverage. The lack of sufficient insurance for these types of acts could expose us to heavy losses in the event that any damages occur, directly or indirectly, as a result of terrorist attacks or otherwise, which could have a significant negative impact on our operations.

In addition to the damage caused to our property by a casualty loss (such as fire, natural disasters, acts of war or terrorism), we may suffer business disruption as a result of these events or be subject to claims by third parties injured or harmed. While we carry business interruption insurance and general liability insurance, this insurance may not be adequate to cover all losses in such event.

We renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to reduce our policy limits or agree to certain exclusions from our coverage. Among other factors, it is possible that homeland security concerns, other catastrophic events or any change in government legislation governing insurance coverage for acts of terrorism could materially adversely affect available insurance coverage and result in increased premiums on available coverage (which may cause us to elect to reduce our policy limits) and additional exclusions from coverage. Among other potential future adverse changes, in the future we may elect not to, or may not be able to, obtain any coverage for losses due to acts of terrorism.

Our debt instruments and other material agreements require us to maintain a certain minimum level of insurance. Failure to satisfy these requirements could result in an event of default under these debt instruments or material agreements, which would have a material adverse effect on our financial condition, results of operations or cash flows.

IF GAMING TAXES AND FEES ARE INCREASED, OUR RESULTS OF OPERATIONS COULD BE ADVERSELY AFFECTED

The federal government has, from time to time, considered a federal tax on casino revenues and may consider such a tax in the future. State and local authorities raise a significant amount of revenue through taxes and fees on gaming activities. From time to time, legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming industry. In addition, worsening economic conditions could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes or other fees. If the state and/or local governments where our properties are located were to increase gaming taxes and fees, our results of operations could be adversely affected.

IF WE LOSE OUR KEY PERSONNEL, OUR BUSINESS COULD BE MATERIALLY ADVERSELY AFFECTED

We depend on the continued performances of John Farahi and Bob Farahi, our Chief Executive Officer and our President, respectively, and their management team. If we lose the services of the Farahi brothers, or other senior Atlantis management personnel, and cannot replace such persons in a timely manner, our business could be materially adversely affected.

CLAIMS HAVE BEEN BROUGHT AGAINST US AND OUR SUBSIDIARIES IN VARIOUS LEGAL PROCEEDINGS, AND ADDITIONAL LEGAL AND TAX CLAIMS ARISE FROM TIME TO TIME

It is possible that our cash flows and results of operations could be affected by the resolution of legal and other claims. We believe that the ultimate disposition of current matters will not have a material impact on our financial condition or results of operations. Please see the further discussion under "Legal Proceedings" in Item 3 of this Form 10-K.

WE OWN FACILITIES THAT ARE LOCATED IN AREAS THAT EXPERIENCE EXTREME WEATHER CONDITIONS

Extreme weather conditions may interrupt our operations, damage our properties and reduce the number of customers who visit our facilities in the affected areas. Snowstorms, other adverse weather conditions or forest or range fires may interrupt our operations, damage our properties and reduce the number of customers who visit our facilities in the affected areas. If there is a prolonged disruption at either our Atlantis or Monarch Casino Black Hawk properties due to extreme weather conditions, natural disasters, catastrophic events or other acts of God, our results of operations and financial condition could be materially adversely affected.

While we maintain insurance coverage that may cover certain of the costs and loss of revenue that we incur as a result of some extreme weather conditions, our coverage is subject to deductibles and limits on maximum benefits. There can be no assurance that we will be able to fully collect, if at all, on any claims resulting from extreme weather conditions. If any of our properties are damaged or if their operations are disrupted as a result of extreme weather in the future, or if extreme weather adversely impacts general economic or other conditions in the areas in which our properties are located or from which they draw their patrons, our business, financial condition and results of operations could be materially adversely affected.

WE ARE SUBJECT TO ENVIRONMENTAL LAWS AND POTENTIAL EXPOSURE TO ENVIRONMENTAL LIABILITIES

We are subject to various federal, state and local environmental laws and regulations that govern our operations, including emissions and discharges into the environment, and the handling and disposal of hazardous and nonhazardous substances and wastes. Failure to comply with such laws and regulations could result in costs for corrective action, penalties or the imposition of other liabilities or restrictions. As we acquire properties, we may not know the full level of exposure that we may have undertaken despite appropriate due diligence.

We also are subject to laws and regulations that impose liability and clean-up responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating contaminated soil or groundwater on or from its property, without regard to whether the owner or operator knew of, or caused, the contamination, as well as incur liability to third parties impacted by such contamination. The presence of contamination, or failure to remediate it properly, may adversely affect our ability to use, sell or rent property. The Monarch Casino Black Hawk is located within an area of historic mining activity and near superfund sites that have been the subject of state and federal clean-up actions. Although the Monarch Casino Black Hawk is not part of a superfund site, the fact that such sites are in the vicinity and that mining activities occurred throughout the area, it is possible that as a result of our ownership and operation of Monarch Casino Black Hawk (on which mining may have occurred in the past), we may incur costs related to this matter in the future. Furthermore, there may have been soil or groundwater contamination at certain of our properties resulting from current or former operations. None of these matters or other matters arising under environmental laws has had a material adverse effect on our business, financial condition, or results of operations; however, there can be no assurance that such matters will not have such an effect in the future.

ENERGY PRICE INCREASES MAY ADVERSELY AFFECT OUR COST OF OPERATIONS AND OUR REVENUES

Our facilities use significant amounts of electricity, natural gas and other forms of energy. While no shortages of energy or fuel have been experienced to date, increases in energy and fuel prices in the United States may negatively affect our operating results. The extent of the impact is subject to the magnitude and duration of the energy and fuel price increases, but this impact could be material. In addition, energy and gasoline price increases in cities that constitute a significant source of customers for our properties could result in a decline in disposable income of potential customers and a corresponding decrease in visitation and spending at our properties, which would negatively impact revenues.

CHANGES IN REGULATIONS ON LAND USE REQUIREMENTS COULD ADVERSELY IMPACT OUR BUSINESS

A change in regulations on land use requirements with regard to development of new hotel casinos in the proximity of the Atlantis and the Monarch Casino Black Hawk could have an adverse impact on our business, results of operations, and financial condition. A relaxation in such regulations could make it easier for competitors to enter our immediate market. A tightening of such regulations could adversely impact our future expansion opportunities.

OUR RESULTS OF OPERATIONS MAY BE ADVERSELY AFFECTED BY HIGH-END PLAYERS' WINNINGS

Although not the major focus of our marketing efforts, we have selectively targeted high-end players. Should one or more of these high-end players win large sums in our casino, or should a material amount of credit extended to such players not be repaid, our results of operations could be adversely impacted.

OUR COMMON STOCK PRICE MAY FLUCTUATE SUBSTANTIALLY, AND A STOCKHOLDER'S INVESTMENT COULD DECLINE IN VALUE

The market price of our common stock may fluctuate substantially due to many factors, including:

- actual or anticipated fluctuations in our results of operations;
- announcements of significant acquisitions or other agreements by us or by our competitors;
- our sale of common stock or other securities in the future;
- trading volume of our common stock;
- conditions and trends in the gaming and destination entertainment industries;
- changes in the estimation of the future size and growth of our markets; and
- general economic conditions, including, without limitation, changes in the cost of fuel and air travel.

In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to companies' operating performance. Broad market and industry factors may materially harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, stockholder derivative lawsuits and/or securities class action litigation has often been instituted against that company. Such litigation, if instituted against us, could result in substantial costs and a diversion of management's attention and resources.

WE HAVE THE ABILITY TO ISSUE ADDITIONAL EQUITY SECURITIES, WHICH WOULD LEAD TO DILUTION OF OUR ISSUED AND OUTSTANDING COMMON STOCK

The issuance of additional equity securities or securities convertible into equity securities would result in dilution of our existing stockholders' equity interests in us. Our board of directors has the authority to issue, without vote or action of stockholders, preferred stock in one or more series, and has the ability to fix the rights, preferences, privileges and restrictions of any such series. Any such series of preferred stock could contain dividend rights, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences or other rights superior to the rights of holders of our common stock. If we issue convertible preferred stock, a subsequent conversion may dilute the current common stockholders' interest.

If our outstanding options and rights to purchase shares of our common stock are exercised and the underlying shares of common stock are issued upon such exercise are sold, our stockholders may experience substantial dilution and the market price of our shares of common stock could decline. Further, the perception that such securities might be exercised could adversely affect the trading price of our shares of common stock. In addition, during the time that such securities are outstanding, they may adversely affect the terms on which we could obtain additional capital.

WE DO NOT INTEND TO PAY CASH DIVIDENDS. AS A RESULT, STOCKHOLDERS WILL BENEFIT FROM AN INVESTMENT IN OUR COMMON STOCK ONLY IF IT APPRECIATES IN VALUE

We have never paid a cash dividend on our common stock, and we do not plan to pay any cash dividends on our common stock in the foreseeable future. We currently intend to retain any future earnings to finance our operations and further expansion and growth of our business, including acquisitions. As a result, the success of an investment in our common stock will depend upon any future appreciation in its value. We cannot guarantee that our common stock will appreciate in value or even maintain the price at which stockholders have purchased their shares.

WE FACE RISKS ASSOCIATED WITH GROWTH

In April 2012, we acquired Monarch Casino Black Hawk. The expansion of our operations, whether through acquisitions, development or internal growth, could divert management's attention and could also cause us to incur substantial costs, including legal, professional and consulting fees. There can be no assurance that we will be able to develop or profitably manage our additional operations or successfully integrate such operations into our existing operations without substantial costs, delays or other problems. Additionally, there can be no assurance that we will receive necessary licenses or approvals for expansion and development projects currently being contemplated.

Management of new properties, especially in new geographic areas, may require that we increase our management resources. Our ability to achieve our objectives in connection with our acquisition may be highly dependent on, among other things, our ability to retain or train capable executives. We cannot assure you that we will be able to manage the combined operations effectively or realize any of the anticipated benefits of our acquisitions. We also cannot assure you that the acquired business will generate returns consistent with our expectations.

The occurrence of some or all of the above described events could have a material adverse effect on our business, financial condition and results of operations.

OUR EXPANSION AND RENOVATION PROJECTS MAY FACE SIGNIFICANT RISKS INHERENT IN CONSTRUCTION PROJECTS

We have commenced additional expansion projects at the Monarch Casino Black Hawk.

Such projects and any other development projects we may undertake will be subject to the many risks inherent in the expansion or renovation of an existing enterprise or construction of a new enterprise, including unanticipated design, construction, regulatory, environmental and operating problems and lack of demand for our projects. Our current and future projects could also experience:

- delays and significant cost increases;
- shortages of materials;
- shortages of skilled labor or work stoppages;
- poor performance or nonperformance by any third parties on whom we place reliance;
- unforeseen construction scheduling, engineering, environmental, permitting, construction or geological problems; and
- weather interference, floods, fires or other casualty losses.

The completion dates of any of our projects could differ significantly from expectations for construction-related or other reasons.

In addition, actual costs and construction periods for any of our projects can differ significantly from initial expectations. Our initial project costs and construction periods will be based upon budgets, conceptual design documents and construction schedule estimates prepared at inception of the project in consultation with architects and contractors. Many of these costs can increase over time as the project is built to completion.

The cost of any project may vary significantly from initial budget expectations and we may have a limited amount of capital resources to fund cost overruns. If we cannot finance cost overruns on a timely basis, the completion of one or more projects may be delayed until adequate funding is available. We can provide no assurance that any project will be completed on time, if at all, or within established budgets, or that any project will result in increased earnings to us. Significant delays, cost overruns, or failures of our projects to achieve market acceptance could have a material adverse effect on our business, financial condition and results of operations.

OUR EXPANSION AND RENOVATION PROJECTS REQUIRE THE RECEIPT OF NECESSARY GOVERNMENT APPROVALS

Certain permits, licenses and approvals necessary for some of our anticipated projects have not yet been obtained. The scope of the approvals required for expansion or renovation projects can be extensive and may include gaming approvals, state and local land-use permits and building and zoning permits. Unexpected changes or concessions required by local, state or federal regulatory authorities could involve significant additional costs and delay the scheduled openings of the facilities. We may not obtain the necessary permits, licenses and approvals within the anticipated time frames, or at all.

In addition, although we will design our projects to minimize disruption of our existing business operations, expansion and renovation projects require, from time to time, all or portions of affected existing operations to be closed or disrupted. Any significant disruption in operations of a property could have a significant adverse effect on our business, financial conditions and results of operations.

IF WE ARE UNABLE TO FINANCE OUR EXPANSION AND RENOVATION PROJECTS, AS WELL AS OTHER CAPITAL EXPENDITURES, THROUGH CASH FLOW FROM OPERATIONS, BORROWINGS UNDER OUR CREDIT FACILITY AND/OR ADDITIONAL FINANCINGS, OUR EXPANSION AND RENOVATION EFFORTS WILL BE JEOPARDIZED

We intend to finance our future expansion and renovation projects, as well as our other capital expenditures, primarily with cash flow from operations, borrowings under our Credit Facility, and/or additional debt financings. If we are unable to finance our future expansion and renovation projects, or our other capital expenditures, we will have to adopt one or more alternatives, such as reducing, delaying or abandoning planned expansion and renovation projects as well as other capital expenditures, selling assets, restructuring debt, considering obtaining equity financing or joint venture partners, or modifying our Credit Facility. These sources of funds may not be sufficient to finance our expansion, development, investment and renovation projects, and other financing may not be available on acceptable terms, in a timely manner, or at all. In addition, our existing indebtedness contains certain restrictions on our ability to incur additional indebtedness.

In the past few years there have been significant disruptions in the global capital markets that have adversely impacted the ability of borrowers to access capital. We anticipate that these disruptions may continue for the foreseeable future. We anticipate that funding for any of our expansion projects would come from cash flows from operations and availability under our Credit Facility (to the extent that availability exists under our Credit Facility, as applicable, after we meet our working capital needs).

If availability under our Credit Facility does not exist or we are otherwise unable to make sufficient borrowings thereunder, any additional financing that is needed may not be available to us or, if available, may not be on terms favorable to us. As a result, if we are unable to obtain adequate project financing in a timely manner, or at all, we may be forced to sell assets in order to raise capital for projects, limit the scope of, or defer such projects, or cancel the projects altogether. In the event that capital markets do not improve and we are unable to access capital with more favorable terms, additional equity and/or credit support may be necessary to obtain construction financing for the remaining cost of the project.

FAILURE TO MAINTAIN THE INTEGRITY OF OUR INFORMATION TECHNOLOGY SYSTEMS, PROTECT OUR INTERNAL INFORMATION, OR COMPLY WITH APPLICABLE PRIVACY AND DATA SECURITY REGULATIONS COULD ADVERSELY AFFECT US.

We rely extensively on our computer systems to process customer transactions, manage customer data, manage employee data and communicate with third-party vendors and other third parties, and we may also access the internet to use our computer systems. Our operations require that we collect and store customer data, including credit card numbers and other personal information, for various business purposes, including marketing and promotional purposes. We also collect and store personal information about our employees. Breaches of our security measures or information technology systems or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive personal information or confidential data about us, or our customers, or our employees including the potential loss or disclosure of such information as a result of hacking or other cyber-attack, computer virus, fraudulent use by customers, employees or employees of third party vendors, trickery or other forms of deception or unauthorized use, or due to system failure, could expose us, our customers, our employees or other individuals affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our casino or brand names and reputations or otherwise harm our business. We rely on proprietary and commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of customer information, such as payment card, employee information and other confidential or proprietary information. Our data security measures are reviewed and evaluated regularly, however they might not protect us against increasingly sophisticated and aggressive threats. The cost and operational consequences of implementing further data security measures could be significant.

Additionally, the collection of customer and employee personal information imposes various privacy compliance related obligations on our business and increases the risks associated with a breach or failure of the integrity of our information technology systems. The collection and use of personal information is governed by privacy laws and regulations enacted in the United States and other jurisdictions around the world. Privacy regulations continue to evolve and on occasion may be inconsistent from one jurisdiction to another. Compliance with applicable privacy laws and regulations may increase our operating costs and/or adversely impact our ability to market our products, properties and services to our customers. In addition, non-compliance with applicable privacy laws and regulations by us (or in some circumstances non-compliance by third party service providers engaged by us) may also result in damage of reputation, result in vulnerabilities that could be exploited to breach our systems and/or subject us to fines, payment of damages, lawsuits or restrictions on our use or transfer of personal information.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There were no unresolved comments from the SEC staff at the time of filing this Form 10-K.

ITEM 2. PROPERTIES

Our properties consist of:

Reno, Nevada Properties:

- (a) An approximately 13-acre site on which the Atlantis is situated, including the hotel towers, casino, restaurant facilities and surrounding parking.
- (b) An approximately 16-acre site, adjacent to the Atlantis and connected to the Atlantis by the Sky Terrace, which includes approximately 11 acres of paved parking used for customer, employee and valet parking. The remainder of the site is undeveloped. This site is compliant with all casino zoning requirements and is suitable and available for future expansion of the Atlantis facilities, parking, or complementary resort casino and/or entertainment amenities. We have not determined the ultimate use of this site.
- (c) An approximately 2.6-acre site across Virginia Street from the Atlantis which is utilized as administrative offices (“the Administrative Site”) for Atlantis staff.
- (d) Leased land consisting of approximately 37,400 square-feet adjacent to the Atlantis serving as a driveway entrance to the Atlantis. The lease term ends in 2019. For a further description of the lease terms, see Item 8, “FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA, Notes to Consolidated Financial Statements, Note 5.”
- (e) Leased land consisting of approximately 4.2 acres adjacent to the Atlantis serving as a surface parking lot for the Atlantis. The lease term ends in 2035. For a further description of the lease terms, see Item 8, “FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA, Notes to Consolidated Financial Statements, Note 5.”
- (f) An approximate 2.3-acre site adjacent to the Administrative Site which is currently unused.
- (g) An approximate 5.3-acre site with a 14,376 square foot building across Coliseum Way from the Atlantis. The building is currently rented and the land is unused.

Black Hawk, Colorado Properties:

- (a) An approximate 1.6 acre site on which the Monarch Casino Black Hawk is situated including the casino and construction site where the Monarch Casino Black Hawk expansion is under the way.

(b) An approximate 1.8-acre site in contiguous to the Monarch Casino Black Hawk on which the newly built 9-story parking structure is situated.

Our Credit Facility is secured by liens on substantially all of our real and personal property.

ITEM 3. LEGAL PROCEEDINGS

We are party to claims that arise in the normal course of business. Management believes that the outcomes of such claims will not have a material adverse impact on our financial condition, cash flows or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Market Information. Our common stock trades on The NASDAQ Stock Market under the symbol MCRI. The following table sets forth the high and low sales prices of our common stock, as reported by the NASDAQ Stock Market, during the periods indicated.

	2016		2015	
	High	Low	High	Low
First quarter	\$ 23.09	\$ 17.29	\$ 19.63	\$ 15.59
Second quarter	\$ 23.22	\$ 18.50	\$ 22.30	\$ 17.77
Third quarter	\$ 25.43	\$ 20.94	\$ 21.19	\$ 16.45
Fourth quarter	\$ 27.16	\$ 21.13	\$ 23.54	\$ 17.21

Stockholders. As of March 3, 2017, there were approximately 65 holders of record of our common stock, and approximately 2,700 beneficial stockholders.

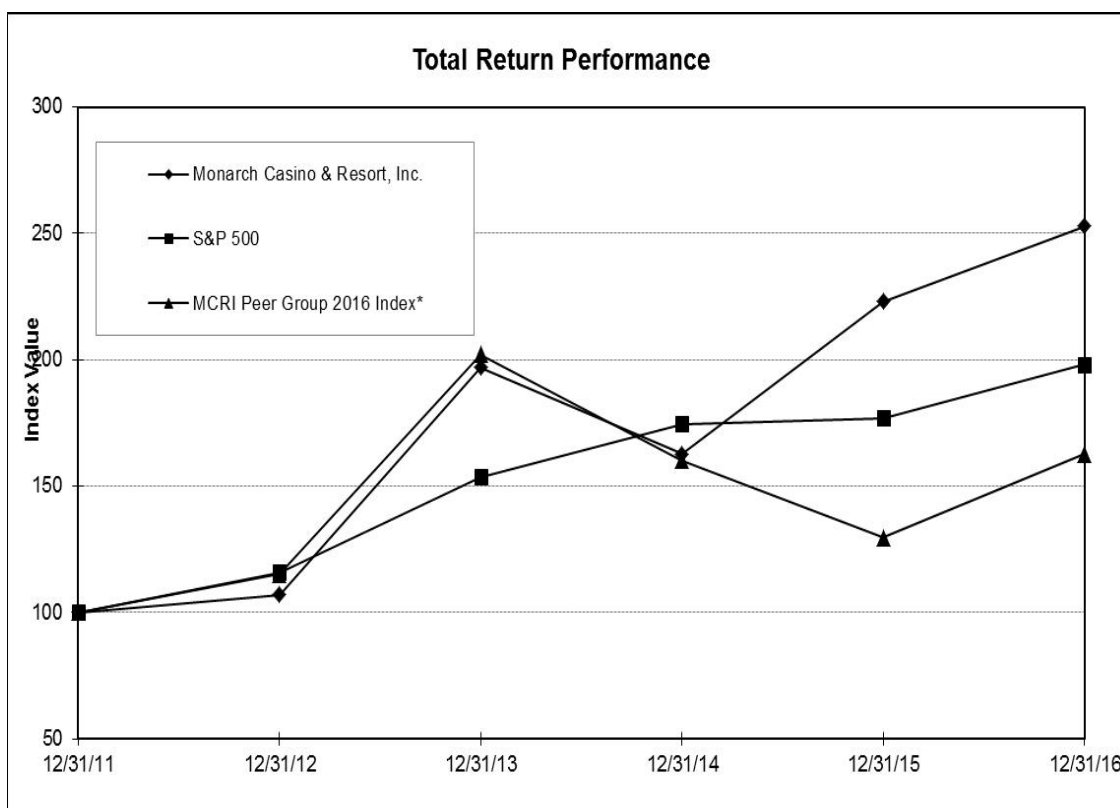
Dividends. We have never paid dividends. We intend to retain earnings and use free cash flow to finance our operating activities, for capital expenditures and to pay down our debt. We do not anticipate declaring cash dividends in the foreseeable future. Our bank loan agreement also contains provisions that require the achievement of certain financial ratios before we can pay or declare dividends to our stockholders. See Item 8, "FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA, Notes to Consolidated Financial Statements, Note 6."

Securities Authorized for Issuance under Equity Compensation Plans. For information relating to securities authorized for issuance under equity compensation plans, see Part III, Item 12, "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT."

There have been no unregistered sales of equity securities in 2016.

STOCK PERFORMANCE GRAPH

The following chart reflects the cumulative total return (change in stock price plus reinvested dividends) of a \$100 investment in the Company’s Common Stock from the five-year period from December 31, 2011 through December 31, 2016, in comparison to the Standard & Poor’s 500 Composite Stock Index and an industry peer group index. The comparisons are not intended to forecast or be indicative of possible future performance of the Company’s Common Stock.



Index	Period Ending					
	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Monarch Casino & Resort, Inc.	100.00	107.07	197.06	162.81	222.96	252.99
S&P 500	100.00	116.00	153.57	174.60	177.01	198.18
MCRI Peer Group 2016 Index*	100.00	115.16	202.04	160.16	129.60	162.76

*MCRI Peer Group 2016 comprised of: Boyd Gaming Corp (BYD); Isle of Capri Casinos, Inc. (ISLE); Las Vegas Sands Corp. (LVS); MGM Resorts International (MGM); Nevada Gold & Casinos, Inc. (UWN); Penn National Gaming, Inc. (PENN); Pinnacle Entertainment, Inc. (PNK); and Wynn Resorts, Ltd (WYNN)

Repurchases

On October 22, 2014, the board of directors of Monarch authorized a stock repurchase plan (the “Repurchase Plan”). Under the Repurchase Plan, the board of directors authorized a program to repurchase up to 3,000,000 shares of the Company’s common stock in the open market or in privately negotiated transactions from time to time, in compliance with Rule 10b-18 of the Securities and Exchange Act of 1934, subject to market conditions, applicable legal requirements and other factors. The Repurchase Plan does not obligate the Company to acquire any particular amount of common stock and the Repurchase Plan may be suspended at any time at our discretion, and it will continue until exhausted. The actual timing, number and value of shares repurchased under the Repurchase Program will be determined by management at its discretion and will depend on a number of factors, including the market price of the Company’s stock, general market economic conditions and applicable legal requirements. The Company has made no purchases under the Repurchase Plan.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31, (Amounts in thousands, except per share amounts)				
	2016	2015	2014	2013	2012
OPERATING RESULTS					
Casino revenues	\$ 168,861	\$ 156,843	\$ 145,134	\$ 149,916	\$ 128,831
Other revenues	95,283	90,327	84,441	82,001	75,160
Gross revenues	264,144	247,170	229,575	231,917	203,991
Promotional allowances	(47,112)	(44,925)	(41,808)	(43,168)	(40,689)
Net revenues	217,032	202,245	187,767	188,749	163,302
Income from operations	38,548 (F1)	32,555	22,219 (F2)	30,455 (F3)	15,983 (F4)
Income before income tax	37,932	31,876	21,115	28,595	13,959
Net income	\$ 24,574	\$ 20,659	\$ 14,185	\$ 17,961	\$ 8,911

**INCOME PER SHARE OF
COMMON STOCK**

Net income per common share

Basic	\$ 1.42	\$ 1.22	\$ 0.85	\$ 1.10	\$ 0.55
Diluted	\$ 1.39	\$ 1.19	\$ 0.83	\$ 1.06	\$ 0.55

Weighted average number of
common shares and potential
common shares outstanding

Basic	17,305	16,948	16,734	16,302	16,140
Diluted	17,664	17,335	17,107	16,944	16,250

OTHER DATA

Depreciation and amortization	\$ 14,835	\$ 15,933	\$ 17,824	\$ 16,638	\$ 16,651
Other expense	\$ (616)	\$ (679)	\$ (1,104)	\$ (1,860)	\$ (2,024)
Capital expenditures (F5)	\$ 24,923	\$ 38,059	\$ 19,929	\$ 12,400	\$ 10,329

BALANCE SHEET DATA

Total assets	\$ 295,165	\$ 274,846	\$ 252,301	\$ 244,523	\$ 248,120
Long-term debt, less current maturities	\$ 26,200	\$ — (F6)	\$ 46,300	\$ 53,800	\$ 81,100
Stockholders' equity (F7)	\$ 233,845	\$ 203,919	\$ 176,951	\$ 163,880	\$ 140,848

Footnotes to Selected Financial Data:

(F1) 2016 includes \$1.6 million of expense related to the upgrade and redesign of the Toucan Charlie's Buffet at Atlantis.

(F2) 2014 includes \$1.9 million of expense related to the campaign against the proposed 2014 ballot initiative to expand gaming in Colorado.

(F3) 2013 includes \$0.6 million benefit from the reversal of sales tax expense accrual as a result of the State of Nevada Department of Taxation ruling on complimentary and employee meals.

(F4) 2012 includes \$2.2 million of non-recurring acquisition expense directly related to our acquisition of the Monarch Casino Black Hawk in April 2012.

(F5) Includes amounts financed with debt or capitalized lease obligations.

(F6) In 2015, we had \$40.9 million outstanding debt, which was classified as a current liability due to the short term maturity of the credit facility.

(F7) We paid no dividends during the five year period ended December 31, 2016.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to assist in the understanding of our results of operations and our present financial condition. The consolidated financial statements and the accompanying notes contain additional detailed information that should be referred to when reviewing this material. Statements in this discussion may be forward-looking. Such forward-looking statements involve risks and uncertainties that could cause actual results to differ significantly from those expressed. See "FORWARD LOOKING STATEMENTS" preceding Item 1. Business.

OVERVIEW OF OUR BUSINESS

Monarch Casino & Resort, Inc. was incorporated in 1993 and, through its wholly-owned subsidiary, Golden Road Motor Inn, Inc. ("Golden Road"), owns and operates the Atlantis Casino Resort Spa, a hotel/casino facility in Reno, Nevada (the "Atlantis"). Monarch's wholly owned subsidiaries, High Desert Sunshine, Inc. ("High Desert"), Golden East, Inc. ("Golden East") and Golden North, Inc. ("Golden North"), each own separate parcels of land located proximate to the Atlantis.

Monarch's wholly owned subsidiary Monarch Growth Inc. ("Monarch Growth"), formed in 2011, acquired Riviera Black Hawk, Inc., owner of the Riviera Black Hawk Casino on April 26, 2012. Riviera Black Hawk, Inc. was renamed Monarch Casino Black Hawk, Inc. and Riviera Black Hawk Casino was renamed Monarch Casino Black Hawk in October 2013. Monarch Growth also owns a parcel of land in Black Hawk, Colorado contiguous to the Monarch Casino Black Hawk. In addition to owning the Monarch Casino Black Hawk, Monarch Black Hawk, Inc. also wholly owns Chicago Dogs Eatery, Inc. and Monarch Promotional Association, both of which were formed related to extended licensure for extended hours of liquor operation in Black Hawk. The Company has included the results of Monarch Black Hawk, Inc. in its consolidated financial statements since the date of acquisition.

Our operating assets are the Atlantis and the Monarch Casino Black Hawk. Our business strategy is to maximize revenues, operating income and cash flow primarily through our casino, food and beverage operations and, at the Atlantis, our hotel operations. The Monarch Casino Black Hawk does not have a hotel; however, we are in the process of renovations and construction that will include a hotel. See Item 1, "BUSINESS - THE MONARCH CASINO BLACK HAWK." We focus on delivering exceptional service and value to our guests. Our hands-on management style focuses on customer service and cost efficiencies.

Unless otherwise indicated, "Monarch," "Company," "we," "our" and "us" refer to Monarch Casino & Resort, Inc. and its subsidiaries.

OPERATING RESULTS SUMMARY

Our operating results may be affected by, among other things, competitive factors, gaming tax increases, the commencement of new gaming operations, construction at our facilities, general public sentiment regarding travel, overall economic conditions and governmental policies affecting the disposable income of our patrons and weather conditions affecting our properties, as well as those matters discussed in Item 1A. "RISK FACTORS" above.

The following significant factors and trends should be considered in analyzing our operating performance:

Atlantis: Our business strategy is to maximize revenues, operating income and cash flow primarily through our casino, food and beverage operations and hotel operations. We continuously upgrade our property. With quality gaming, hotel and dining products, we believe the Atlantis is well positioned to benefit from future macro and local economic growth. Several national businesses have relocated or have announced plans to expand or relocate operations to Northern Nevada. While such economic activity could ultimately drive additional revenue and profit at Atlantis, we are experiencing the more immediate effect of increased labor costs, which, combined with continued aggressive marketing programs by our competitors, have applied upward pressure on Atlantis operating costs.

Monarch Casino Black Hawk: Since the acquisition of Monarch Casino Black Hawk in April 2012, our focus has been to maximize casino and food and beverage revenues while upgrading the existing facility and laying the groundwork for the major expansion that we plan. There is currently no hotel on the property. In October 2012, we began a project to redesign and upgrade the existing Monarch Casino Black Hawk facility. In September 2013, we opened a new buffet. In August 2015, we completed the redesign and upgrade of the existing Monarch Casino Black Hawk, bringing to the facility's interior the same quality, ambiance and finishes of the ongoing master planned expansion that will transform Monarch Casino Black Hawk into a full-scale casino resort. In the fourth quarter of 2013, we began work on a multi-phased expansion of the Monarch Casino Black Hawk, which we refer to herein as the "Monarch Black Hawk Expansion Plan." The first phase of the Monarch Black Hawk Expansion Plan is completed. In November 2016, we opened for guest use our elegant nine-story parking facility with about 1,350 spaces. Construction of a new hotel tower and casino expansion on the site where the old parking structure was sitting is under way. (see CAPITAL SPENDING AND DEVELOPMENT – Monarch Black Hawk Expansion Plan). Once completed, the Monarch Black Hawk Expansion Plan will nearly double the casino space and will add a 23-story hotel tower with approximately 500 guest rooms and suites, an upscale spa and pool facility, three additional restaurants (increasing the total to four), additional bars and associated support facilities. We currently expect completion of the entire expansion in the second quarter of 2019.

RESULTS OF OPERATIONS

Comparison of Operating Results for the Years Ended December 31, 2016 and 2015

For the year ended December 31, 2016, our net income totaled \$24.6 million, or \$1.39 per diluted share, compared to net income of \$20.7 million, or \$1.19 per diluted share for the same period of 2015, reflecting a 19.0% increase in net income and a 16.8% increase in diluted earnings per share. Net revenue for the year ended December 31, 2016 and 2015, was \$217.0 million and \$202.2 million, respectively, reflecting an increase of \$14.8 million, or 7.3%. Income from operations for the year ended December 31, 2016 totaled \$38.5 million compared to \$32.6 million for the same period in 2015, representing an increase of \$6.0 million or 18.4%.

Casino revenues increased 7.7% in the year ended December 31, 2016 compared to the same period of 2015. Casino revenues increased at both the Monarch Casino Black Hawk and at the Atlantis. Atlantis benefited from the region's market strength and the increase in local patrons' visits. Monarch Black Hawk casino revenue increased despite the disruptions related to the property's expansion. Casino operating expenses as a percentage of casino revenue decreased to 41.2% for the twelve months ended December 31, 2016, compared to 42.1% in 2015 due to the effect of higher casino revenues partially offset by higher complimentary expense.

Food and beverage revenues for the twelve months ended December 31, 2016 increased 6.7% over the same period in 2015, due to a 6.4% increase in average revenue per cover. Covers served were flat. Food and beverage operating expenses as a percentage of food and beverage revenues in the twelve months ended December 31, 2016 were 40.9% compared to 39.4% over the same period in 2015. The increase in expense margin is due primarily to the costs, related to the redesign and upgrade of Toucan Charlie's Buffet at Atlantis, which costs were expensed during the first quarter of 2016.

Hotel revenues increased 3.3% due to a higher ADR of \$79.52 for the year ended December 31, 2016 compared to \$76.92 for the same period in 2015, partially offset by slightly lower hotel occupancy of 88.2% in 2016 compared to 89.7% in 2015. REVPAR was \$77.50 and \$75.24 for the years ended December 31, 2016 and 2015, respectively. Hotel operating expenses as a percent of hotel revenues for the twelve months ended December 31, 2016 was 30.9% compared to 30.0% for the same period in 2015. The increase is due primarily to higher payroll and related benefits expense and expense related to the implementation of advanced analytical tools.

Other revenues increased 3.9% in 2016 compared to 2015 driven primarily by increased Atlantis arcade revenue, Atlantis spa and salon revenue and retail revenue.

Promotional allowances as a percentage of gross revenues declined to 17.8% for the year ended December 31, 2016 compared to 18.2% for the year ended December 31, 2015. This decrease was primarily due to higher revenues and more efficient utilization of complementaries.

Selling, general and administrative (“SG&A Expense”) expense increased to \$57.7 million in the twelve months ended December 31, 2016 from \$54.8 million in the same period of 2015 primarily due to: i) \$1.8 million increase in salaries, wages and related benefits expense; ii) \$0.7 million increase in marketing expense; iii) \$0.5 million increase in rental expense from the parking lot lease at Atlantis (see Note 12. Related Party Transactions); iv) \$0.2 million increase in property tax expense, resulting from the new parking structure at Monarch Casino Black Hawk and the addition of the leased parking lot at Atlantis; and v) \$0.2 million increase in legal fees expense, all offset by a decrease in utility expense by \$0.5 million.

Depreciation and amortization expense decreased to \$14.8 million for the year ended December 31, 2016 as compared to \$15.9 million for the same period in 2015 as a result of: i) a \$1.1 million decrease in depreciation expense on the parking structure at Monarch Casino Black Hawk; ii) a \$0.3 million decrease in depreciation expense at Atlantis due to assets having become fully depreciated, all partially offset by the increase in depreciation expense from new assets related to the remodel and upgrade project at Monarch Casino Black Hawk.

In 2016, the Company incurred a \$677 thousand loss from disposal of assets, primarily as a result of the write off of the remaining net book value of the hotel towers doors at the Atlantis, that were replaced with new doors in the second quarter on 2016.

During the year ended December 31, 2016, the Company paid down the principal balance on its Credit Facility by \$14.7 million, which decreased the outstanding balance of the Credit Facility to \$26.2 million at December 31, 2016 from \$40.9 million at December 31, 2015. Interest expense, net of amounts capitalized, decreased to \$0.6 million in 2016 from \$0.7 million in 2015 primarily as a result of lower borrowings in 2016 compared to 2015, offset by an increase in commitment fees in relation to the Amended Credit Facility we entered into in July 2016. See further discussion of our Credit Facility in the LIQUIDITY AND CAPITAL RESOURCES section below.

Comparison of Operating Results for the Years Ended December 31, 2015 and 2014

For the year ended December 31, 2015, our net income totaled \$20.7 million, or \$1.19 per diluted share, compared to net income of \$14.2 million, or \$0.83 per diluted share for the same period of 2014, reflecting a 45.6% increase in net income and a 43.4% increase in diluted earnings per share. Net revenue for the year ended December 31, 2015 and 2014, was \$202.2 million and \$187.8 million, respectively, reflecting an increase of \$14.5 million, or 7.7%. Income from operations for the year ended December 31, 2015 totaled \$32.5 million compared to \$22.2 million for the same period in 2014, representing an increase of \$10.3 million or 46.5%.

Casino revenues increased 8.1% in the year ended December 31, 2015 compared to the same period of 2014. Casino revenues increased at both the Monarch Casino Black Hawk and at the Atlantis. The increase in Monarch Casino Black Hawk revenues was primarily due to the completion of the casino floor upgrade and remodel which attracted more gaming customers. The increase in casino revenues at the Atlantis was driven primarily by the increased local patrons’ visitation. Casino operating expenses as a percentage of casino revenue decreased to 42.1% for the twelve months ended December 31, 2015, compared to 42.4% in 2014 due to the effect of higher casino revenues partially offset by higher casino expense.

Food and beverage revenues for the twelve months ended December 31, 2015 increased 8.1% over the same period in 2014 due to a 5.4% increase in average revenue per cover, combined with a 2.5% increase in total covers served. Food and beverage operating expenses as a percentage of food and beverage revenues in the twelve months ended December 31, 2015 were 39.4% compared to 40.9% over the same period in 2014 due primarily to an increase in revenues related to menu price increases in anticipation of commodity price increases.

Hotel revenues increased 4.1% due to higher ADR of \$76.92 for the year ended December 31, 2015 compared to \$73.66 for the same period in 2014 and slightly higher hotel occupancy of 89.7% in 2015 compared to 89.1% in 2014. REVPAR was \$75.24 and \$72.26 for years ended December 31, 2015 and 2014, respectively. Hotel operating expenses as a percent of hotel revenues for the twelve months ended December 31, 2015 was 30.0% compared to 27.6% for the same period in 2014. The increase is due primarily to higher payroll and related benefits expense, operating supplies expense and repair and maintenance expense.

Other revenues increased 7.7% in 2015 compared to 2014 driven primarily by increased Atlantis arcade revenue, Atlantis spa and salon revenue and commission revenue.

Promotional allowances as a percentage of gross revenues was flat at 18.2% for both years ended December 31, 2015 and 2014.

SG&A expense increased to \$54.8 million in the twelve months ended December 31, 2015 from \$53.0 million in the same period of 2014 primarily due to: i) higher salaries, wages and related benefits expenses by \$0.9 million; ii) higher repair and maintenance expense by \$0.6 million; iii) higher software maintenance expense by \$0.4 million; and iv) higher bad debt expense by \$0.2 million, all offset by a decrease in sales and marketing expense.

Depreciation and amortization expense decreased to \$15.9 million for the year ended December 31, 2015 as compared to \$17.8 million for the same period in 2014 as a result of: i) lower depreciation expense on the parking structure at the Monarch Casino Black Hawk by \$1.2 million; ii) lower depreciation expense at Atlantis by \$1.1 million due to assets becoming fully depreciated, all partially offset by the increase in depreciation expense from new assets related to the remodel and upgrade project at the Monarch Casino Black Hawk.

The Company incurred \$9 thousand and \$343 thousand net loss on disposal of slot machines and other equipment in the years ended December 31, 2015 and 2014, respectively. In 2014, the Company incurred \$1.9 million of expense related to the campaign against the proposed 2014 ballot initiatives to expand gaming in Colorado. The Company had no such expense in 2015.

During the year ended December 31, 2015, the Company paid down the principal balance on its Credit Facility by \$5.4 million, which decreased the outstanding balance of the Credit Facility to \$40.9 million at December 31, 2015 from \$46.3 million at December 31, 2014. Interest expense, net of amounts capitalized, decreased to \$0.7 million for the year 2015 from \$1.1 million for the year 2014 primarily as a result of a lower interest rate driven by our lower leverage ratio combined with lower average outstanding borrowings in 2015 compared to 2014.

CAPITAL SPENDING AND DEVELOPMENT

We seek to continuously upgrade and maintain our facilities in order to present a fresh, high quality product to our guests. Capital expenditures during the years ended December 31, 2016 and 2015 were as follows (in thousands):

Capital Expenditures:

	<u>2016</u>	<u>2015</u>
Atlantis	\$ 7,894	\$ 7,382
Monarch Casino Black Hawk	17,029	30,677
	<u>\$ 24,923</u>	<u>\$ 38,059</u>

During the twelve months ended December 31, 2016 and 2015, capital expenditures related primarily to the redesign and upgrade of the Monarch Casino Black Hawk property and work on the new parking structure, as well as acquisition of gaming equipment to upgrade and replace existing equipment at the Monarch Casino Black Hawk and the Atlantis.

Since the acquisition of the Monarch Casino Black Hawk, we have upgraded the property's food and beverage operations (including an all-new buffet) and completed the redesign and upgrade of the existing casino floor. Our plans also call for the exterior of the existing facility to be refinished to match the master planned expansion. The exterior refinishing is expected to cost approximately \$14-\$16 million and is anticipated to be funded primarily from operating cash flow or the Amended Credit Facility.

Monarch Black Hawk Expansion Plan

The Company has commenced its Monarch Black Hawk Expansion Plan, which will convert the Monarch Casino Black Hawk into a full-scale casino resort.

In the fourth quarter of 2013, we began work on a multi-phased expansion of the Monarch Casino Black Hawk which involves construction of a new parking structure, demolition of the existing parking structure followed by the construction of a new hotel tower and casino expansion. In November 2016, the new nine-story parking structure, offering approximately 1,350 parking spaces, was completed and became available for use by Monarch Casino Black Hawk guests. Immediately following the new garage opening, we began work on demolition and removal of the old parking structure. This work, which included a controlled implosion of the old garage, was completed in the first quarter of 2017.

On February 8, 2017 the Company broke ground on the hotel tower and casino expansion. The new 23-story tower will nearly double the existing casino space and will include approximately 500 hotel rooms, an upscale spa and pool facility, three additional restaurants and additional bars. Tower floors will be opened as they are finished beginning with the casino expansion and additional restaurants. We currently expect completion of the entire tower in the second quarter of 2019 at a total cost of approximately \$229-\$234 million. The cost is expected to be financed through a combination of operating cash flow and the Amended Credit Facility. We can provide no assurance that any project will be completed on schedule, if at all, or within established budgets, or that any project will result in increased earnings to us.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity have been cash provided by operations and, for capital expansion projects, borrowings available under our credit facilities.

For the year ended December 31, 2016, net cash provided by operating activities totaled \$43.7 million, an increase of approximately \$5.5 million, or 14.3%, compared to the same period of the prior year. This increase was primarily the result of an increase of \$3.9 million in net income and an increase in loss on disposal of assets by \$0.7 million, combined with changes in ordinary working capital accounts, partially offset by a decrease in depreciation expense.

Net cash used in investing activities totaled \$24.9 million and \$38.0 million in the years ended December 31, 2016 and 2015, respectively. Net cash used in investing activities during 2016 consisted primarily of cash used for the garage structure at Monarch Casino Black Hawk, the redesign and upgrade of the Toucan Charlie's Buffet at Atlantis and for the acquisition of gaming equipment at both properties. Net cash used in investing activities during 2015 consisted primarily of net cash used for the redesign and upgrade of the Monarch Casino Black Hawk, work on the garage foundation and for the acquisition of gaming equipment and general upgrades at the Atlantis property.

During the year ended December 31, 2016, net cash used in financing activities of \$13.6 million resulted from \$14.7 million in payments made on our credit facility and \$2.6 million in deferred loan cost related to the Amended Credit Facility, partially offset by \$3.7 million in proceeds from the exercise of stock options, including related tax benefits. During the year ended December 31, 2015, net cash used in financing activities of \$0.6 million represented \$5.4 million in payments made on our credit facility, partially offset by \$4.8 million in proceeds from the exercise of stock options, including related tax benefits.

On July 20, 2016, we entered into an amended and restated credit facility agreement (the "Amended Credit Facility"), under which our former \$100 million credit facility (which as of June 30, 2016 had borrowing capacity reduced to \$45.5 million as a result of \$19.5 million in mandatory reductions pursuant to the agreement and \$35 million in voluntary reductions, as allowed by the agreement) was increased to \$250.0 million, and the maturity date was extended from November 15, 2016 to July 20, 2021.

As of December 31, 2016, we had \$26.2 million borrowed and \$223.8 million remaining in available borrowings of the \$250.0 million maximum principal available under the Amended Credit Facility.

The total revolving loan commitment under the Amended Credit Facility will be automatically and permanently reduced to \$50 million in the first full quarter after completion of the expansion project at the Monarch Casino Black Hawk and all then outstanding revolving loans up to \$200 million under the Amended Credit Facility will be converted to a term loan at such time. We may be required to prepay borrowings under the Amended Credit Facility using excess cash flows depending on our leverage ratio no later than December 31, 2019. We have an option to permanently reduce the maximum revolving available credit at any time so long as the amount of such reduction is at least \$0.5 million and in multiples of \$50,000.

Borrowings are secured by liens on substantially all of our real and personal property.

In addition to other customary covenants for a facility of this nature, as of December 31, 2016, we are required to maintain a leverage ratio, defined as consolidated debt divided by Adjusted EBITDA, of no more than 3.5:1 and a fixed charge coverage ratio (Adjusted EBITDA divided by fixed charges, as defined) of at least 1.15:1. As of December 31, 2016, the Company's leverage ratio and fixed charge coverage ratios were 0.5:1 and 47.1:1, respectively.

The interest rate under the Amended Credit Facility is LIBOR plus a margin ranging from 1.00% to 2.50%, or a base rate (as defined in the Amended Credit Facility) plus a margin ranging from 0.00% to 1.50%, or the Prime Rate. The applicable margins will vary depending on our leverage ratio. Commitment fees are equal to the daily average unused revolving commitment multiplied by the commitment fee percentage, ranging from 0.175% to 0.45%, based on our leverage ratio.

At December 31, 2016, our interest rate was based on LIBOR and our leverage ratio was such that pricing for borrowings under the Amended Credit Facility was LIBOR plus 1.00%. At December 31, 2016, the one-month LIBOR interest rate was 0.77%. The carrying value of the debt outstanding under the Amended Credit Facility approximates fair value because the interest fluctuates with the lender's prime rate or other market rates of interest.

We may prepay borrowings under the Amended Credit Facility without penalty (subject to certain charges applicable to the prepayment of LIBOR borrowings prior to the end of the applicable interest period). Amounts prepaid may be re-borrowed so long as the total borrowings outstanding do not exceed the maximum principal available.

We believe that our existing cash balances, cash flow from operations and borrowings available under the Amended Credit Facility will provide us with sufficient resources to fund our operations, meet our debt obligations, and fulfill our capital expenditure plans over the next twelve months; however, our operations are subject to financial, economic, competitive, regulatory, and other factors, many of which are beyond our control. If we are unable to generate sufficient cash flow or if our cash needs exceed our borrowing capacity under the Amended Credit Facility, we could be required to adopt one or more alternatives, such as reducing, delaying or eliminating planned capital expenditures, selling assets, restructuring debt or obtaining additional equity capital.

OFF-BALANCE SHEET ARRANGEMENTS

The shopping center adjacent to the Atlantis (the "Shopping Center") is owned by Biggest Little Investments, L.P. ("BLI"). John Farahi and Bob Farahi, Co-Chairmen of the Board and executive officers of the Company, and Ben Farahi are the three largest stockholders (the "Farahi Family Stockholders") of Monarch and each also beneficially owns limited partnership interests in BLI. Maxum LLC is the sole general partner of BLI, and Ben Farahi is the sole managing member of Maxum LLC. Neither John Farahi nor Bob Farahi has any management or operational control over BLI or the Shopping Center. Until May 2006, Ben Farahi held the positions of Co-Chairman of the Board, Secretary, Treasurer and Chief Financial Officer of the Company.

In response to customer demand for more convenient surface parking at the Atlantis, and after detailed analysis, on August 28, 2015, the Company, through its subsidiary Golden Road, entered into a 20-year lease (the “Parking Lot Lease”) with BLI with respect to a portion of the Shopping Center. This lease gives the Atlantis the right to use a parcel, approximately 4.15 acres, comprised of a commercial building and surrounding land adjacent to the Atlantis (the “Leased Property”). The primary purpose of the Parking Lot Lease is to provide additional, convenient, Atlantis surface parking. We demolished the commercial building on the Leased Property and converted the land into approximately 300 additional surface parking spaces for the Atlantis. The minimum annual rent under the Parking Lot Lease is \$695 thousand commencing November 17, 2015. The minimum annual rent is subject to a cost of living adjustment increase on each five year anniversary. In addition, we are responsible for payment of property taxes, utilities and maintenance expenses related to the Leased Property. We have an option to renew the Parking Lot Lease for an additional 10-year term. If we elect not to exercise our renewal option, we will be obligated to pay BLI \$1.6 million. For the years ended December 31, 2016 and 2015, the Company paid approximately \$695 thousand and \$85 thousand in parking lot rent, respectively.

A driveway (the “Driveway Project”) that is being shared between the Atlantis and the Shopping Center was completed and opened on September 30, 2004. The Shopping Center is controlled by BLI. As part of the Driveway Project, in January 2004, we leased (the “Driveway Lease”) approximately 37,400 square-foot corner section of the Shopping Center, for a minimum lease term of 15 years at an annual rent of \$300 thousand, subject to a cost of living increase on each five year anniversary of the Driveway Lease. As of December 31, 2016, the annual rent is \$377 thousand. In August 2015, we exercised our option to extend the lease for three individual five-year terms in addition to the 15 year initial term. At the end of the extension periods, we have the option to purchase the leased section of the Shopping Center at a price to be determined based on an MAI Appraisal. The leased space is being used by us for pedestrian and vehicle access to the Atlantis, and we may use a portion of the parking spaces at the Shopping Center. The total cost of the project was \$2.0 million. We were responsible for two thirds of the total cost, or \$1.35 million. The cost of the new driveway is being depreciated over the 15-year expected economic useful life of the asset; some components of the new driveway are being depreciated over a shorter period of time. We paid approximately \$377 thousand in lease payments for the leased driveway space during each of the years ended December 31, 2016 and 2015.

COMMITMENTS AND CONTINGENCIES

Our contractual cash obligations as of December 31, 2016 and the next five years and thereafter are as follows (in millions):

	Payments due by period (1)				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Greater than 5 years
Operating Leases (2)	\$ 21.7	\$ 1.1	\$ 2.1	\$ 1.4	\$ 17.1
Purchase Obligations (3)	12.9	8.5	2.5	1.9	—
Construction Contracts (4)	2.1	2.1	—	—	—
Borrowings Under Credit Facility (5)	26.2	—	—	26.2	—
Total Contractual Cash Obligations	\$ 62.9	\$ 11.7	\$ 4.6	\$ 29.5	\$ 17.1

(1)Because interest payments under our Credit Facility are subject to factors that, in our judgment, vary materially, the amount of future interest payments is not presently determinable. These factors include: i) future short-term interest rates; ii) our future leverage ratio which varies with EBITDA and our borrowing levels; and iii) the rate at which we deploy capital and other spending which, in turn, impacts the level of future borrowings. The interest rate under the Amended Credit Facility is LIBOR plus a margin ranging from 1.00% to 2.50%, or a base rate (as defined in the Amended Credit Facility) plus a margin ranging from 0.00% to 1.50%, or the Prime Rate. The interest rate is adjusted quarterly based on our leverage ratio which is calculated using operating results over the previous four quarters and borrowings as of the end of the most recent quarter. Based on our leverage ratio, at December 31, 2016, pricing was LIBOR plus 1.00% and will be adjusted in subsequent quarters in accordance with our leverage ratio. At December 31, 2016, the one-month LIBOR rate was 0.77%.

- (2) Operating leases include the Driveway Lease and the Parking Lot Lease.
- (3) Purchase obligations represent approximately \$4.8 million of commitments related to capital projects and approximately \$8.1 million of materials and supplies used in the normal operation of our business. Of the total purchase order and construction commitments, approximately \$12.9 million are cancelable by us upon providing a 30-day notice.
- (4) Construction contracts obligations represent commitments related to the expansion projects at Monarch Casino Black Hawk. The \$2.1 million of the commitment represents retainage of the new garage structure construction contractual obligation.
- (5) The amount represents outstanding draws against the Amended Credit Facility as of December 31, 2016.

As described in the “CAPITAL SPENDING AND DEVELOPMENT” section above, we have begun commencement of a substantial expansion of our Monarch Casino Black Hawk facility starting in 2014. While we have disclosed the estimated cost of that expansion, we have not entered into contracts for substantial portions of the work. For this reason, we have included in the table above only the amounts for which we have contractual commitments.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”). Certain of our policies, including the estimated useful lives assigned to our assets, the determination of the allowance for doubtful accounts and allowance for unredeemed gift certificates, self-insurance reserves, the calculation of income tax liabilities and the calculation of stock-based compensation, require that we apply significant judgment in defining the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. Our judgments are based on historical experience, terms of existing contracts, observation of trends in the industry, information provided by customers and information available from other outside sources, as appropriate. There can be no assurance that actual results will not differ from our estimates. To provide an understanding of the methodologies applied, our significant accounting policies are discussed where appropriate in this discussion and analysis and in the Notes to Consolidated Financial Statements.

The consolidated financial statements include the accounts of Monarch and its subsidiaries. Intercompany balances and transactions are eliminated.

Allowance for Doubtful Accounts

The Company extends short-term credit to its gaming customers. Such credit is non-interest bearing and is due on demand. In addition, the Company also has receivables due from hotel guests which are primarily secured with a credit card at the time a customer makes reservation or checks in. An allowance for doubtful accounts is established for all Company receivables based upon the Company’s historical collection and write-off experience, unless situations warrant a specific identification of a necessary reserve related to certain receivables. The Company writes off its uncollectible receivables once all efforts have been made to collect such receivables. The book value of receivables approximates fair value due to the short-term nature of the receivables.

Self-insurance Reserves

We are currently self-insured up to certain stop loss amounts for Atlantis workers' compensation and certain medical benefit costs provided to all of our employees. As required by the state of Colorado, we are fully insured for Monarch Casino Black Hawk workers' compensation costs. The Company reviews self-insurance reserves at least quarterly. The reserve is determined by reviewing the actual expenditures for the previous twelve-month period and reports prepared by the third party plan administrator for any significant unpaid claims. The Company engages third party actuaries at least once per year for a more precise reserves review and calculation. The reserve is an amount estimated to pay both reported and unreported claims as of the balance sheet date. We believe changes in medical costs, trends in claims of our employee base, accident frequency and severity and other factors could materially affect the estimate for this reserve. Unforeseen developments in existing claims, or the possibility that our estimate of unreported claims differs materially from the actual amount of unreported claims, could result in the over or under estimation of our self-insurance reserve.

Capitalized Interest

The Company capitalizes interest costs associated with debt incurred in connection with major construction projects. When no debt is specifically identified as being incurred in connection with a construction project, the Company capitalizes interest on amounts expended on the project at the Company's average borrowing cost. Interest capitalization is ceased when the project is substantially complete. The Company capitalized \$548 thousand, \$533 thousand and \$152 thousand of interest during the years ended December 31, 2016, 2015 and 2014, respectively.

Casino Revenues

Casino revenues represent the net win from gaming activity, which is the difference between the amounts won and lost. Additionally, net win is reduced by a provision for anticipated payouts on slot participation fees, progressive jackpots and any pre-arranged marker discounts. Progressive jackpot provisions are recognized in two components: 1) as wagers are made for the share of player's wagers that are contributed to the progressive jackpot award and 2) as jackpots are won for the portion of the progressive jackpot award contributed by the Company.

Promotional Allowances

Our player program allows members, through the frequency of their play at the casino, to earn and accumulate points which may be redeemed for a variety of goods and services ("Complimentaries"). Points may be applied toward hotel room stays, food and beverage consumption at the food outlets, gift shop items as well as goods and services at the spa and beauty salon and for cash in our Monarch Casino Black Hawk property. Points earned may also be applied toward off-property events such as concerts, shows and sporting events.

We recognize Complimentaries expense at the time points are earned, which occurs commensurate with casino patron play. The amount of expense recognized is based on the estimated cost of the Complimentaries expected to be redeemed.

The retail value of hotel, food and beverage services provided to customers without charge is included in gross revenue and deducted as promotional allowances. The cost of the products and services earned is reported as casino operating expense.

Income Taxes

Income taxes are recorded in accordance with the liability method pursuant to authoritative guidance. Under the asset and liability approach for financial accounting and reporting for income taxes, the following basic principles are applied in accounting for income taxes at the date of the financial statements: (a) a current liability or asset is recognized for the estimated taxes payable or refundable on taxes for the current year; (b) a deferred income tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences and carryforwards; (c) the measurement of current and deferred tax liabilities and assets is based on the provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated; and (d) the measurement of deferred income taxes is reduced, if necessary, by the amount of any tax benefits that, based upon available evidence, are not expected to be realized.

Our income tax returns are subject to examination by tax authorities. We assess potentially unfavorable outcomes of such examinations based on accounting standards for uncertain income taxes. Under the accounting guidance, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50.0% likelihood of being realized upon ultimate settlement. It also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods and disclosure.

Stock-based Compensation

We account for stock-based compensation in accordance with authoritative guidance which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods and services or incurs a liability in exchange for goods and services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. It requires an entity to measure the costs of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognize that cost over the service period. We calculate the grant-date fair value using the Black-Scholes valuation model.

The Black-Scholes valuation model requires the input of highly subjective assumptions which include the expected term of options granted, risk-free interest rates, expected volatility, and expected rates of dividends. We estimate an expected term for each stock option grant based on the weighted-average time between grant date and exercise date and the risk-free interest rate assumption was based on U.S. Treasury rates appropriate for the expected term. We use historical data and projections to estimate expected volatility and expected employee behaviors related to option exercises and forfeitures.

Fair Value of Financial Instruments

The estimated fair value of the Company's financial instruments has been determined by the Company, using available market information and valuation methodologies. However, considerable judgment is required to develop the estimates of fair value; thus, the estimates provided herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The carrying amounts of cash, receivables, accounts payable and accrued expenses approximate fair value because of the short-term nature of these instruments. Additionally, the carrying value of our long-term debt approximates fair value due to the variable nature of applicable interest rates and short-term maturity.

Goodwill

The Company accounts for goodwill in accordance with ASC Topic 350, Intangibles-Goodwill and Other (“ASC Topic 350”). ASU No. 2011-08, Intangibles- Goodwill and Other (Topic 350): Testing Goodwill for Impairment (ASU 2011-08) gives companies the option to perform a qualitative assessment that may allow them to skip the annual two-step test as appropriate. The Company tests goodwill for impairment annually during the fourth quarter of each year, or whenever events or circumstances make it more likely than not that impairment may have occurred. Impairment testing for goodwill is performed at the reporting unit level, and each of the Company’s casino properties is considered to be a reporting unit. We perform qualitative analysis to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount by assessing the relevant events and circumstances. If that is the case, the Company utilizes two-step testing process. In the first step, the estimated fair value of each reporting unit is compared with its carrying amount, including goodwill. If the carrying value of the reporting unit exceeds its estimated fair value, then the goodwill of the reporting unit is considered to be impaired, and impairment is measured in the second step of the process. In the second step, the Company estimates the implied fair value of the reporting unit’s goodwill by allocating the estimated fair value of the reporting unit to the assets and liabilities of the reporting unit, as if the reporting unit had been acquired in a business combination. If the carrying value of the reporting unit’s goodwill exceeds its implied fair value, an impairment loss is recognized in an amount equal to that excess. Goodwill consists of the excess of the acquisition cost over the fair value of the net assets acquired in business combinations. As of December 31, 2016, we had goodwill totaling \$25.1 million related to the purchase of Monarch Casino Black Hawk.

Finite-Lived Intangible Assets

Our finite-lived intangible assets include assets related to customer relationships acquired in our acquisition of Monarch Casino Black Hawk. That asset is amortized over its estimated useful life using the straight-line method. We periodically evaluate the remaining useful lives of our finite-lived intangible assets to determine whether events and circumstances warrant a revision to the remaining period of amortization.

The customer relationship intangible asset represents the value associated with Monarch Casino Black Hawk rated casino guests. The initial fair value of the customer relationship intangible asset was estimated based on the projected net cash flows associated with these casino guests. The recoverability of our customer relationship intangible asset could be affected by, among other things, increased competition within the gaming industry, a downturn in the economy, declines in customer spending which would impact the expected future cash flows associated with the rated casino guests, declines in the number of visitations which could impact the expected attrition rate of the rated casino guests, and erosion of operating margins associated with rated casino guests. Should events or changes in circumstances cause the carrying value of the customer relationship intangible asset to exceed its estimated fair value, an impairment charge in the amount of the excess would be recognized.

RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board (“FASB”) issued an accounting standard update (“ASU”) that amends the FASB ASC and creates a new topic for Revenue from Contracts with Customers. The new guidance is expected to clarify the principles for revenue recognition and to develop a common revenue standard for U.S. GAAP applicable to revenue transactions. This guidance provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This guidance also provides substantial revision of interim and annual disclosures. The update allows for either full retrospective adoption, meaning the guidance is applied for all periods presented, or modified retrospective adoption, meaning the guidance is applied only to the most current period presented in the financial statements with the cumulative effect of initially applying the guidance recognized at the date of initial application. The effective date is for the annual and interim periods beginning after December 15, 2017. The Company plans to adopt this standard effective January 1, 2018. This standard will affect the Company’s accounting policy in relation to the Non-discretionary loyalty program transactions. Based on a clarification from the FASB, complementary revenue represents a consideration payable to a customer and therefore is to be treated as a deduction to revenue at the time of the transaction and at the price of the complementary being offered. The Company expects the majority of such amounts will offset casino revenues. The standard also changes the presentation of promotional allowances to be shown as a direct reduction of gross revenues instead of being presented as a separate line on the Statement of Income. The Company also expects the accounting for our player program to be impacted, with possible changes to the timing and/or classification of certain transactions within revenues and between revenues and operating expenses as we transition from the immediate revenue/cost accrual model to the deferred revenue model. The quantitative effects of these changes have not yet been determined and are still being analyzed. The company is planning to adopt this standard on a modified retrospective basis.

In August 2014, the FASB issued an ASU that requires management to assess an entity’s ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. Substantial doubt about an entity’s ability to continue as a going concern exist when relevant conditions and events, consolidated and aggregated, indicate that it is probable that an entity will be unable to meet its obligations as they become due within one year after the date that the financial statement are issued. Currently, there is no guidance in U.S. GAAP for management’s responsibility to perform an evaluation. Under the update, management’s evaluation is to be performed when preparing financial statements for each annual and interim reporting period and based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. The effective date for this update is for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company has adopted this standard effective December 31, 2016. The adoption of this standard did not have an impact on our Consolidated Financial Statements.

In April 2015, the FASB issued an ASU that requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. In August 2015, FASB issued an ASU which clarifies that the guidance issued in April 2015 does not apply to line-of-credit arrangements. According to the additional guidance, line-of-credit arrangements will continue to present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the arrangement. The effective date for this update is for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company adopted this standard effective January 1, 2016. Because our credit facility is a line-of-credit arrangement, the adoption of this standard did not have any impact on our Consolidated Financial Statements.

In July 2015, the FASB issued an ASU which changes the measurement principle for inventories valued under the first-in, first-out or weighted-average methods from the lower of cost or market to the lower of cost and net realizable value. Net realizable value is defined by FASB as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The effective date for this guidance is for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company believes that the impact of the adoption of this standard will have minimal effect, if any, on its Consolidated Financial Statements, due to the nature of its inventory, consisting primarily of food, beverages, and retail merchandise.

In February 2016, the FASB issued an ASU which addresses the recognition and measurement of leases. Under the new guidance, for all leases (with the exception of short-term leases), at the commencement date, lessees will be required to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Further, the new lease guidance simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and liabilities, which no longer provides a source for off-balance sheet financing. The effective date for this update is for the annual and interim periods beginning after December 15, 2018 with early adoption permitted. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company is currently assessing the impact the adoption of this standard will have on its Consolidated Financial Statements.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The effective date for this update is for the annual and interim periods beginning after December 15, 2016, with early adoption permitted. The Company will adopt this standard effective January 1, 2017. Currently, excess tax benefits or deficiencies from the Company's equity awards are recorded as additional paid-in capital in its Consolidated Balance Sheets. Upon adoption, the Company will record any excess tax benefits or deficiencies from its equity awards in its Consolidated Statements of Income in the reporting periods in which vesting occurs. As a result, subsequent to adoption the Company's income tax expense and associated effective tax rate will be impacted by fluctuations in stock price between the grant dates and vesting dates of equity awards. We have elected to keep the accounting policy of estimated forfeitures, rather than account for forfeitures as they occur.

A variety of proposed or otherwise potential accounting standards are currently under review and study by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, the implementation of any such proposed or revised standards would have on the Company's consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market risks and prices, such as interest rates, foreign currency exchange rates and commodity prices. We do not have any cash or cash equivalents as of December 31, 2016 subject to market risk. As of December 31, 2016, we had \$26.2 million of outstanding debt under our Credit Facility that was subject to credit risk. A 1% increase in the interest rate on the balance outstanding under the Credit Facility at December 31, 2016 would result in a change in our annual interest cost of approximately \$0.3 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Monarch Casino & Resort, Inc. and subsidiaries:

We have audited the accompanying consolidated balance sheets of Monarch Casino & Resort, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in Item 15(a)2. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the 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, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Monarch Casino & Resort, Inc. and subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Monarch Casino & Resort, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 14, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Las Vegas, Nevada
March 14, 2017

MONARCH CASINO & RESORT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Year Ended December 31,		
	2016	2015	2014
Revenues			
Casino	\$ 168,861	\$ 156,843	\$ 145,134
Food and beverage	60,269	56,500	52,314
Hotel	23,374	22,629	21,733
Other	11,640	11,198	10,394
Gross revenues	264,144	247,170	229,575
Less promotional allowances	(47,112)	(44,925)	(41,808)
Net revenues	217,032	202,245	187,767
Operating expenses			
Casino	69,529	65,970	61,583
Food and beverage	24,627	22,249	21,410
Hotel	7,231	6,787	5,992
Other	3,855	3,963	3,545
Selling, general and administrative	57,730	54,779	52,987
Depreciation and amortization	14,835	15,933	17,824
Loss on disposition of assets	677	9	343
Colorado ballot initiative costs	—	—	1,864
Total operating expenses	178,484	169,690	165,548
Income from operations	38,548	32,555	22,219
Other expenses			
Interest expense, net of amounts capitalized	(616)	(679)	(1,104)
Total other expense	(616)	(679)	(1,104)
Income before income taxes	37,932	31,876	21,115
Provision for income taxes	(13,358)	(11,217)	(6,930)
Net income	\$ 24,574	\$ 20,659	\$ 14,185
Earnings per share of common stock			
Net income			
Basic	\$ 1.42	\$ 1.22	\$ 0.85
Diluted	\$ 1.39	\$ 1.19	\$ 0.83
Weighted average number of common shares and potential common shares outstanding			
Basic	17,305	16,948	16,734
Diluted	17,664	17,335	17,107

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

MONARCH CASINO & RESORT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except shares)

	December 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 26,383	\$ 21,164
Receivables, net	5,036	3,729
Income taxes receivable	408	611
Inventories	3,097	2,881
Prepaid expenses	4,487	3,402
Total current assets	<u>39,411</u>	<u>31,787</u>
Property and equipment		
Land	29,549	29,549
Land improvements	6,914	6,701
Buildings	191,370	150,966
Buildings improvements	24,511	23,255
Furniture and equipment	134,603	134,704
Construction in progress	9,767	37,424
Leasehold improvements	2,688	1,347
	<u>399,402</u>	<u>383,946</u>
Less accumulated depreciation and amortization	(184,503)	(180,792)
Net property and equipment	<u>214,899</u>	<u>203,154</u>
Other assets		
Goodwill	25,111	25,111
Intangible assets, net	5,035	6,200
Deferred income taxes	7,354	7,415
Other assets, net	3,355	1,179
Total other assets	<u>40,855</u>	<u>39,905</u>
Total assets	<u>\$ 295,165</u>	<u>\$ 274,846</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	\$ —	\$ 40,900
Accounts payable	8,720	6,747
Construction accounts payable	2,605	1,407
Accrued expenses	23,795	21,873
Total current liabilities	<u>35,120</u>	<u>70,927</u>
Long-term debt	26,200	—
Total liabilities	<u>61,320</u>	<u>70,927</u>
Commitments and contingencies (Note 11)		
Stockholders' equity		
Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued	—	—
Common stock, \$.01 par value, 30,000,000 shares authorized; 19,096,300 shares issued; 17,468,269 outstanding at December 31, 2016; 17,202,699 outstanding at December 31, 2015	191	191
Additional paid-in capital	23,834	22,728
Treasury stock, 1,628,031 shares at December 31, 2016 ; 1,893,601 shares at December 31, 2015	(22,158)	(26,404)
Retained earnings	231,978	207,404
Total stockholders' equity	<u>233,845</u>	<u>203,919</u>
Total liabilities and stockholders' equity	<u>\$ 295,165</u>	<u>\$ 274,846</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

MONARCH CASINO & RESORT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except shares)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
	Shares Outstanding	Amount				
Balance, December 31, 2013	16,482,768	\$ 191	\$ 30,926	\$ 172,560	\$ (39,797)	\$ 163,880
Net exercise of stock options	330,026	—	(9,553)	—	6,827	(2,726)
Excess tax benefit from stock-based compensation	—	—	386	—	—	386
Stock-based compensation expense	—	—	1,226	—	—	1,226
Net income	—	—	—	14,185	—	14,185
Balance, December 31, 2014	16,812,794	\$ 191	\$ 22,985	\$ 186,745	\$ (32,970)	\$ 176,951
Net exercise of stock options	389,905	—	(2,666)	—	6,566	3,900
Excess tax benefit from stock-based compensation	—	—	865	—	—	865
Stock-based compensation expense	—	—	1,544	—	—	1,544
Net income	—	—	—	20,659	—	20,659
Balance, December 31, 2015	17,202,699	\$ 191	\$ 22,728	\$ 207,404	\$ (26,404)	\$ 203,919
Net exercise of stock options	265,570	—	(1,312)	—	4,246	2,934
Excess tax benefit from stock-based compensation	—	—	737	—	—	737
Stock-based compensation expense	—	—	1,681	—	—	1,681
Net income	—	—	—	24,574	—	24,574
Balance, December 31, 2016	<u>17,468,269</u>	<u>\$ 191</u>	<u>\$ 23,834</u>	<u>\$ 231,978</u>	<u>\$ (22,158)</u>	<u>\$ 233,845</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

MONARCH CASINO & RESORT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income	\$ 24,574	\$ 20,659	\$ 14,185
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	14,835	15,933	17,824
Amortization of deferred loan costs	410	338	305
Stock-based compensation	1,681	1,544	1,226
Excess tax benefit from stock-based compensation	(737)	(865)	(1,079)
Provision for bad debts	74	240	51
Loss (gain) on disposition of assets	677	(9)	343
Deferred income taxes	798	(241)	336
Changes in operating assets and liabilities:			
Receivables	(1,381)	(922)	(470)
Inventories	(216)	(35)	(171)
Prepaid expenses	(1,085)	(289)	(1,191)
Accounts payable	1,973	(1,186)	(733)
Accrued expenses	1,922	2,546	1,150
Income taxes	203	528	(531)
Net cash provided by operating activities	<u>43,728</u>	<u>38,241</u>	<u>31,245</u>
Cash flows from investing activities:			
Proceeds from sale of assets	29	34	84
Change in construction payable	1,198	(383)	1,790
Acquisition of property and equipment	(26,121)	(37,676)	(21,719)
Net cash used in investing activities	<u>(24,894)</u>	<u>(38,025)</u>	<u>(19,845)</u>
Cash flows from financing activities:			
Net exercise of stock options	2,934	3,900	(2,726)
Excess tax benefit from stock-based compensation	737	865	1,079
Loan issuance cost	(2,586)	—	—
Principal payments on long-term debt	(14,700)	(5,400)	(7,500)
Net cash used in financing activities	<u>(13,615)</u>	<u>(635)</u>	<u>(9,147)</u>
Net increase (decrease) in cash	5,219	(419)	2,253
Cash and cash equivalents at beginning of period	21,164	21,583	19,330
Cash and cash equivalents at end of period	<u>\$ 26,383</u>	<u>\$ 21,164</u>	<u>\$ 21,583</u>
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amounts capitalized	\$ 206	\$ 374	\$ 853
Cash paid for income taxes	\$ 12,375	\$ 10,930	\$ 7,300
Conversion of short term deposit to long term deposit	\$ —	\$ 908	\$ —

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

MONARCH CASINO & RESORT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Monarch Casino & Resort, Inc., was incorporated in 1993 and, through its wholly-owned subsidiary, Golden Road Motor Inn, Inc. (“Golden Road”), owns and operates the Atlantis Casino Resort Spa, a hotel/casino facility in Reno, Nevada (the “Atlantis”). Monarch’s wholly owned subsidiaries, High Desert Sunshine, Inc. (“High Desert”), Golden East, Inc. (“Golden East”) and Golden North, Inc. (“Golden North”), each owns separate parcels of land located proximate to the Atlantis.

Monarch’s wholly owned subsidiary Monarch Growth Inc. (“Monarch Growth”), formed in 2011, acquired Riviera Black Hawk, Inc., owner of the Riviera Black Hawk Casino on April 26, 2012. Riviera Black Hawk, Inc. was renamed Monarch Black Hawk, Inc. and Riviera Black Hawk Casino was renamed Monarch Casino Black Hawk in October 2013. Monarch Growth also owns a parcel of land in Black Hawk, Colorado contiguous to the Monarch Casino Black Hawk. In addition to owning the Monarch Casino Black Hawk, Monarch Black Hawk, Inc. also wholly owns Chicago Dogs Eatery, Inc. and Monarch Promotional Association, both of which were formed related to extended licensure for extended hours of liquor operation in Black Hawk. The Company has included the results of Monarch Black Hawk, Inc. in its consolidated financial statements since the date of acquisition.

The consolidated financial statements include the accounts of Monarch and its subsidiaries. Intercompany balances and transactions are eliminated. Certain amounts in the consolidated financial statements for the previous periods have been reclassified to be consistent with the current period presentation. These reclassifications had no effect on the previously reported net income. Reference to the number of square feet or acreage are unaudited and considered outside the scope of our independent registered public accounting firm’s audit of our consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board.

Unless otherwise indicated, “Monarch,” “Company,” “we,” “our” and “us” refer to Monarch Casino & Resort, Inc. and its subsidiaries.

Use of Estimates

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required 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 revenues and expenses during the year. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, as well as investments purchased with an original maturity of 90 days or less.

Allowance for Doubtful Accounts

The Company extends short-term credit to its gaming customers. Such credit is non-interest bearing and is due on demand. In addition, the Company also has receivables due from hotel guests which are primarily secured with a credit card at the time a customer checks in. An allowance for doubtful accounts is set up for all Company receivables based upon the Company’s historical collection and write-off experience, unless situations warrant a specific identification of a necessary reserve related to certain receivables. The Company writes off its uncollectible receivables once all efforts have been made to collect such receivables. The book value of receivables approximates fair value due to the short-term nature of the receivables.

Casino Jackpots

The Company does not accrue a liability for base jackpots because it has the ability to avoid such payment as gaming devices can legally be removed from the gaming floor without payment of the base amount. When the Company is unable to avoid payment of a jackpot such as the incremental jackpot amounts of progressive-type slot machines, due to legal requirements, the jackpot is accrued as the obligation becomes unavoidable. This liability is accrued over the time period in which the incremental progressive jackpot amount is generated commensurate with a corresponding reduction in casino revenue.

Inventories

Inventories, consisting primarily of food, beverages, and retail merchandise, are stated at the lower of cost or market. Cost is determined based on the weighted average, which approximates a first-in, first out method.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Property and equipment is depreciated principally on a straight line basis over the estimated useful lives as follows:

Land improvements	15 - 40 years
Buildings	30 - 40 years
Building improvements	5 - 40 years
Furniture	5 - 10 years
Equipment	3 - 20 years

The Company evaluates property and equipment and other long-lived assets for impairment in accordance with the guidance for accounting for the impairment or disposal of long-lived assets. For assets to be disposed of, the Company recognizes the asset to be sold at the lower of carrying value or fair value less costs of disposal. Fair value for assets to be disposed of is generally estimated based on comparable asset sales, solicited offers or a discounted cash flow model. For assets to be held and used, the Company reviews fixed assets for impairment annually during the fourth quarter of each year or whenever indicators of impairment exist. If an indicator of impairment exists, we compare the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, the impairment is measured based on fair value compared to carrying value, with fair value typically based on a discounted cash flow model or market comparables, when available. For the years ended December 31, 2016, 2015 and 2014, there were no impairment charges.

Change in Accounting Estimate of Depreciable Life of Monarch Casino Black Hawk Parking Structure

In December 2013, the Company began construction of a new parking facility at Monarch Casino Black Hawk. Upon completion of the new structure, the Company planned to demolish the existing parking structure. At December 31, 2013, the existing parking structure had a net book value of approximately \$4.8 million and a remaining depreciable life of approximately 37 years. The new parking facility was estimated to be completed on March 31, 2015. In accordance with Financial Accounting Standards Board (“FASB”) accounting standards codification (“ASC”) 250-10-45-17, effective January 1, 2014, the Company modified the estimated depreciable life of the existing parking structure to 15 months; the period from January 1, 2014 through the estimated demolition commencement date of March 31, 2015. As a result of this modification to the estimated depreciable life, depreciation expense of the existing parking structure increased by approximately \$0.3 million per month (approximately \$0.2 million net of tax). In July 2014, because of a delayed construction schedule, the Company revised the new parking facility completion date to December 31, 2015. At this time, the existing parking structure had a net book value of approximately \$2.9 million. The Company modified the estimated depreciable life of the existing parking structure to 18 months; the period from July 1, 2014 through the revised estimated demolition commencement date of December 31, 2015. In October 2015, the general contractor notified the Company that further delay was expected and completion was then expected in the second quarter of 2016 at which time demolition of the existing structure would commence. At September 30, 2015, the existing parking structure had a net book value of approximately \$0.4 million. Beginning in October 2015, the Company reduced the monthly depreciation expense to \$0.04 million to reflect the revised depreciable life of the existing parking structure. The existing parking structure was fully depreciated as of June 30, 2016. The parking structure was demolished in the fourth quarter of 2016.

For the twelve months ended December 31, 2016, the effect of the change in estimate was an increase of depreciation expense by \$0.3 million, a decrease of net income by \$0.2 million and a decrease of basic and diluted earnings per share by approximately \$0.01. For the twelve months ended December 31, 2015, the effect of the change in estimate was an increase of depreciation expense by \$1.4 million, a decrease of net income by \$0.9 million and a decrease of basic and diluted earnings per share by approximately \$0.05. For the twelve months ended December 31, 2014, the effect of the change in estimate was an increase of depreciation expense by \$2.9 million, a decrease of net income by \$1.9 million and a decrease of basic and diluted earnings per share by \$0.11.

Goodwill

The Company accounts for goodwill in accordance with ASC Topic 350, Intangibles–Goodwill and Other (“ASC Topic 350”). ASC Topic 350 gives companies the option to perform a qualitative assessment that may allow them to skip the annual two-step test as appropriate. The Company tests its goodwill for impairment annually during the fourth quarter of each year, or whenever events or circumstances make it more likely than not that impairment may have occurred. Impairment testing for goodwill is performed at the reporting unit level, and each of the Company’s casino properties is considered to be a reporting unit. We perform a qualitative analysis to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount by assessing the relevant events and circumstances. If that is the case, the Company utilizes a two-step testing process. In the first step, the estimated fair value of each reporting unit is compared with its carrying amount, including goodwill. If the carrying value of the reporting unit exceeds its estimated fair value, then the goodwill of the reporting unit is considered to be impaired, and impairment is measured in the second step of the process. In the second step, the Company estimates the implied fair value of the reporting unit’s goodwill by allocating the estimated fair value of the reporting unit to the assets and liabilities of the reporting unit, as if the reporting unit had been acquired in a business combination. If the carrying value of the reporting unit’s goodwill exceeds its implied fair value, an impairment loss is recognized in an amount equal to that excess.

Goodwill consists of the excess of the acquisition cost over the fair value of the net assets acquired in business combinations in April 2012. As of December 31, 2016 and 2015, we had goodwill totaling \$25.1 million related to the purchase of Black Hawk, Inc. (see NOTE 3).

Finite-Lived Intangible Assets

The Company's finite-lived intangible assets include assets related to its customer relationships which are amortized over its estimated useful life using the straight-line method. The Company periodically evaluates the remaining useful lives of its finite-lived intangible assets to determine whether events and circumstances warrant a revision to the remaining period of amortization.

The customer relationship intangible asset represents the value associated with Monarch Casino Black Hawk's rated casino guests. The initial fair value of the customer relationship intangible asset was estimated based on the projected net cash flows associated with these casino guests. The recoverability of the Company's customer relationship intangible asset could be affected by, among other things, increased competition within the gaming industry, a downturn in the economy, declines in customer spending which would impact the expected future cash flows associated with the rated casino guests, declines in the number of visitations which could impact the expected attrition rate of the rated casino guests, and erosion of operating margins associated with rated casino guests. Should events or changes in circumstances cause the carrying value of the customer relationship intangible asset to exceed its estimated fair value, an impairment charge in the amount of the excess would be recognized. As of December 31, 2016 and 2015, the customer relationships net intangible asset balance was \$5.0 million and \$6.2 million, respectively.

Segment Reporting

The accounting guidance for disclosures about segments of an enterprise and related information requires separate financial information to be disclosed for all operating segments of a business. The Company determined that the Company's two operating segments, Atlantis and Monarch Casino Black Hawk, meet all of the aggregation criteria stipulated by ASC 280-10-50-11. The Company views each property as an operating segment and the two operating segments have been aggregated into one reporting segment.

Self-insurance Reserves

We are currently self-insured up to certain stop loss amounts for Atlantis workers' compensation and certain medical benefit costs provided to all of our employees. As required by the state of Colorado, we are fully-insured for Monarch Casino Black Hawk workers' compensation costs. The Company reviews self-insurance reserves at least quarterly. The reserve is determined by reviewing the actual expenditures for the previous twelve-month period and reports prepared by the third party plan administrator for any significant unpaid claims. The company engages a third party actuarial at least once per year for a more precise reserves review and calculation. The reserve is an amount estimated to pay both reported and unreported claims as of the balance sheet date, which management believes is adequate.

Debt Issuance Costs

Costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense over the term of the related debt agreement. Loan issuance costs are included in "Other assets, net" on the Company's condensed consolidated balance sheets. As of December 31, 2016 loan issuance costs, net of amortization, was \$2.4 million.

Capitalized Interest

The Company capitalizes interest costs associated with debt incurred in connection with major construction projects. When no debt is specifically identified as being incurred in connection with a construction project, the Company capitalizes interest on amounts expended on the project at the Company's average borrowing cost. Interest capitalization is ceased when the project is substantially complete. The Company capitalized \$548 thousand, \$381 thousand and \$152 thousand of interest during the years ended December 31, 2016, 2015 and 2014, respectively.

Revenue Recognition

Casino revenues represent the net win from gaming activity, which is the difference between wins and losses. Additionally, net win is reduced by a provision for anticipated payouts on slot participation fees, progressive jackpots and any pre-arranged marker discounts. Food and beverage, hotel, and other operating revenues are recognized as products are delivered or services are performed.

Promotional Allowances

The Company's player program allows members, through the frequency of their play at the Company's casino, to earn and accumulate points which may be redeemed for a variety of goods and services. Points may be applied toward room stays at the hotel, food and beverage consumption at the food outlets, gift shop items as well as goods and services at the spa and beauty salon and for cash at our Monarch Casino Black Hawk property. Points earned may also be applied toward off-property events such as concerts, shows and sporting events.

The retail value of hotel, food and beverage services provided to customers without charge is included in gross revenue and deducted as promotional allowances. The estimated departmental costs of providing such promotional allowances are primarily included in casino operating expenses and are as follows (in thousands):

	Years ended December 31,		
	2016	2015	2014
Food and beverage	\$ 25,743	\$ 23,761	\$ 22,855
Hotel	3,039	3,157	2,893
Other	1,943	2,070	1,732
	<u>\$ 30,725</u>	<u>\$ 28,988</u>	<u>\$ 27,480</u>

Advertising Costs

All advertising costs are expensed as incurred. Advertising expense, which is included in selling, general and administrative expense, was \$5.4 million, \$5.2 million and \$5.2 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Income Taxes

Income taxes are recorded in accordance with the liability method pursuant to authoritative guidance. Under the asset and liability approach for financial accounting and reporting for income taxes, the following basic principles are applied in accounting for income taxes at the date of the financial statements: (a) a current liability or asset is recognized for the estimated taxes payable or refundable on taxes for the current year; (b) a deferred income tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences and carryforwards; (c) the measurement of current and deferred tax liabilities and assets is based on the provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated; and (d) the measurement of deferred income taxes is reduced, if necessary, by the amount of any tax benefits that, based upon available evidence, are not expected to be realized.

Under the accounting guidance, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50.0% likelihood of being realized upon ultimate settlement. It also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods and disclosure.

Gaming Taxes

The Company is subject to taxes based on gross gaming revenue in the jurisdictions in which it operates, subject to applicable jurisdictional adjustments. These gaming taxes are an assessment on the Company's gaming revenue and are recorded as casino expense in the accompanying Consolidated Statements of Income. These taxes totaled \$20.3 million, \$18.2 million and \$16.1 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Stock-based Compensation

The Company accounts for stock-based compensation in accordance with the authoritative guidance requiring that compensation cost relating to stock-based payment transactions be recognized in the Company's consolidated statements of income. The cost is measured at the grant date, based on the calculated fair value of the award using the Black-Scholes option pricing model for stock options, and based on the closing share price of the Company's stock on the grant date for restricted stock awards. The cost is recognized as an expense over the employee's requisite service period (the vesting period of the equity award). The Company's stock-based employee compensation plan is more fully discussed in NOTE 9.

Earnings Per Share

Basic earnings per share are computed by dividing reported net earnings by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect the additional dilution for all potentially dilutive securities such as stock options.

The following is a reconciliation of the number of shares (denominator) used in the basic and diluted earnings per share computations (in thousands, except per share data):

	Years ended December 31,					
	2016		2015		2014	
	Shares	Per Share Amount	Shares	Per Share Amount	Shares	Per Share Amount
Basic	17,305	\$ 1.42	16,948	\$ 1.22	16,734	\$ 0.85
Effect of dilutive stock options	359	(0.03)	387	(0.03)	373	(0.02)
Diluted	17,664	\$ 1.39	17,335	\$ 1.19	17,107	\$ 0.83

The following options were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the December 31, 2016 closing market price of the common shares and their inclusion would be antidilutive:

	Years ended December 31,		
	2016	2015	2014
Options to purchase shares of common stock	106,102	115,536	563,633
Exercise prices	\$ 28.02 - \$ 29.00	\$ 23.09 - \$ 29.00	\$ 16.66 - \$ 29.00
Expiration dates (month/year)	11/17-10/20	05/16-11/25	05/15-11/24

Fair Value of Financial Instruments

The estimated fair value of the Company's financial instruments has been determined by the Company, using available market information and valuation methodologies. However, considerable judgment is required to develop the estimates of fair value; thus, the estimates provided herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The carrying amounts of cash, account receivables, accounts payable and accrued expenses approximate fair value because of the short-term nature of these instruments. Additionally, the carrying value of our long-term debt approximates fair value due to the variable nature of applicable interest rates and relative short-term maturity.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of bank deposits and trade receivables. The Company maintains its surplus cash in bank accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base. The Company believes it is not exposed to any significant credit risk on cash and accounts receivable. Accounts are written off when management determines that an account is uncollectible. Recoveries of accounts previously written off are recorded when received. An allowance for doubtful accounts is determined to reduce the Company's receivables to their carrying value, which approximates fair value. The allowance is estimated based on historical collection experience, specific review of individual customer accounts, and current economic and business conditions. Historically, the Company has not incurred any significant credit-related losses.

Certain Risks and Uncertainties

The Company's operations are dependent on its continued licensing by the Nevada and Colorado gaming regulatory bodies. The loss of a license could have a material adverse effect on future results of operations.

The Company is dependent on the northern Nevada and Denver, Colorado markets for a significant number of its patrons and revenues. If economic conditions in these areas deteriorate or additional gaming licenses are awarded, the Company's results of operations could be adversely affected.

The Company is dependent on the U.S. economy in general, and any deterioration in the national economic, energy, credit and capital markets could have a material adverse effect on future results of operations.

The Company is dependent upon a stable gaming and admission tax structure in the locations in which it operates. Any change in the tax structure could have a material adverse effect on future results of operations.

Impact of Recently Issued Accounting Standards

In May 2014, the FASB issued an accounting standard update (“ASU”) that amends the FASB ASC and creates a new topic for Revenue from Contracts with Customers. The new guidance is expected to clarify the principles for revenue recognition and to develop a common revenue standard for U.S. GAAP applicable to revenue transactions. This guidance provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This guidance also provides substantial revision of interim and annual disclosures. The update allows for either full retrospective adoption, meaning the guidance is applied for all periods presented, or modified retrospective adoption, meaning the guidance is applied only to the most current period presented in the financial statements with the cumulative effect of initially applying the guidance recognized at the date of initial application. The effective date is for the annual and interim periods beginning after December 15, 2017. The Company plans to adopt this standard effective January 1, 2018. This standard will affect the Company’s accounting policy in relation to the Non-discretionary loyalty program transactions. Based on a clarification from the FASB, complementary revenue represents a consideration payable to a customer and therefore is to be treated as a deduction to revenue at the time of the transaction and at the price of the complementary being offered. The Company expects the majority of such amounts will offset casino revenues. The standard also changes the presentation of promotional allowances to be shown as a direct reduction of gross revenues instead of being presented as a separate line on the Statement of Income. The Company also expects the accounting for our player program to be impacted, with possible changes to the timing and/or classification of certain transactions within revenues and between revenues and operating expenses as we transition from the immediate revenue/cost accrual model to the deferred revenue model. The quantitative effects of these changes have not yet been determined and are still being analyzed. The company is planning to adopt this standard on a modified retrospective basis.

In August 2014, the FASB issued an ASU that requires management to assess an entity’s ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. Substantial doubt about an entity’s ability to continue as a going concern exist when relevant conditions and events, consolidated and aggregated, indicate that it is probable that an entity will be unable to meet its obligations as they become due within one year after the date that the financial statement are issued. Currently, there is no guidance in U.S. GAAP for management’s responsibility to perform an evaluation. Under the update, management’s evaluation is to be performed when preparing financial statements for each annual and interim reporting period and based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. The effective date for this update is for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company has adopted this standard effective December 31, 2016. The adoption of this standard does not have a material impact on our Consolidated Financial Statements.

In April 2015, the FASB issued an ASU that requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. In August 2015, FASB issued an ASU which clarifies that the guidance issued in April 2015 does not apply to line-of-credit arrangements. According to the additional guidance, line-of-credit arrangements will continue to present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the arrangement. The effective date for this update is for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company adopted this standard effective January 1, 2016. Because our credit facility is a line-of-credit arrangement, the adoption of this standard does not have any impact on our Consolidated Financial Statements.

In July 2015, the FASB issued an ASU which changes the measurement principle for inventories valued under the first-in, first-out or weighted-average methods from the lower of cost or market to the lower of cost and net realizable value. Net realizable value is defined by FASB as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The effective date for this guidance is for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company believes that the impact of the adoption of this standard will have minimal effect, if any, on its Consolidated Financial Statements, due to the nature of its inventory, consisting primarily of food, beverages, and retail merchandise.

In February 2016, the FASB issued an ASU which addresses the recognition and measurement of leases. Under the new guidance, for all leases (with the exception of short-term leases), at the commencement date, lessees will be required to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Further, the new lease guidance simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and liabilities, which no longer provides a source for off-balance sheet financing. The effective date for this update is for the annual and interim periods beginning after December 15, 2018 with early adoption permitted. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company is currently assessing the impact the adoption of this standard will have on its Consolidated Financial Statements.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The effective date for this update is for the annual and interim periods beginning after December 15, 2016, with early adoption permitted. The Company will adopt this standard effective January 1, 2017. Currently, excess tax benefits or deficiencies from the Company's equity awards are recorded as additional paid-in capital in its Consolidated Balance Sheets. Upon adoption, the Company will record any excess tax benefits or deficiencies from its equity awards in its Consolidated Statements of Income in the reporting periods in which vesting occurs. As a result, subsequent to adoption the Company's income tax expense and associated effective tax rate will be impacted by fluctuations in stock price between the grant dates and vesting dates of equity awards. The Company has elected to keep the accounting policy of estimated forfeitures, rather than account for forfeitures as they occur.

A variety of proposed or otherwise potential accounting standards are currently under review and study by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, the implementation of any such proposed or revised standards would have on the Company's consolidated financial statements.

NOTE 2. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following (in thousands):

	December 31,	
	2016	2015
Casino	\$ 4,241	\$ 3,317
Hotel	873	599
Other	297	264
	5,411	4,180
Less allowance for doubtful accounts	(375)	(451)
	<u>\$ 5,036</u>	<u>\$ 3,729</u>

The increase in accounts receivable as of December 31, 2016 compared to 2015 was primarily due to timing in payment collection, resulting from fiscal year-end calendar differences.

The Company calculates an allowance for doubtful accounts by applying a percentage, estimated by management based on historical aging experience, to the accounts receivable balance. The Company recorded bad debt expense of \$74 thousand, \$240 thousand and \$51 thousand in 2016, 2015 and 2014, respectively.

NOTE 3. GOODWILL AND INTANGIBLE

Goodwill of \$25.1 million at December 31, 2016 represents the excess of total acquisition costs over the fair market value of net assets acquired and liabilities assumed in a business combination. To assist in the Company's determination of the purchase price allocation for the Monarch Casino Black Hawk, the Company engaged a third-party valuation firm regarding the assets acquired and liabilities assumed in its acquisition.

Intangible assets consist of the following at December 31, (in thousands except years):

	2016	2015
Customer list		
Total intangible assets	\$ 10,490	\$ 10,490
Less accumulated amortization:	(5,455)	(4,290)
Intangible assets, net	<u>\$ 5,035</u>	<u>\$ 6,200</u>
Weighted-average life in years	<u>4.3</u>	<u>5.3</u>

Amortization expense of \$1.2 million was recognized for each of the years ended December 31, 2016 and 2015. Estimated amortization expense for the years ending December 31, 2017 through 2021 is as follows (in thousands):

Year	Expense
2017	\$ 1,165
2018	1,165
2019	1,165
2020	1,165
2021	375
Total	<u>\$ 5,035</u>

Customer lists were valued at \$10.5 million, representing the value associated with the future potential customer revenue production and are being amortized on a straight-line basis over nine years.

Intangible assets were valued using the income approach. The Multi-Period Excess Earning Method was used to value the customer list by capitalizing the future cash flows attributable to the customers based upon their expected future mortality dispersion function. The expected revenue from the existing client was estimated by applying a 24.0% attrition rate. To calculate excess earnings attributable to the customer list, the required return on other contributory assets such as tangible assets and identified intangible assets were deducted to estimate income associated with the customer list. The future excess earnings were discounted to the present value by a risk-adjusted discount rate of 12.0%, in order to determine the fair value of the customer list.

NOTE 4. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	December 31,	
	2016	2015
Accrued salaries, wages and related benefits	\$ 8,341	\$ 7,756
Progressive slot machine and other gaming accruals	10,295	9,654
Accrued gaming taxes	2,588	2,396
Accrued interest	3	2
Other accrued liabilities	2,568	2,065
	<u>\$ 23,795</u>	<u>\$ 21,873</u>

The increase in accrued expenses as of December 31, 2016 compared to 2015 was primarily due to the timing of payments at December 31, 2016 compared to December 31, 2015.

NOTE 5. LEASE COMMITMENTS

The shopping center adjacent to the Atlantis (the “Shopping Center”) is owned by Biggest Little Investments, L.P. (“BLI”). John Farahi and Bob Farahi, Co-Chairmen of the Board and executive officers of the Company, and Ben Farahi are the three largest stockholders (the “Farahi Family Stockholders”) of Monarch and each also beneficially own limited partnership interests in BLI. Maxum LLC is the sole general partner of BLI, and Ben Farahi is the sole managing member of Maxum LLC. Neither John Farahi nor Bob Farahi has any management or operational control over BLI or the Shopping Center. Until May 2006, Ben Farahi held the positions of Co-Chairman of the Board, Secretary, Treasurer and Chief Financial Officer of the Company.

On August 28, 2015, Monarch, through its subsidiary Golden Road, entered into a 20-year lease agreement with BLI, for a portion of the Shopping Center, consisting of an approximate 46,000 square-foot commercial building on approximately 4.15 acres land adjacent to the Atlantis (the “Parking Lot Lease”). This lease gives the Atlantis the right to use a parcel, approximately 4.2 acres, comprised of commercial building and surrounding land adjacent to the Atlantis. The primary purpose of the Parking Lot Lease is to provide additional, convenient, Atlantis surface parking. The Company demolished the commercial building and converted the land into approximately 300 additional surface parking spaces for the Atlantis. The minimum annual rent under the Parking Lot Lease is \$695 thousand, commencing on November 17, 2015. The minimum annual rent is subject to a cost of living adjustment increase on each five year anniversary. In addition, the Company is responsible for payment of property taxes, utilities and maintenance expenses related to the Leased Property. The Company has an option to renew the Parking Lot Lease for an additional 10-year term. If the Company elects not to exercise its renewal option, the Company will be obligated to pay BLI \$1.6 million. In 2016, the Company paid \$695 thousand for rent and \$60 thousand for operating expenses relating to this lease. In 2015, the Company paid \$85 thousand for rent and \$12 thousand for operating expenses relating to this lease.

In addition, the Atlantis shares a driveway with the Shopping Center and leases approximately 37,400 square-feet from BLI for an initial lease term of 15 years, which commenced on September 30, 2004, at an original annual rent of \$300 thousand plus common area expenses. The annual rent of the Driveway Lease is subject to a cost of living adjustment increase on each five year anniversary of the Driveway Lease. The total cost of the improvements was \$2.0 million of which \$1.35 million was paid by the Company. The cost of the driveway improvements is being depreciated over the 15-year expected economic life of the asset; some components of the driveway are being depreciated over a shorter period of time. Effective August 28, 2015, in connection with the Company entering into the Parking Lot Lease, the Driveway Lease was amended to: (i) make the Company solely responsible for the operation and maintenance costs of the shared driveway (including the fountains thereon); (ii) eliminate the Company’s obligation to reimburse the Shopping Center for its proportionate share of common area expenses; and (iii) exercise the three successive five-year renewal terms beyond the initial 15 year term in the existing Driveway Lease Agreement. At the end of the renewal terms, the Company has the option to purchase the leased driveway section of the Shopping Center. The annual rent for the years 2016, 2015 and 2014 was \$377 thousand, \$377 thousand and \$350 thousand, respectively. In addition, the Company paid \$37 thousand, \$84 thousand and \$119 thousand, respectively, for operating expenses to this lease.

The Company accounts for its rental expense using the straight-line method over the original lease term. Rental increases based on the change in the CPI are contingent and accounted for prospectively.

Following is a summary of future minimum payments under operating leases that have initial or remaining non-cancelable lease terms for the next five years (in thousands):

	<u>Operating Leases</u>
Year ending December 31,	
2017	\$ 1,072
2018	1,072
2019	1,072
2020	1,072
2021	1,072
Total minimum lease payments	<u>\$ 5,360</u>

Rental expense for operating leases amounted to \$1.5 million, \$1.0 million and \$0.9 million in 2016, 2015 and 2014, respectively, as reported in Operating expenses in the Consolidated Statements of Income.

NOTE 6. LONG-TERM DEBT

On July 20, 2016, the Company entered into the Amended Credit Facility, under which our former \$100 million credit facility (under which as of June 30, 2016 the borrowing capacity had been reduced to \$45.5 million as a result of \$19.5 million in mandatory reductions pursuant to the agreement and \$35 million in voluntary reductions, as allowed by the agreement) was increased to \$250 million, and the maturity date was extended from November 15, 2016 to July 20, 2021.

As of December 31, 2016, the Company had \$26.2 million borrowed and \$223.8 million remaining in available borrowings of the \$250.0 million maximum principal available under the Amended Credit Facility.

The total revolving loan commitment under the Amended Credit Facility will be automatically and permanently reduced to \$50 million in the first full quarter after completion of the expansion project at the Monarch Casino Black Hawk and all then outstanding revolving loans up to \$200 million under the Amended Credit Facility will be converted to a term loan at such time. We may be required to prepay borrowings under the Amended Credit Facility using excess cash flows depending on our leverage ratio no later than December 31, 2019. We have an option to permanently reduce the maximum revolving available credit at any time so long as the amount of such reduction is at least \$0.5 million and in multiples of \$50,000.

Borrowings are secured by liens on substantially all of the Company's real and personal property.

In addition to other customary covenants for a facility of this nature, as of December 31, 2016, we are required to maintain a leverage ratio, defined as consolidated debt divided by Adjusted EBITDA, of no more than 3.5:1 and a fixed charge coverage ratio (Adjusted EBITDA divided by fixed charges, as defined) of at least 1.15:1. As of December 31, 2016, the Company's leverage ratio and fixed charge coverage ratios were 0.5:1 and 47.1:1, respectively.

The interest rate under the Amended Credit Facility is LIBOR plus a margin ranging from 1.00% to 2.50%, or a base rate (as defined in the Amended Credit Facility) plus a margin ranging from 0.00% to 1.50%, or the Prime Rate. The applicable margins will vary depending on our leverage ratio. Commitment fees are equal to the daily average unused revolving commitment multiplied by the commitment fee percentage, ranging from 0.175% to 0.45%, based on our leverage ratio.

At December 31, 2016, our interest rate was based on LIBOR and our leverage ratio was such that pricing for borrowings under the Amended Credit Facility was LIBOR plus 1.00%. At December 31, 2016, the one-month LIBOR interest rate was 0.77%. The carrying value of the debt outstanding under the Amended Credit Facility approximates fair value because the interest fluctuates with the lender's prime rate or other market rates of interest.

We may prepay borrowings under the Amended Credit Facility without penalty (subject to certain charges applicable to the prepayment of LIBOR borrowings prior to the end of the applicable interest period). Amounts prepaid may be re-borrowed so long as the total borrowings outstanding do not exceed the maximum principal available.

We believe that our existing cash balances, cash flow from operations and borrowings available under the Amended Credit Facility will provide us with sufficient resources to fund our operations, meet our debt obligations, and fulfill our capital expenditure plans over the next twelve months; however, our operations are subject to financial, economic, competitive, regulatory, and other factors, many of which are beyond our control. If we are unable to generate sufficient cash flow or if our cash needs exceed our borrowing capacity under the Amended Credit Facility, we could be required to adopt one or more alternatives, such as reducing, delaying or eliminating planned capital expenditures, selling assets, restructuring debt or obtaining additional equity capital.

NOTE 7. TAXES

Income Taxes

The Company's income tax provision (benefit) consists of the following (in thousands):

	<u>Years ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Federal	\$ 12,834	\$ 11,968	\$ 6,935
State	477	359	46
Current tax provision	<u>13,311</u>	<u>12,327</u>	<u>6,981</u>
Federal	99	(1,117)	637
State	(52)	7	(688)
Deferred tax (benefit) provision	<u>47</u>	<u>(1,110)</u>	<u>(51)</u>
Total tax provision	<u>\$ 13,358</u>	<u>\$ 11,217</u>	<u>\$ 6,930</u>

The income tax provision differs from that computed at the federal statutory rate as follows:

	<u>Years ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Federal tax at the statutory rate	35.00 %	35.00 %	35.00 %
State tax (net of federal benefit)	0.70 %	0.72 %	(1.84)%
Permanent items	0.27 %	0.34 %	3.49 %
Tax credits	(0.96)%	(0.73)%	(1.03)%
Other	<u>0.23 %</u>	<u>(0.14)%</u>	<u>(2.80)%</u>
	<u>35.24 %</u>	<u>35.19 %</u>	<u>32.82 %</u>

The effective tax rate increased in 2016 compared to 2015 due to the dilutive effects of the increase to pre-tax book income.

The Company recorded \$737 thousand, \$865 thousand and \$386 thousand as increases to contributed capital from certain tax benefits for employee stock-based compensation for the years ended December 31, 2016, 2015 and 2014, respectively.

The components of the deferred income tax assets and liabilities at December 31, 2016 and 2015, as presented in the consolidated balance sheets, are as follows (in thousands):

	2016	2015
DEFERRED TAX ASSETS		
Stock-based compensation	\$ 2,198	\$ 2,039
Compensation and benefits	1,113	1,033
Bad debt reserves	136	163
Accrued expenses	1,991	1,695
Fixed assets and depreciation	2,305	2,626
Base stock	6	10
State Taxes	144	133
NOLs & credit carry-forwards	3,295	3,831
Deferred income tax asset	<u>\$ 11,188</u>	<u>\$ 11,530</u>
DEFERRED TAX LIABILITIES		
Intangibles and amortization	\$ (1,811)	\$ (2,235)
Prepaid expenses	(1,365)	(1,279)
Real estate taxes	(154)	(150)
Other Reserves	(138)	(95)
Federal deduction on deferred state taxes	(366)	(356)
Deferred income tax liability	<u>\$ (3,834)</u>	<u>\$ (4,115)</u>
NET DEFERRED INCOME TAX ASSET	<u>\$ 7,354</u>	<u>\$ 7,415</u>

As of December 31, 2016 the Company had \$6.1 million of federal net operating loss (“NOL”) carryforwards, general business credit (“GBC”) carryforwards of \$0.3 million and \$19.7 million of state NOL carryforwards, acquired as part of the Monarch Casino Black Hawk (formerly Rivera Black Hawk) acquisition. The federal NOL carryforwards expire in 2021 through 2031. The federal GBC carryforwards expire in 2023 through 2032. The state NOL carryforwards expire in 2022 through 2032.

The acquired federal and state NOL and federal GBC carryforwards are subject to Internal Revenue Code change of ownership limitations. Accordingly, future utilization of the carryforwards is subject to an annual base limitation of \$1.25 million that can be applied against future taxable income.

The Company acquired NOLs of Monarch Black Hawk generated in tax years 2000 through 2012. The statute of limitation for assessment for these NOL years is determined by reference to the year the NOL is used to reduce taxable income. Consequently, the separate returns that included Monarch Black Hawk remain subject to examination by the Internal Revenue Service (the “IRS”). The Company’s income tax returns from 2013 forward are subject to examination by the IRS.

Accounting standards require that tax positions be assessed for recognition using a two-step process. A tax position is recognized if it meets a “more likely than not” threshold, and is measured at the largest amount of benefit that is greater than 50 percent likely of being realized. Uncertain tax positions must be reviewed at each balance sheet date. Liabilities recorded as a result of this analysis must generally be recorded separately from any current or deferred income tax accounts. The Company’s policy regarding interest and penalties associated with uncertain tax positions is to classify such amounts as income tax expense.

No uncertain tax positions were recorded as of December 31, 2016, 2015 and 2014. No change in uncertain tax positions is anticipated over the next twelve months.

No interest expense or penalties for uncertain tax positions were recorded for years ended December 31, 2016, 2015 and 2014.

NOTE 8. BENEFIT PLANS

Savings Plan - Effective November 1, 1995, the Company adopted a savings plan, which qualifies under Section 401(k) of the Internal Revenue Code. Under the plan, participating employees may defer up to 100% of their pre-tax compensation, but not more than statutory limits. The Company's matching contributions were approximately \$332 thousand, \$318 thousand, and \$283 thousand for years ended December 31, 2016, 2015 and 2014, respectively.

NOTE 9. STOCK-BASED COMPENSATION

On May 21, 2014, we adopted the 2014 Equity Incentive Plan (the "2014 Plan"). The purposes of the 2014 Plan are to attract and retain the best available personnel, to provide additional incentives to employees, directors and consultants and to promote the success of the Company's business. The 2014 Plan is an "omnibus plan" under which stock options, stock appreciation rights, performance awards, dividend equivalents, restricted stock, and restricted stock units can be awarded to employees, directors and consultants of the Company. The 2014 Plan serves as the successor to our 1993 Employee Stock Option Plan, 1993 Executive Long-Term Incentive Plan and 1993 Directors' Stock Option Plan (which plan terminated on June 13, 2013) (the "Predecessor Plans"). The 2014 Plan became effective as of May 21, 2014 and the remaining two Predecessor Plans terminated on that date (except with respect to awards previously granted under the Predecessor Plans that remain outstanding).

The share reserve under the 2014 Plan includes 1,000,000 new shares and the shares available for grant or subject to outstanding awards under the Predecessor Plans, for an aggregate amount of up to 2,093,331 common shares as of December 31, 2016. By its terms, the 2014 Plan will expire in May 2024 after which no options may be granted unless the 2014 Plan is amended or replaced.

Pursuant to the terms of the 2014 Plan, either the Board or a committee designated by the Board is authorized to administer the plan. The administrator has the authority, in its discretion, to select employees, consultants and directors to whom awards under the 2014 Plan may be granted from time to time, to determine whether and to what extent awards are granted, to determine the number of shares or the amount of other consideration to be covered by each award (subject to certain limitations), to approve award agreements for use under the 2014 Plan, to determine the terms and conditions of any award (including the vesting schedule applicable to the award), to amend the terms of any outstanding award granted under the 2014 Plan (subject to certain limitations), to construe and interpret the terms of the 2014 Plan and awards granted, and to take such other action not inconsistent with the terms of the 2014 Plan as the administrator deems appropriate.

A summary of the stock option activity as of and for the year ended December 31, 2016 is presented below:

Options	Shares	Weighted Average		Aggregate Intrinsic Value
		Exercise Price	Remaining Contractual Term	
Outstanding at beginning of period	2,038,587	\$ 15.67	—	—
Granted	411,947	22.37	—	—
Exercised	(360,175)	14.20	—	—
Forfeited	(147,000)	18.29	—	—
Expired	(11,100)	17.24	—	—
Outstanding at end of period	1,932,259	\$ 17.12	7.2 yrs.	\$ 17,068,441
Exercisable at end of period	764,261	\$ 15.62	5.2 yrs.	\$ 8,096,896

A summary of the status of the Company's nonvested shares as of, and for the year ended, December 31, 2016 is presented below:

Nonvested Shares	Shares	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2016	1,240,004	\$ 4.97
Granted	411,947	6.67
Vested	(336,953)	5.21
Forfeited	(147,000)	5.61
Nonvested at December 31, 2016	<u>1,167,998</u>	<u>\$ 5.39</u>

Expense Measurement and Recognition:

The Company recognizes stock-based compensation for all current award grants and for the unvested portion of previous award grants based on grant date fair values. Unrecognized costs related to all stock-based awards outstanding at December 31, 2016 totaled approximately \$4.4 million and is expected to be recognized over a weighted average period of 2.6 years.

The Company uses historical data and projections to estimate expected employee, executive and director behaviors related to option exercises and forfeitures.

The Company estimates the fair value of each stock option award on the grant date using the Black-Scholes valuation model incorporating the assumptions noted in the following table. Option valuation models require the input of highly subjective assumptions, and changes in assumptions used can materially affect the fair value estimate. Option valuation assumptions for options granted during each year were as follows (in thousands, except per share amounts and percentages):

	Years ended December 31,		
	2016	2015	2014
Expected volatility	35.81 %	39.10 %	34.95 %
Expected dividends	—	—	—
Expected life (in years)			
Directors' plan	2.73	3.97	3.59
Executives plan	4.71	4.28	4.31
Employees plan	4.10	3.97	3.59
Weighted average risk free rate	1.14 %	1.14 %	1.06 %
Weighted average grant date fair value per share of options granted	\$ 6.67	\$ 5.90	\$ 4.02
Total fair value of shares vested	\$ 1,758	\$ 1,041	\$ 913
Total intrinsic value of options exercised	\$ 3,276	\$ 4,321	\$ 8,921
Cash received for all stock option exercises	\$ 2,934	\$ 3,900	\$ 12,595
Tax benefit realized from stock awards exercised	\$ 1,146	\$ 1,512	\$ 3,122

The risk-free interest rate is based on the U.S. Treasury security rate in effect as of the date of grant. The expected lives of options are based on historical data of the Company. The Company has determined that an implied volatility is more reflective of market conditions and a better indicator of expected volatility as compared to the Company's experience.

Reported stock-based compensation expense was classified as follows (in thousands):

	For the Year ended December 31,		
	2016	2015	2014
Casino	\$ 95	\$ 58	\$ 45
Food and beverage	101	85	68
Hotel	37	21	11
Selling, general and administrative	1,448	1,380	1,102
Total stock-based compensation, before taxes	1,681	1,544	1,226
Tax benefit	(588)	(540)	(429)
Total stock-based compensation, net of tax	\$ 1,093	\$ 1,004	\$ 797

NOTE 10: STOCK REPURCHASE PLAN

On October 22, 2014, the board of directors of Monarch authorized a stock repurchase plan (the "Repurchase Plan"). Under the Repurchase Plan, the board of directors authorized a program to repurchase up to 3,000,000 shares of the Company's common stock in the open market or in privately negotiated transactions from time to time, in compliance with Rule 10b-18 of the Securities and Exchange Act of 1934, subject to market conditions, applicable legal requirements and other factors. The Repurchase Plan does not obligate the Company to acquire any particular amount of common stock and the plan may be suspended at any time at the Company's discretion, and it will continue until exhausted. The actual timing, number and value of shares repurchased under the repurchase program will be determined by management at its discretion and will depend on a number of factors, including the market price of the Company's stock, general market economic conditions and applicable legal requirements. The Company has made no purchases under the Repurchase Plan.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Self-Insurance: The Company is self-insured for health care claims for eligible active employees. Benefit plan administrators assist the Company in determining its liability for self-insured claims, and such claims are not discounted. Black Hawk's health plan has stop-loss insurance whereby the Company retains the first \$250,000 of liability for individual health care claims. The Company's liability on the Atlantis health plan is limited to the first \$250,000 of claims plus 10% of claims above \$250,000.

The Company is also self-insured for Atlantis workers' compensation. The maximum liability for workers' compensation under the Atlantis stop-loss agreement is \$500,000 per claim. The Company is fully-insured for Monarch Casino Black Hawk workers compensation claims.

We are party to other claims that arise in the normal course of business. Management believes that the outcomes of such claims will not have a material adverse impact on our financial condition, cash flows or results of operations.

NOTE 12. RELATED PARTY TRANSACTIONS

The shopping center adjacent to the Atlantis (the "Shopping Center") is owned by Biggest Little Investments, L.P. ("BLI"). John Farahi and Bob Farahi, Co-Chairmen of the Board and executive officers of the Company, and Ben Farahi are the three largest stockholders ("Farahi Family Stockholders") of Monarch and each also beneficially own limited partnership interests in BLI. Maxum LLC is the sole general partner of BLI, and Ben Farahi is the sole managing member of Maxum LLC. Neither John Farahi nor Bob Farahi has any management or operational control over BLI or the Shopping Center. Until May 2006, Ben Farahi formerly held positions of Co-Chairman of the Board, Secretary, Treasurer and Chief Financial Officer of the Company.

On August 28, 2015, Monarch, through its subsidiary Golden Road, entered into a 20-year lease agreement with BLI for a portion of the Shopping Center (the "Parking Lot Lease") consisting of an approximate 46,000 square-foot commercial building on approximately 4.15 acres of land adjacent to the Atlantis (the "Leased Property"). The Company demolished the building and converted the land into approximately 300 additional surface parking spaces for the Atlantis. The minimum annual rent under the Parking Lot Lease is \$695 thousand commencing on November 17, 2015. The minimum annual rent is subject to a cost of living adjustment increase on each five year anniversary. In addition, the Company is responsible for payment of property taxes, utilities and maintenance expenses related to the Leased Property. The Company has an option to renew the Parking Lot Lease for an additional 10-year term. If the Company elects not to exercise its renewal option, the Company will be obligated to pay BLI \$1.6 million. For the years ended December 31, 2016 and 2015, the Company paid \$695 thousand and \$85 thousand respectively in rent, plus \$60 thousand and \$12 thousand respectively for operating expenses to this lease.

In addition, the Atlantis shares a driveway with the Shopping Center and leases approximately 37,400 square feet from BLI (the "Driveway Lease") for an initial lease term of 15 years, which commenced on September 30, 2004, at an original annual rent of \$300 thousand plus common area expenses. The annual rent is subject to a cost of living adjustment increase on each five year anniversary of the Driveway Lease. Effective August 28, 2015, in connection with the Parking Lot Lease, the Driveway Lease was amended to: (i) make the Company solely responsible for the operation and maintenance costs of the shared driveway (including the fountains thereon); (ii) eliminate the Company's obligation to reimburse the Shopping Center for its proportionate share of common area expenses; and (iii) exercise the three successive five-year renewal terms beyond the initial 15 year term in the existing Driveway Lease Agreement. At the end of the renewal terms, the Company has the option to purchase the leased driveway section of the Shopping Center. As of December 31, 2016, the annual rent is \$377 thousand. For the years ended December 31, 2016, 2015 and 2014, the Company paid \$377 thousand, \$377 thousand and \$350 thousand respectively in rent, plus \$37 thousand, \$84 thousand and \$119 thousand respectively for operating expenses to this lease.

The Company occasionally leases billboard advertising, storage space and parking lot space from affiliates controlled by Farahi Family Stockholders and paid \$127 thousand, \$142 thousand and \$125 thousand for the years ended December 31, 2016, 2015 and 2014, respectively, for such leases.

NOTE 13. SUBSEQUENT EVENTS

The Company evaluated all subsequent events through the date that the consolidated financial statements were issued. No material subsequent events have occurred since December 31, 2016 that required recognition or disclosure in the consolidated financial statements.

NOTE 14. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents selected quarterly financial information for 2016 and 2015 (in thousands, except per share amounts):

	2016				
	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Total</u>
Net revenues	\$ 49,749	\$ 54,578	\$ 57,109	\$ 55,596	\$ 217,032
Operating expenses	42,590	45,633	44,857	45,404	178,484
Income from operations	7,159	8,945	12,252	10,192	38,548
Net income	4,575	5,695	7,834	6,470	24,574
Income per share of common stock					
Basic	\$ 0.27	\$ 0.33	\$ 0.45	\$ 0.37	\$ 1.42
Diluted	\$ 0.26	\$ 0.32	\$ 0.45	\$ 0.36	\$ 1.39

	2015				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Net revenues	\$ 47,171	\$ 50,013	\$ 53,576	\$ 51,485	\$ 202,245
Operating expenses	40,700	41,965	43,527	43,498	169,690
Income from operations	6,471	8,048	10,049	7,987	32,555
Net income	4,043	5,099	6,394	5,123	20,659
Income per share of common stock					
Basic	\$ 0.24	\$ 0.30	\$ 0.38	\$ 0.30	\$ 1.22
Diluted	\$ 0.24	\$ 0.29	\$ 0.37	\$ 0.29	\$ 1.19

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K (the "Evaluation Date"), an evaluation was carried out by our management, with the participation of our Chief Executive Officer and our Chief Accounting Officer, of the effectiveness of our disclosure controls and procedures (as defined by Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon the evaluation, our Chief Executive Officer and Chief Accounting Officer concluded that our disclosure controls and procedures were effective as of the evaluation date. No changes were made to our internal control over financial reporting (as defined by Rule 13a-15(e) under the Securities Exchange Act of 1934) during the last fiscal year that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO) in Internal Control-Integrated Framework. Based on our assessment, we believe that, as of December 31, 2016, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm has issued an audit report on our assessment of the Company's internal control over financial reporting. This report appears in Item 8 of this Form 10-K.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Monarch Casino & Resort, Inc. and subsidiaries:

We have audited Monarch Casino & Resort, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Monarch Casino & Resort, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Monarch Casino & Resort, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Monarch Casino & Resort, Inc. and subsidiaries as of December 31, 2016 and 2015, the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016 of Monarch Casino & Resort, Inc. and subsidiaries and our report dated March 14, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Las Vegas, Nevada
March 14, 2017

ITEM 9B. OTHER INFORMATION

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

This information is incorporated by reference from the Company's Proxy Statement to be filed with the Commission in connection with the Annual Meeting of Stockholders to be held on June 14, 2017. We expect to file the Company's Proxy Statement with the Commission not later than April 29, 2017.

ITEM 11. EXECUTIVE COMPENSATION

This information is incorporated by reference from the Company's Proxy Statement to be filed with the Commission in connection with the Annual Meeting of Stockholders to be held on June 14, 2017. We expect to file the Company's Proxy Statement with the Commission not later than April 29, 2017.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Following is information related to the Company's equity compensation plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (F1)	1,932,259	\$ 17.12	161,072
Equity compensation plans not approved by security holders	—	—	—
Total	1,932,259	\$ 17.12	161,072

(F1) Includes the 1993 Directors' Stock Option Plan, 1993 Employee Stock Option Plan and 1993 Executive Long-Term Incentive Plan, as amended, and the 2014 Equity Incentive Plan.

Additional information is incorporated by reference from the Company's Proxy Statement to be filed with the Commission in connection with the Annual Meeting of Stockholders to be held on June 14, 2017. We expect to file the Company's Proxy Statement with the Commission not later than April 29, 2017.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

This information is incorporated by reference from the Company's Proxy Statement to be filed with the Commission in connection with the Annual Meeting of Stockholders to be held on June 14, 2017. We expect to file the Company's Proxy Statement with the Commission not later than April 29, 2017.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

This information is incorporated by reference from the Company's Proxy Statement to be filed with the Commission in connection with the Annual Meeting of Stockholders to be held on June 14, 2017. We expect to file the Company's Proxy Statement with the Commission not later than April 29, 2017.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1). Financial Statements

Included in Part II, Item 8 of this report:

[a\) Report of Independent Registered Public Accounting Firm](#)

[b\) Consolidated Statements of Income for the years ended December 31, 2016, 2015 and 2014.](#)

[c\) Consolidated Balance Sheets at December 31, 2016 and 2015.](#)

[d\) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2016, 2015 and 2014.](#)

[e\) Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014.](#)

[f\) Notes to Consolidated Financial Statements.](#)

(a)(2). Financial Statements Schedules (in thousands)

Schedule II – Valuation of Qualifying Accounts

All other schedules are omitted because they are not applicable, not required or the required information is shown in the financial statements and notes thereto.

Schedule II. - VALUATION AND QUALIFYING ACCOUNTS

<u>Year ended December 31,</u>	<u>Balance at beginning of year</u>	<u>Charged to costs and expenses (F1)</u>	<u>Deductions (F1)</u>	<u>Other</u>	<u>Balance at end of year</u>
<u>2014</u>					
Allowance for doubtful accounts	\$ 371	\$ 51	\$ (105)	\$ —	\$ 317
<u>2015</u>					
Allowance for doubtful accounts	\$ 317	\$ 240	\$ (106)	\$ —	\$ 451
<u>2016</u>					
Allowance for doubtful accounts	\$ 451	\$ 74	\$ (150)	\$ —	\$ 375

(F1) The Company reviews receivables monthly and, accordingly, adjusts the allowance for doubtful accounts monthly. The Company records write-offs annually. The amount charged to costs and expenses reflects the bad debt expense recorded in the consolidated statements of income, while the amount recorded for deductions reflects the adjustment to actual allowance for doubtful accounts reserve at the end of the period.

(a)(3) **Exhibits**

Number	Exhibit Description
2.01	Stock Purchase Agreement dated as of September 29, 2011 by and between Monarch Casino & Resort, Inc., Monarch Growth Inc. (a wholly owned subsidiary of Monarch Casino and Resort, Inc.), Riviera Operating Corporation, Riviera Holdings Corporation and Riviera Black Hawk, Inc. is incorporated herein by reference to Exhibit 2.1 to the Company's Form 8-K/A (SEC File 0-22088) filed on October 4, 2011.
3.01	Articles of Incorporation of Monarch Casino & Resort, Inc., as filed with the Nevada Secretary of State on June 11, 1993; Certificate of Change Pursuant to NRS 78.209, as filed with the Nevada Secretary of State on March 17, 2005; and Certificate of Correction, as filed with the Nevada Secretary of State on March 17, 2006, are incorporated by reference to Exhibits 3.1 and 3.2 to the Company's Form 8-K (SEC 0-22088) filed on March 23, 2006.
3.02	Bylaws of Monarch Casino & Resort, Inc., adopted June 14, 1993 and amended January 24, 1995, and March 27, 2009 and June 1, 2012 are incorporated herein by reference to Exhibit 3.02 to the Company's Form 10-K (SEC 0-22088) for the year ended December 31, 2012.
4.01	Specimen Common Stock Certificate for the Common Stock of Monarch Casino & Resort, Inc. is incorporated herein by reference to Exhibit 4.01 to the Company's Form S-1 registration statement (SEC File 33-64556).
4.02+	Amended and Restated Monarch Casino & Resort, Inc. 1993 Directors' Stock Option Plan is incorporated herein by reference to Exhibit 4.02 to the Company's Form 10-K (SEC File 0-022088) for the fiscal year ended December 31, 1998.
4.03+	First Amendment to the Amended and Restated 1993 Director's Stock Option Plan is incorporated herein by reference to Exhibit 10.5 to the Company's Form 10-Q (SEC File 0-22088) for the quarterly period ended September 30, 2013.
4.04+	Monarch Casino & Resort, Inc. 1993 Executive Long-Term Incentive Plan, as amended, is incorporated herein by reference to Appendix B to the Company's Proxy Statement (SEC File 0-22088) filed on March 25, 2011.
4.05+	Seventh Amendment to the 1993 Executive Long Term Incentive Plan is incorporated herein by reference to Exhibit 10.4 to the Company's Form 10-Q (SEC File 0-22088) for the quarterly period ended September 30, 2013.
4.06+	Monarch Casino & Resort, Inc. 1993 Employee Stock Option Plan, as amended, is incorporated herein by reference to Appendix A to the Company's Proxy Statement (SEC File 0-22088) filed on March 25, 2011.
4.07+	Eighth Amendment to the 1993 Employee Stock Option Plan is incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q (SEC File 0-22088) for the quarterly period ended September 30, 2013.

<u>Number</u>	<u>Exhibit Description</u>
4.08+	2014 Equity Incentive Plan is incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K (SEC File 0-22088) filed on May 23, 2014.
10.01+	Non-standardized 401(k) Plan Adoption Agreement between Monarch Casino & Resort, Inc. and Smith Barney Shearson dated November 7, 1995 is incorporated herein by reference to Exhibit 10.21 to the Company's Form 10-K (SEC File 0-22088) for the fiscal year ended December 31, 1995.
10.02	Trademark Agreement between Golden Road Motor Inn, Inc. and Atlantis Lodge, Inc., dated February 3, 1996 is incorporated herein by reference to Exhibit 10.23 to the Company's Form 10-K (SEC File 0-22088) for the fiscal year ended December 31, 1995.
10.03	Lease Agreement and Option to Purchase dated as of January 29, 2004, between Golden Road Motor Inn, Inc. as Lessee and Biggest Little Investments, L.P. as Lessor is incorporated herein by reference to Exhibit 10.18 to the Company's Form 10-K (SEC File 0-22088) dated March 11, 2004.
10.04	First Amendment to Lease Agreement and Option to Purchase dated as of August 25, 2015, between Golden Road Motor Inn, Inc. as Lessee and Biggest Little Investments, L.P. as Lessor is incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K (SEC File 0-22088) filed September 3, 2015.
10.05	Lease Agreement dated as of August 28, 2015, between Golden Road Motor Inn, Inc. as Lessee and Biggest Little Investments, L.P. as Lessor is incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (SEC File 0-22088) filed September 3, 2015.
10.06*	Third Amended and Restated Credit Agreement, dated as of July 20, 2016, among Monarch Casino & Resort, Inc., Golden Road Motor Inn, Inc. and Monarch Growth Inc., as Borrowers, the Lenders named therein, and Wells Fargo Bank, National Association, as Administrative Agent.
10.07+	Agreement to pay severance to Ronald Rowan as described under the heading "Executive Compensation — Other Employment Related Agreements" in the Company's Proxy Statement (SEC File 0-22088) filed on March 28, 2013.
10.08+	Agreement to pay severance to Ronald Rowan as described under Item 5.02 of the Company's Form 8-K (SEC File 0-22088) filed February 8, 2016.
21.01	List of Subsidiaries of Monarch Casino & Resort, Inc. is incorporated herein by reference to Exhibit 21.01 to the Company's Form 10-K (SEC File 0-22088) for the year ended December 31, 2012.
23.1*	Consent of Independent Registered Public Accounting Firm.
31.1*	Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

<u>Number</u>	<u>Exhibit Description</u>
31.2*	Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation
101.DEF*	XBRL Taxonomy Extension Definition
101.LAB*	XBRL Taxonomy Extension Labels
101.PRE*	XBRL Taxonomy Extension Presentation

* filed herewith.

+ denote management contracts or compensatory plans or arrangements.

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.

MONARCH CASINO & RESORT, INC.
(Registrant)

Date: March 14, 2017

By: /s/ EDWIN S. KOENIG
Edwin S. Koenig, Chief Accounting Officer
(Chief Accounting Officer and Duly Authorized Officer)

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 dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/S/ JOHN FARAHI</u> John Farahi	Co-Chairman of the Board of Directors Chief Executive Officer (Principal Executive Officer) and Director	March 14, 2017
<u>/S/ BOB FARAHI</u> Bob Farahi	Co-Chairman of the Board of Directors, President, Secretary and Director	March 14, 2017
<u>/S/ EDWIN S. KOENIG</u> Edwin S. Koenig	Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	March 14, 2017
<u>/S/ PAUL ANDREWS</u> Paul Andrews	Director	March 14, 2017
<u>/S/ YVETTE E. LANDAU</u> Yvette E. Landau	Director	March 14, 2017
<u>/S/ CRAIG F. SULLIVAN</u> Craig F. Sullivan	Director	March 14, 2017

EXECUTION VERSION

Published CUSIP Number: 60902UAC0
Revolving Loan CUSIP Number: 60902UAD8

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

among

MONARCH CASINO & RESORT, INC.,
GOLDEN ROAD MOTOR INN, INC.,
MONARCH GROWTH INC.,

and

MONARCH BLACK HAWK, INC.

as Borrowers,

THE LENDERS NAMED HEREIN,

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, L/C Issuer and Swing Line Lender

WELLS FARGO SECURITIES, LLC,

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

and

U.S. BANK NATIONAL ASSOCIATION,

as Joint Lead Arrangers

WELLS FARGO SECURITIES, LLC,

as Sole Bookrunner

BANK OF AMERICA, N.A.,

as Syndication Agent

U.S. BANK NATIONAL ASSOCIATION,

as Documentation Agent

Dated as of July 20, 2016

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THIRD AMENDED AND RESTATED CREDIT AGREEMENT

THIS THIRD AMENDED AND RESTATED CREDIT AGREEMENT, dated as of July 20, 2016, is entered into by and among: (1) MONARCH CASINO & RESORT, INC., a Nevada corporation ("Parent"), GOLDEN ROAD MOTOR INN, INC., a Nevada corporation ("Golden Road"), MONARCH GROWTH INC., a Nevada corporation ("MGI") and MONARCH BLACK HAWK, INC., a Colorado corporation ("Black Hawk" and together with Parent, Golden Road and MGI, each a "Borrower" and collectively, the "Borrowers"); (2) each of the financial institutions party to this Agreement from time to time (each a "Lender" and, collectively, the "Lenders"); and (3) WELLS FARGO BANK, NATIONAL ASSOCIATION ("Wells Fargo"), as Administrative Agent, L/C Issuer and Swing Line Lender. WELLS FARGO SECURITIES, LLC ("WFS"), MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED and U.S. BANK NATIONAL ASSOCIATION have each been given the title of joint lead arranger in connection with this Agreement, it being understood that WFS shall have the title of left lead arranger. WFS has also been given the title of sole bookrunner in connection with this Agreement. BANK OF AMERICA, N.A. has been given the title of syndication agent in connection with this Agreement. U.S. BANK NATIONAL ASSOCIATION has been given the title of documentation agent in connection with this Agreement.

RECITALS

A. The Borrowers, the Administrative Agent and certain of the Lenders previously entered into that certain Second Amended and Restated Credit Agreement dated as of November 15, 2011 (as it existed immediately prior to the Third Restatement Effective Date (as defined herein), the "Existing Credit Agreement").

B. The Borrowers have requested (i) an extension of the Maturity Date, (ii) an increase in the amount of the revolving loan facility (with a portion thereof converting to a term loan facility as described herein) and (iii) certain other amendments set forth herein.

C. As a result of such request, the parties wish to amend and restate the Existing Credit Agreement in its entirety by entering into this Agreement. For convenience, certain matters relating to the period prior to this Agreement have been deleted.

AGREEMENT

NOW, THEREFORE, in consideration of the above Recitals and the mutual covenants herein contained, effective as of the Third Restatement Effective Date, the parties hereby amend and restate the Existing Credit Agreement in its entirety as follows:

ARTICLE I. INTERPRETATION.

1.01. Definitions. Unless otherwise indicated in this Agreement or any other Loan Document, each term set forth below, when used in this Agreement or any other Loan Document, shall have the respective meaning given to that term below or in the provision of this Agreement or other document, instrument or agreement referenced below.

"Acquired Portion" shall have the meaning given to that term in Section 2.01(b)(v).

“Adjacent Driveway Property” shall mean the leasehold interest of Golden Road in that portion of the Atlantis Hotel/Casino Property which is designated as Parcel 2 on Schedule A attached hereto, which leasehold interest is evidenced by the Adjacent Driveway Lease.

“Adjacent Driveway Lease” shall mean that certain Lease Agreement and Option to Purchase dated January 29, 2004, by and between BLILP, as lessor, and Golden Road, as lessee, pursuant to which, among other things, Golden Road is granted a leasehold interest in, and an option to purchase, the Adjacent Driveway Property.

“Adjacent Driveway Estoppel” shall mean the Estoppel Certificate executed as of February 20, 2004, by Biggest Little City Investments L.P., a Delaware limited partnership, and recorded on February 20, 2004 in the Official Records of Washoe County, Nevada, as Document No. 2996371, pursuant to which: (a) it certified and represented to Administrative Agent that the Adjacent Driveway Lease represents the entire agreement between the parties thereto with respect to the Adjacent Driveway Property and supersedes all other previous documents and agreements between them, that the Adjacent Driveway Lease had not been modified, supplemented or amended except as set forth therein and that there are no defaults existing or continuing under any of the provisions of the Adjacent Driveway Lease; and (b) other agreements are made regarding notice to Administrative Agent in the event of a default under this Adjacent Driveway Lease, Administrative Agent’s right to cure and the rights of the Lenders and their successors to continue in possession of the Adjacent Driveway Property.

“Administrative Agent” shall mean Wells Fargo, when acting in its capacity as the administrative agent under any of the Loan Documents, and any successor Administrative Agent appointed pursuant to Section 7.06. In such capacity, Wells Fargo is also acting as collateral agent for the Lender Rate Contract Counterparties and Lender Bank Product Providers.

“Affiliate” shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as a trustee, guardian or other fiduciary, ten percent (10%) or more of any class of Equity Securities of such Person, (b) each Person that controls, is controlled by or is under common control with such Person or any Affiliate of such Person or (c) each of such Person’s officers, directors, managers, joint venturers and partners; provided, however, that in no case shall any Lender Party be deemed to be an Affiliate of any Loan Party for purposes of this Agreement. For the purpose of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” shall mean this Credit Agreement.

“Amortization Commencement Date” shall mean the earliest of (a) the last Business Day of the first full fiscal quarter ending after the Completion Date, (b) the last Business Day of the first full fiscal quarter ending after the thirty (30) month anniversary of the Construction Start Date, and (c) December 31, 2019.

“Anti-Corruption Laws” shall mean all laws, rules, and regulations of any jurisdiction applicable to the Borrowers from time to time concerning or relating to bribery or corruption,

including, without limitation, the United States Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder.

“Applicable Lending Office” shall mean, with respect to any Lender, (a) in the case of its Base Rate Loans, its Domestic Lending Office, and (b) in the case of its LIBOR Loans, its Foreign Lending Office.

“Applicable Margin” shall mean, with respect to each Loan (and with respect to the calculation of Letter of Credit fees pursuant to Section 2.02(i)), the *per annum* margin which is determined pursuant to the Pricing Grid. The Applicable Margin shall be determined as provided in the Pricing Grid and may change as set forth in the definition of Pricing Grid.

“Approved Fund” shall mean any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Architect” shall mean the licensed architect that Black Hawk engages to design the Expansion Project, including the preparation of the Plans and Specifications therefor.

“Assignee Lender” shall have the meaning given to that term in Section 8.05(c).

“Assignment” shall have the meaning given to that term in Section 8.05(c).

“Assignment Agreement” shall have the meaning given to that term in Section 8.05(c).

“Assignment Effective Date” shall have, with respect to each Assignment Agreement, the meaning set forth therein.

“Assignment of Architect’s Agreement” shall mean that certain Assignment of Plans and Specifications and Architect’s Agreement executed by Black Hawk in favor of the Administrative Agent (and consented to and acknowledged by the Architect) in form and substance satisfactory to the Administrative Agent.

“Assignment of Construction Contract” shall mean that certain Assignment of Construction Contract executed by Black Hawk in favor of the Administrative Agent (and consented to and acknowledged by the General Contractor) in form and substance satisfactory to the Administrative Agent.

“Assignment of Entitlements” shall mean, collectively, (a) that certain Assignment of Entitlements, Contracts, Rents and Revenues, dated as of February 20, 2004, executed by Golden Road in favor of the Administrative Agent, (b) that certain Assignment of Entitlements, Contracts, Rents and Revenues, dated as of April 26, 2012, executed by MGI in favor of the Administrative Agent and (c) that certain Assignment of Entitlements, Contracts, Rents and Revenues, dated as of April 26, 2012, executed by Black Hawk in favor of the Administrative Agent.

“Assignor Lender” shall have the meaning given to that term in Section 8.05(c).

“Atlantis - BLILP Estoppel” shall mean a Landlord Consent and Estoppel Agreement executed by BLILP: (i) consenting to encumbrance of Golden Road’s interest in the Atlantis – BLILP Lease, with the lien and security agreement of the Atlantis Leasehold Deed of Trust; (ii) acknowledging that the Atlantis – BLILP Lease is in full force and effect and that Golden Road is not in default of any of its material obligations thereunder; and (iii) providing such other assurances as may be required by Administrative Agent.

“Atlantis - BLILP Lease” shall mean that certain Lease Agreement, dated August 28, 2015, between Golden Road and BLILP, as amended from time to time.

“Atlantis BLILP Property” shall mean the leasehold interest of Golden Road in that portion of the Atlantis Hotel/Casino Property which is described on Schedule A attached hereto, which leasehold interest is evidenced by the Atlantis – BLILP Lease.

“Atlantis Casino Resort Spa” shall mean collective reference to the Atlantis Real Property, the improvements located thereon and the hotel and casino business and related activities conducted on the Atlantis Real Property.

“Atlantis Deed of Trust” shall mean the Amended and Restated Deed of Trust, Fixture Filing and Security Agreement with Assignment of Leases and Rents, dated as of the Second Restatement Effective Date, by Golden Road in favor of Western Title Company, Inc., for the benefit of the Administrative Agent.

“Atlantis Hotel/Casino Property” shall mean that certain real property more particularly described on that certain schedule marked Schedule A, affixed hereto and by this reference incorporated herein and made a part hereof, and the CC Skybridge Peckham Lane Entitlements.

“Atlantis Leasehold Deed of Trust” shall mean a Leasehold Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, by Golden Road in favor of Western Title Company, Inc., for the benefit of the Administrative Agent in connection with Atlantis - BLILP Lease.

“Atlantis Real Property” shall mean collective reference to the Atlantis Hotel/Casino Property, the Pedestrian Crossing Airspace, the V/P Property, the CC Skybridge Easements and the Atlantis BLILP Property.

“Base Rate” shall mean, on any day, the greatest of (a) the Federal Funds Rate in effect on the Business Day prior to such day, as published by the Federal Reserve Bank of New York, plus 1.50%, (b) the Prime Rate in effect on such day and (c) the One Month LIBOR Rate for such day (determined on a daily basis as set forth below) plus 1.50%. As used in this definition, “One Month LIBOR Rate” shall mean, with respect to any interest rate calculation for a Loan or other Obligation bearing interest at the Base Rate, a rate per annum equal to the quotient (rounded upward if necessary to the nearest 1/100 of one percent) of (i) the rate per annum reported on Reuters Screen LIBOR01 Page (or any successor or substitute page thereof), or if not reported by Reuters, as reported by any service selected by the Administrative Agent, on the applicable day (provided that if such day is not a Business Day for which such rate is quoted, the next preceding Business Day for which such rate is quoted) at or about 11:00 a.m., London time (or as soon thereafter as practicable), for Dollar deposits being delivered in the London interbank eurodollar

currency market for a term of one month commencing on such date of determination, divided by (ii) one minus the Reserve Requirement in effect on such day. If for any reason rates are not available as provided in clause (i) of the preceding sentence, the rate to be used in clause (i) shall be, at the Administrative Agent's discretion (in each case, rounded upward if necessary to the nearest 1/100 of one percent), (A) the rate per annum at which Dollar deposits are offered to the Administrative Agent in the London interbank eurodollar currency market or (B) the rate at which Dollar deposits are offered to the Administrative Agent in, or by the Administrative Agent to major banks in, any offshore interbank eurodollar market selected by the Administrative Agent, in each case on the applicable day (provided that if such day is not a Business Day for which Dollar deposits are offered to the Administrative Agent in the London or such offshore interbank eurodollar currency market, the next preceding Business Day for which Dollar deposits are offered to the Administrative Agent in the London or such offshore interbank eurodollar currency market) at or about 11:00 a.m., London time (or as soon thereafter as practicable) (for delivery on such date of determination) for a one month term. Notwithstanding the foregoing, if the One Month LIBOR Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“Base Rate Loan” shall mean, at any time, a Loan (or in the case of the Term Loans, a portion thereof, as the context may require) which then bears interest as provided in Section 2.01(d)(i).

“Black Hawk” shall have the meaning given to that term in clause (1) of the introductory paragraph hereof.

“Black Hawk Deed of Trust” shall mean the Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of the April 26, 2012, by Black Hawk in favor of Public Trustee of Gilpin County, Colorado, for the benefit of the Administrative Agent.

“BLILP” shall mean Biggest Little Investments L.P.

“Borrower” and “Borrowers” shall have the meaning given to such terms in clause (1) of the introductory paragraph hereof.

“Borrower Representative” shall have the meaning given to such term in Section 8.01(c).

“Borrower Materials” shall have the meaning given to that term in Section 5.01(a).

“Borrowing” shall mean a Revolving Loan Borrowing, a Swing Loan Borrowing or the Term Loan Borrowing, as the context may require.

“Business Day” shall mean any day on which (a) commercial banks are not authorized or required to close in San Francisco, California or New York, New York and (b) if such Business Day is related to a LIBOR Loan, dealings in Dollar deposits are carried out in the London interbank market.

“Capital Asset” shall mean, with respect to any Person, any tangible fixed or capital asset owned or leased (in the case of a Capital Lease) by such Person, or any expense incurred by such

Person that is required by GAAP, as in effect on the Third Restatement Effective Date, to be reported as a non-current asset on such Person's balance sheet.

“Capital Expenditures” shall mean, with respect to any Person and any period, all amounts expended by such Person during such period to acquire or to construct Capital Assets (including renewals, improvements and replacements, but excluding repairs in the ordinary course) computed in accordance with GAAP as in effect on the Third Restatement Effective Date (including all amounts paid or accrued on Capital Leases and other Indebtedness incurred or assumed to acquire Capital Assets).

“Capital Leases” shall mean any and all lease obligations that, in accordance with GAAP as in effect on the Third Restatement Effective Date, are required to be capitalized on the books of a lessee.

“Cash Collateralize” shall mean to pledge and deposit with or deliver to the Administrative Agent, for its own benefit and for the benefit of the L/C Issuer, the Swing Line Lender and/or the Lenders, as applicable, as collateral subject to a first priority, perfected security interest securing the Obligations or the obligations of a Defaulting Lender, as applicable, cash or deposit account balances in an amount equal to the L/C Obligations, Obligations in respect of Swing Line Loans or obligations of a Defaulting Lender, as applicable, pursuant to documentation in form and substance satisfactory to the Administrative Agent and the L/C Issuer or the Swing Line Lender, as applicable (which documents are hereby consented to by the Lenders). Derivatives of such term shall have a corresponding meaning.

“Cash Equivalents” shall mean:

(a) Direct obligations of, or obligations the principal and interest on which are unconditionally guaranteed by, the United States or obligations of any agency of the United States to the extent such obligations are backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof;

(b) Certificates of deposit maturing within six months from the date of acquisition thereof issued by a commercial bank or trust company organized under the laws of the United States or a state thereof or that is a Lender; provided that (i) such deposits are denominated in Dollars, (ii) such bank or trust company has capital, surplus and undivided profits of not less than \$500,000,000 and (iii) such bank or trust company has certificates of deposit or other debt obligations rated at least A-1 (or its equivalent) by Standard & Poor's Financial Services LLC or P-1 (or its equivalent) by Moody's Investors Service, Inc.;

(c) Open market commercial paper maturing within 270 days from the date of acquisition thereof issued by a corporation organized under the laws of the United States or a state thereof; provided such commercial paper is rated at least A-1 (or its equivalent) by Standard & Poor's Financial Services LLC or P-1 (or its equivalent) by Moody's Investors Service, Inc.; and

(d) Any repurchase agreement entered into with a commercial bank or trust company organized under the laws of the United States or a state thereof or that is a Lender; provided that (i) such bank or trust company has capital, surplus and undivided profits of not less than \$500,000,000, (ii) such bank or trust company has certificates of deposit or other debt

obligations rated at least A-1 (or its equivalent) by Standard & Poor's Financial Services LLC or P-1 (or its equivalent) by Moody's Investors Service, Inc., (iii) the repurchase obligations of such bank or trust company under such repurchase agreement are fully secured by a perfected security interest in a security or instrument of the type described in clause (a), (b) or (c) above and (iv) such security or instrument so securing the repurchase obligations has a fair market value at the time such repurchase agreement is entered into of not less than 100% of such repurchase obligations.

Notwithstanding the foregoing, in no event shall "Cash Equivalents" include auction rate securities.

"CC Skybridge" shall mean a collective reference to: (i) the elevated pedestrian walkway which extends, from Parcel 1 of the Atlantis Hotel/Casino Property to the CC Skybridge Tower, over and across Peckham Lane and the north parking lot of the Convention Center Property to the Reno Sparks Convention Center; (ii) the CC Skybridge Tower; and (iii) all elevators, escalators, support columns, landscaping, paving and other facilities and fixtures which are related to the foregoing, all as particularly set forth by the CC Skybridge Agreement.

"CC Skybridge Agreement" shall mean that certain Atlantis Convention Center Skybridge Agreement and Easement, dated May 9, 2007, between RSCVA and Golden Road, which was recorded in the Official Records of Washoe County, Nevada on May 10, 2007, as Document No. 3530942, pursuant to which, among other things: (i) RSCVA granted the CC Skybridge Easements to Golden Road; (ii) Golden Road granted, to RSCVA, certain access easements over Parcels 3 through 5 of the Atlantis Hotel/Casino Property; (iii) Golden Road agreed to construct and operate the CC Skybridge within the applicable CC Skybridge Easements; and (iv) Golden Road agreed that RSCVA would be entitled to reserve blocks of rooms at the Atlantis Casino Resort Spa for certain types of events being conducted by RSCVA; all in accordance with the terms and conditions set forth therein.

"CC Skybridge Documentation" shall mean a collective reference to: (i) the CC Skybridge Agreement; and (ii) the CC Skybridge Peckham Lane Entitlements.

"CC Skybridge Easements" shall mean certain permanent and temporary easements over the Convention Center Property which are granted to Golden Road by RSCVA, pursuant to the CC Skybridge Agreement, in order to facilitate Golden Road's construction and operation of the CC Skybridge, all as more particularly set forth therein.

"CC Skybridge Estoppel" shall mean the Estoppel Statement dated as of January 13, 2009 executed by RSCVA: (i) consenting to encumbrance of Golden Road's interest in the CC Skybridge, and in the CC Skybridge Agreement, with the lien and security agreement of the Deed of Trust; (ii) acknowledging that the CC Skybridge Agreement is in full force and effect and that Golden Road is not in default of any of its material obligations thereunder; and (iii) providing such other assurances as may be required by Administrative Agent.

"CC Skybridge Peckham Lane Entitlements" shall mean the documentation which sets forth the agreement, by all appropriate Governmental Authorities, authorizing and entitling Golden Road to construct and maintain the CC Skybridge over Peckham Lane in accordance with the CC Skybridge Agreement.

“CC Skybridge Tower” shall mean the pedestrian dispersal site for the CC Skybridge, which is situate on the Convention Center Property, including the dispersal tower, lobby, escalators, elevators and stairs.

“Change of Control” shall mean the occurrence of any one or more of the following:

(a) Parent shall cease to beneficially own and control, directly or indirectly, one hundred percent (100%) of the Equity Securities of each of Golden Road, MGI and Black Hawk; or

(b) Any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its Subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) (other than the Farahi Family Group) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a “person” or “group” shall be deemed to have “beneficial ownership” of all Equity Securities that such “person” or “group” has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an “option right”)), directly or indirectly, of more than thirty-five percent (35%) of the Equity Securities of Parent entitled to vote in the election of members of the board of directors (or equivalent governing body) of Parent; or

(c) During any period of twelve (12) consecutive months, a majority of the members of the board of directors or other equivalent governing body of Parent cease to be comprised of individuals (x) who were members of that board or equivalent governing body on the first day of such period, (y) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (x) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (z) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (x) and (y) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body, or

(d) A “change of control” or “change in control” or any similar term as defined in any document governing Indebtedness exceeding \$10,000,000 of any Loan Party which gives the holders of such Indebtedness the right to accelerate or otherwise require payment of such Indebtedness prior to the maturity date thereof or the right to require such Loan Party to redeem, purchase or otherwise defease, or offer to redeem, purchase or otherwise defease, all or any portion of such Indebtedness.

For the purpose of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

“Change of Law” shall mean the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request,

rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change of Law”, regardless of the date enacted, adopted or issued.

“Code” shall mean the U.S. Internal Revenue Code of 1986.

“Collateral” shall mean all property in which the Administrative Agent or any Lender has a Lien to secure the Obligations or the Guaranty.

“Commercial Letter of Credit” shall mean any documentary letter of credit issued by the L/C Issuer under this Agreement; either as originally issued or as the same may be supplemented, modified, amended, extended, restated or supplanted.

“Commitment Fee” shall have the meaning given to that term in Section 2.05(b).

“Commitment Fee Percentage” shall mean, with respect to the Revolving Loan Commitments at any time, the *per annum* percentage which is used to calculate Commitment Fees for such Revolving Loan Commitments determined pursuant to the Pricing Grid.

“Communications” shall have the meaning given to that term in Section 8.01(b).

“Completion Date” shall mean the first date on which all floors of the Expansion Project and all material amenities associated with the Expansion Project are substantially completed and open for business to the public.

“Compliance Certificate” shall have the meaning given to that term in Section 5.01(a)(iii).

“Confidential Information” shall mean information delivered to any Lender or the Administrative Agent by or on behalf of any Loan Party pursuant to the Loan Documents that is proprietary in nature and that is clearly marked or labeled as being confidential information of such Loan Party; provided; however, that such term does not include information that (a) was publicly known or otherwise known to the receiving party prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by the receiving party or any person acting on its behalf, (c) otherwise becomes known to the receiving party other than through disclosure by any Loan Party or (d) constitutes financial statements delivered to the Lenders and the Administrative Agent under Section 5.01(a) that are otherwise publicly available.

“Connection Income Taxes” shall mean Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Construction Budget” shall mean the projections and budgets, prepared by Black Hawk, setting forth the total fees, costs and expenses anticipated to be incurred in connection with the

completion of the Expansion Project (together with all material supporting contracts to the extent such contracts have been executed as of any applicable date) (as such projections and budgets may be revised from time to time in accordance with the provisions of this Agreement). The Construction Budget shall, among other things, break out furniture fixture and equipment and related costs from the other costs of the Expansion Project.

“Construction Consultant” shall mean any Person appointed or designated by the Administrative Agent from time to time to inspect the progress of the construction of the Expansion Project and the conformity of construction with the Plans and Specifications, the Construction Budget and the construction schedule, and to perform such other acts and duties as the Administrative Agent may from time to time deem appropriate or as may be required by the terms of this Agreement.

“Construction Contract” shall mean the Guaranteed Maximum Price Construction Contract or any similar contract to be entered into by Black Hawk for work related to the construction of the Expansion Project, which must be in form and substance satisfactory to the Administrative Agent, as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof.

“Construction Loan” shall mean all Loans (including Swing Line Loans) advanced prior to the completion of the Expansion Project to fund the costs and expenses of constructing the Expansion Project excluding Title Company Escrow Loans.

“Construction Progress Report” shall mean a report, in form and substance acceptable to the Administrative Agent, describing the progress of construction of the Expansion Project, which will be prepared by the Construction Consultant monthly and in connection with each Construction Loan to be made hereunder.

“Construction Start Date” the first date on which any grading, excavation, foundation or other construction work is commenced for the Expansion Project.

“Contingent Obligation” shall mean, with respect to any Person, (a) any Guaranty Obligation of that Person; and (b) any direct or indirect obligation or liability, contingent or otherwise, of that Person (i) in respect of any Surety Instrument issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings or payments, (ii) as a partner or joint venturer in any partnership or joint venture, (iii) to purchase any materials, supplies or other property from, or to obtain the services of, another Person if the relevant contract or other related document or obligation requires that payment for such materials, supplies or other property, or for such services, shall be made regardless of whether delivery of such materials, supplies or other property is ever made or tendered, or such services are ever performed or tendered, or (iv) in respect to any Rate Contract that is not entered into in connection with a bona fide hedging operation that provides offsetting benefits to such Person. The amount of any Contingent Obligation shall (subject, in the case of Guaranty Obligations, to the last sentence of the definition of “Guaranty Obligation”) be deemed equal to the maximum reasonably anticipated liability in respect thereof, and shall, with respect to item (b)(iv) of this definition be marked to market on a current basis.

“Contractual Obligation” of any Person shall mean, any indenture, note, lease, loan agreement, security, deed of trust, mortgage, security agreement, guaranty, instrument, contract, agreement or other form of contractual obligation or undertaking to which such Person is a party or by which such Person or any of its property is bound.

“Control Agreement” shall mean a control agreement among a Borrower or a Guarantor, a depository bank, a securities intermediary or a commodity intermediary, as the case may be, and the Administrative Agent, in form and substance reasonably acceptable to the Administrative Agent.

“Convention Center Property” shall mean that certain real property owned by RSCVA, which is designated by Washoe County Assessor’s Parcel No. 025-011-19 and upon which Reno Sparks Convention Center is situate.

“Conversion Amount” shall mean an amount equal to the lesser of (a) \$200,000,000 and (b) the aggregate amount of Revolving Loans outstanding on the Amortization Commencement Date.

“Credit Event” shall mean the making of any Loan (including a Swing Line Loan) or the making of an L/C Credit Extension. “Credit Event” shall not include the conversion of any Loan or the selection of a new Interest Period for any LIBOR Loan.

“Debtor Relief Laws” shall mean the Bankruptcy Code of the United States, and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Governmental Rules from time to time in effect affecting the rights of creditors generally.

“Decreasing Lender” shall have the meaning given to that term in Section 2.01(b)(v).

“Default” shall mean an Event of Default or any event or circumstance not yet constituting an Event of Default which, with the giving of any notice or the lapse of any period of time or both, would become an Event of Default.

“Default Rate” shall have the meaning given to that term in Section 2.07(c).

“Defaulting Lender” shall mean, subject to Section 2.16(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrowers in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within two Business Days of the date when due, (b) has notified the Borrowers, the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement)

cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrowers, to confirm in writing to the Administrative Agent and the Borrowers that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.16(b)) upon delivery of written notice of such determination to the Borrowers and each Lender.

“Defaulting Lender Amendment Paragraph” shall have the meaning given to that term in Section 8.04.

“Disqualified Securities” shall mean any Equity Security which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (a) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is one year following the date of payment and satisfaction in full of the Obligations, (b) is convertible into or exchangeable for (i) debt securities or (ii) any Equity Security referred to in (a) above, in each case at any time on or prior to the date that is one year following the date of payment and satisfaction in full of the Obligations, or (c) is entitled to receive a cash Distribution (other than for taxes attributable to the operations of the business) or a Distribution of Disqualified Securities on or prior to the date that is one year following the date of payment and satisfaction in full of the Obligations.

“Distributions” shall mean the payment of any distributions or dividends (in cash, property or obligations) on, or other payments on account of, or the setting apart of money for a sinking or other analogous fund for, or the purchase, repurchase, redemption, retirement or other acquisition of, any Equity Securities of any Person or of any warrants, options or other rights to acquire the same (or to make any payments to any Person, such as “phantom membership” or “phantom stock” payments or similar payments, where the amount is calculated with reference to the fair market or equity value of any Person), but excluding distributions or dividends payable by a Person solely in membership interests or shares of common stock of such Person.

“Documentation Agent” shall mean U.S. Bank National Association, in its capacity as documentation agent in connection with this Agreement.

“Dollars” and “\$” shall mean the lawful currency of the United States and, in relation to any payment under this Agreement, same day or immediately available funds.

“Domestic Lending Office” shall mean, with respect to any Lender, (a) initially, its office designated as such in Schedule I (or, in the case of any Lender which becomes a Lender pursuant to Section 2.01(b) or by an assignment pursuant to Section 8.05(c), its office designated as such in the applicable documentation executed pursuant to those Sections, as applicable) and (b) subsequently, such other office or offices as such Lender may designate to the Administrative Agent as the office at which such Lender’s Base Rate Loans will thereafter be maintained and for the account of which all payments of principal of, and interest on, such Lender’s Base Rate Loans will thereafter be made.

“Draw Package” shall mean the documents and other items required to be provided to the Administrative Agent and/or the Construction Consultant under Section 3.03.

“EBITDA” shall mean, for any period to be measured, (a) Net Income (determined on a consolidated basis without duplication in accordance with GAAP) for such period, plus, without duplication (b) to the extent deducted in determining Net Income for such period, the sum of the following for such period: (i) Interest Expense (including expensed and capitalized), (ii) income tax expense, (iii) depreciation and amortization expense and other non-cash expenses, including non-cash expenses related to stock based compensation, (iv) pre-opening expenses, (v) capitalized fees and costs relating to the closing of this Agreement and (vi) extraordinary losses on sales of assets and other extraordinary losses and non-cash charges (other than any such non-cash charge to the extent it represents an accrual of or reserve for cash expenditures in any future period, other than such accruals that result from a change in accounting method), minus, without duplication (c) to the extent included as income in determining such Net Income for such period, the sum of the following for such period: (i) extraordinary gains and non-recurring gains, (ii) interest income and minus (d) cash expenditures made during such period to the extent an accrual resulting from a change in accounting method with respect to such cash expenditures was added to Net Income in determining EBITDA for any prior period. Pro forma credit shall be given for an Acquired Person’s EBITDA as if owned on the first day of the applicable period; companies (or identifiable business units or divisions) sold, transferred or otherwise disposed of during any period will be treated as if not owned during the entire applicable period.

“Effective Amount” shall mean (a) with respect to Revolving Loans, Swing Line Loans and Term Loans on any date, the aggregate outstanding principal amount thereof after giving effect to (i) any borrowings and prepayments or repayments of Revolving Loans, Swing Line Loans and Term Loans and (ii) with respect to Swing Line Loans, any risk participation amongst the Lenders, as the case may be, occurring on such date; and (b) with respect to any L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements of outstanding unpaid drawings under any Letters of Credit or any reductions in the maximum amount available for drawing under Letters of Credit taking effect on such date.

“Eligible Assignee” shall mean (a) any Lender, any Affiliate of any Lender and any Approved Fund of any Lender; and (b) a Person that is (i) a commercial bank, savings and loan

association or savings bank organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least \$100,000,000, (ii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (the “OECD”), or a political subdivision of any such country, and having a combined capital and surplus of at least \$100,000,000; provided that such bank is acting through a branch or agency located in the country in which it is organized or another country which is also a member of the OECD, (iii) a finance company, insurance company or other financial institution that is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business and having total assets in excess of \$100,000,000, or (iv) a Person that is primarily engaged in the business of commercial lending and that is (x) a Subsidiary of a Lender, (y) a Subsidiary of a Person of which a Lender is a Subsidiary, or (z) a Person of which a Lender is a Subsidiary; provided that notwithstanding the foregoing, “Eligible Assignee” shall not include (i) without the prior consent of all of the Lenders, any Loan Party or any Affiliate of a Loan Party or any natural person or (ii) any Person that has been found unsuitable by any Gaming Board or as to whom such assignment would violate any Gaming Law.

“Environmental Damages” shall mean all claims, judgments, damages, losses, penalties, liabilities (including strict liability), costs and expenses (including costs of investigation, remediation, defense, settlement and attorneys’ fees and consultants’ fees and any diminution in the value of the security afforded to the Lenders with respect to any real property owned or used by any Loan Party), that are incurred at any time (a) as a result of the existence of any Hazardous Materials upon, about or beneath any real property owned by or leased by any Loan Party or migrating or threatening to migrate to or from any such real property regardless of whether or not caused by or within the control of any Loan Party, (b) arising from any investigation, proceeding or remediation of any location at which any Loan Party or any predecessors are alleged to have directly or indirectly disposed of Hazardous Materials or (c) arising in any manner whatsoever out of any violation of Environmental Laws by any Loan Party or with respect to any real property owned or used by any Loan Party.

“Environmental Indemnity Agreement” shall mean, collectively, (a) that certain Certificate and Indemnification Regarding Hazardous Substances, dated as of the First Restatement Effective Date, executed by Golden Road and Parent in favor of the Administrative Agent, (b) that certain Certificate and Indemnification Regarding Hazardous Substances, dated as of April 26, 2012, executed by MGI in favor of the Administrative Agent and (c) that certain Certificate and Indemnification Regarding Hazardous Substances, dated as of April 26, 2012, executed by Black Hawk in favor of the Administrative Agent.

“Environmental Laws” shall mean the Clean Air Act, 42 U.S.C. Section 7401 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. Section 1251 et seq.; the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901 et seq.; the Comprehensive Environment Response, Compensation and Liability Act of 1980 (including the Superfund Amendments and Reauthorization Act of 1986, “CERCLA”), 42 U.S.C. Section 9601 et seq.; the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq.; the Occupational Safety and Health Act, 29 U.S.C. Section 651; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Section 11001 et seq.; the Mine Safety and Health Act of 1977, 30 U.S.C. Section 801 et seq.; the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq.; and all other Governmental Rules relating to the protection of human health and safety and the environment, including all

Governmental Rules pertaining to the reporting, licensing, permitting, transportation, storage, disposal, investigation or remediation of emissions, discharges, releases, or threatened releases of Hazardous Materials into the air, surface water, groundwater, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation or handling of Hazardous Materials.

“Equity Securities” of any Person shall mean (a) all common stock, preferred stock, participations, shares, partnership interests, limited liability company interests or other equity interests in and of such Person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974.

“ERISA Affiliate” shall mean any Person which is treated as a single employer with any Loan Party under Sections 414(b) and (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of the provisions relating to Section 412 of the Code).

“ERISA Event” shall mean (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by any Loan Party or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a “substantial employer” (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA which could reasonably be expected to give rise to any liability with respect to such withdrawal; (c) a complete or partial withdrawal by a Loan Party or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Pension Plan or Multiemployer Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which could reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon a Loan Party or any ERISA Affiliate.

“Event of Default” shall have the meaning given to that term in Section 6.01.

“Evergreen Letter of Credit” shall have the meaning given to that term in Section 2.02(b)(iii).

“Excess Cash Flow” shall mean, for any fiscal year,

(a) EBITDA for such fiscal year

minus

(b) the sum, without duplication, of each of the following: (i) the aggregate amount of scheduled principal repayments of any Indebtedness (including the portion of payments under Capital Leases attributable to principal) made by the Loan Parties during such fiscal quarter to the extent permitted to be paid by this Agreement and the other Loan Documents, (ii) optional

prepayments of the Term Loans made by the Borrowers during such fiscal year pursuant to Section 2.06(b), (iii) Interest Expense with respect to such fiscal year (excluding (x) interest paid in kind which is not currently payable in cash and (y) amortization of upfront fees) to the extent paid in cash by the Loan Parties during such fiscal year, (iv) income tax expense for such period to the extent paid in cash by the Loan Parties during such fiscal year and (v) non-financed Capital Expenditures made during such fiscal year;

provided that fiscal year 2019 shall be deemed to only include the full fiscal quarter(s) in such fiscal year occurring after the Completion Date.

“Excluded Projects” shall mean (i) the nine (9) story, approximately one thousand three hundred fifty (1,350) space parking garage to be completed prior to the commencement of construction of the Expansion Project, (ii) the demolition of the existing five hundred (500) space parking garage to be completed prior to the commencement of construction of the Expansion Project and (iii) Capital Expenditures to be made by the Borrowers from time to time to the existing casino facilities in Black Hawk, Colorado or in Reno, Nevada that are not included in the Construction Contract or in the Construction Budget for the Expansion Project.

“Excluded Subsidiary” shall mean (i) a Subsidiary which does not own, operate or hold any assets or property or (ii) a single purpose Subsidiary which is formed to own, operate and hold, and at all time only owns, operates and holds assets and property not related to the gaming operations of the Loan Parties and which do not directly or indirectly affect such gaming operations and with respect to which none of the Loan Parties has any obligations, direct or contingent. As of the Third Restatement Effective Date, Golden North, Inc., a Nevada corporation, High Desert Sunshine, Inc., a Nevada corporation, Golden Town, a Nevada corporation, Golden East, Inc., a Nevada corporation and Monarch Interactive, Inc., a Nevada corporation are Excluded Subsidiaries.

“Excluded Swap Obligation” shall mean, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the guaranty of such Guarantor of, or the grant by such Guarantor of a security interest to secure, such Swap Obligation (or any guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act and the regulations thereunder at the time the guaranty of such Guarantor or the grant of such security interest becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guaranty or security interest is or becomes illegal.

“Excluded Taxes” shall mean any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts

payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrowers under Section 2.15(b)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.12, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2.12(g) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"Existing Credit Agreement" shall have the meaning set forth in the recitals to this Agreement.

"Existing Letters of Credit" shall mean the letters of credit described on Schedule II and issued by Wells Fargo prior to the Third Restatement Effective Date.

"Expansion Project" shall mean the design, construction, equipping, financing and development of a new hotel tower, spa and pool facility and restaurants at the Monarch Casino Black Hawk, and all related appurtenances and facilities contemplated in the Plans and Specifications. It is understood that Black Hawk is expected to enter into a Construction Contract for the Expansion Project after the Third Restatement Effective Date. The Expansion Project shall not include all or any portion of the Excluded Projects.

"Farahi Family Group" shall mean a collectively reference to John Farahi, Bahram (Bob) Farahi, Behrouz (Ben) Farahi, Jila Farahi Trust created by agreement dated May 20, 2002, and their respective children, grandchildren, executors, administrators, testamentary trustees, heirs, legatees and beneficiaries.

"FASB ASC" shall mean the Accounting Standards Codification of the Financial Accounting Standards Board.

"FATCA" shall mean Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code.

"Federal Funds Rate" shall mean, for any day, the rate *per annum* (rounded upwards to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank on the Business Day next succeeding such day; provided, that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to Wells Fargo on such day on such transactions as determined by the Administrative Agent.

"Federal Reserve Board" shall mean the Board of Governors of the Federal Reserve System.

“Fee Letter” shall mean, collectively, (a) the letter agreement dated as of August 19, 2015 regarding certain fees payable to the Administrative Agent and WFS as expressly indicated therein and (b) any other fee letter or engagement letter executed after the Third Restatement Effective Date by one or more Loan Parties and the Administrative Agent and/or WFS in connection with this Agreement.

“Financial Statements” shall mean, with respect to any accounting period for any Person, statements of income and cash flows (and, in the case of financial statements in respect of a fiscal year, statements of retained earnings, or stockholders’ equity or members’ equity or partners’ capital) of such Person for such period, and a balance sheet of such Person as of the end of such period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year if such period is less than a full fiscal year or, if such period is a full fiscal year, corresponding figures from the preceding annual audited financial statements and, in each case, corresponding figures from the comparable budgeted and projected figures for such period, all prepared in reasonable detail and in accordance with GAAP.

“First Restatement Effective Date” shall mean January 20, 2009.

“Fixed Charge Coverage Ratio” shall mean, as at any date of determination, with respect to the Loan Parties for the period of four consecutive fiscal quarters ending on or most recently ended prior to such date (a) the sum of (i) EBITDA minus (ii) income taxes paid in cash during such period minus (iii) Distributions made during such period (other than Distributions made pursuant to Section 5.02(f)(i)) minus (iv) Investments in Excluded Subsidiaries made during such period minus (v) Maintenance Capital Expenditures made during such period divided by (b) Fixed Charges for such period.

“Fixed Charges” shall mean, for any four consecutive fiscal quarter period, the sum, for the Loan Parties (determined on a consolidated basis without duplication), of the following items: (a) Interest Expense required to be paid in cash during such period, (b) principal payments on Indebtedness required to be paid during such period and (c) the portion of payments under Capital Leases that should be treated as payment of principal in accordance with GAAP scheduled to be paid during such period.

“Foreign Lending Office” shall mean, with respect to any Lender, (a) initially, its office designated as such in Schedule I (or, in the case of any Lender which becomes a Lender pursuant to Section 2.01(b) or by an assignment pursuant to Section 8.05(c), its office designated as such in the applicable documentation executed pursuant to those Sections, as applicable) and (b) subsequently, such other office or offices as such Lender may designate for a particular currency to the Administrative Agent as the office at which such Lender’s LIBOR Loans will thereafter be maintained and for the account of which all payments of principal of, and interest on, such Lender’s LIBOR Loans will thereafter be made.

“Foreign Plan” shall mean any employee benefit plan maintained or contributed to by any Loan Party or any ERISA Affiliate which is mandated or governed by any Governmental Rule of any Governmental Authority other than the United States.

“Fronting Exposure” shall mean, at any time there is a Defaulting Lender, (a) with respect to the L/C Issuer, such Defaulting Lender’s Revolving Proportionate Share of the Effective Amount of all L/C Obligations, other than L/C Obligations as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof and (b) with respect to the Swing Line Lender, such Defaulting Lender’s Revolving Proportionate Share of the Effective Amount of all Swing Line Loans, other than Swing Line Loans as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders in accordance with the terms hereof.

“Fund” shall mean any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

“GAAP” shall mean generally accepted accounting principles and practices as in effect in the United States from time to time, consistently applied.

“Gaming Board” shall mean any Governmental Authority that holds licensing or permit authority over gambling, gaming or casino activities conducted by any Loan Party within its jurisdiction.

“Gaming Laws” shall mean all Laws pursuant to which any Gaming Board possesses licensing or permit authority over gambling, gaming, or casino activities conducted by any Loan Party within its jurisdiction.

“General Contractor” shall mean the licensed general contractor that Black Hawk engages under the Construction Contract to construct the Expansion Project.

“Governmental Authority” shall mean any international, domestic or foreign national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other entity exercising executive, legislative, judicial, regulatory, tax or administrative functions of or pertaining to government, including, without limitation, the Federal Trade Commission, the Federal Deposit Insurance Corporation, the Federal Reserve Board, the Comptroller of the Currency, any central bank or any comparable authority and any supra-national bodies such as the European Union.

“Governmental Authorization” shall mean any permit, license, registration, approval, finding of suitability or licensing, authorization, plan, directive, order, consent, exemption, waiver, consent order or consent decree of or from, or notice to, action by or filing with, any Governmental Authority (including any Gaming Board).

“Governmental Charges” shall mean, with respect to any Person, all levies, assessments, fees, claims or other charges imposed by any Governmental Authority upon such Person or any of its property or otherwise payable by such Person.

“Governmental Rule” shall mean any law, rule, regulation, ordinance, order, code interpretation, judgment, decree, directive, Governmental Authorization, guidelines, policy or similar form of decision of any Governmental Authority (including all Gaming Laws).

“Guarantor” shall mean each now existing or hereafter acquired or created direct or indirect Subsidiary of Parent (other than any Borrower and Excluded Subsidiary) which becomes a party to the Guaranty.

“Guaranty” shall mean the Guaranty Agreement substantially in the form of Exhibit K delivered by each Guarantor from time to time party thereto in favor of the Administrative Agent and the Lender Parties.

“Guaranty Obligation” shall mean, with respect to any Person, any direct or indirect liability of that Person with respect to any Indebtedness, lease, dividend, letter of credit or other obligation (the “primary obligations”) of another Person (the “primary obligor”), including any obligation of that Person, whether or not contingent, (a) to purchase, repurchase or otherwise acquire such primary obligations or any property constituting direct or indirect security therefor, or (b) to advance or provide funds (i) for the payment or discharge of any such primary obligation, or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, or (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (d) otherwise to assure or hold harmless the holder of any such primary obligation against loss in respect thereof, provided that the term “Guaranty Obligation” shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guaranty Obligation shall be deemed equal to the stated or determinable amount of the primary obligation in respect of which such Guaranty Obligation is made or, if not stated or if indeterminable, the maximum liability in respect thereof.

“Hazardous Materials” shall mean all pollutants, contaminants and other materials, substances and wastes which are hazardous, toxic, caustic, harmful or dangerous to human health or the environment, including petroleum and petroleum products and byproducts, radioactive materials, asbestos, polychlorinated biphenyls and all materials, substances and wastes which are classified or regulated as “hazardous,” “toxic” or similar descriptions under any Environmental Law.

“Honor Date” shall have the meaning given to that term in Section 2.02(c)(i).

“Increase Effective Date” shall have the meaning given to that term in Section 2.01(b)(iv).

“Increasing Lenders” shall have the meaning given to that term in Section 2.01(b)(i).

“Indebtedness” of any Person shall mean, without duplication:

(a) All obligations of such Person evidenced by notes, bonds, debentures or other similar instruments and all other obligations of such Person for borrowed money (including obligations to repurchase receivables and other assets sold with recourse);

(b) All obligations of such Person for the deferred purchase price of property or services (including obligations under letters of credit and other credit facilities which secure or finance such purchase price), except for trade accounts payable, provided that (i) such trade accounts payable arise in the ordinary course of business and (ii) no material part of any such

account is more than one hundred twenty (120) days past due, unless contested in good faith by appropriate proceeding and the contesting Loan Party has maintained adequate reserves for the payment thereof;

(c) All obligations of such Person under conditional sale or other title retention agreements with respect to property acquired by such Person (to the extent of the value of such property if the rights and remedies of the seller or the lender under such agreement in the event of default are limited solely to repossession or sale of such property);

(d) All obligations of such Person as lessee under or with respect to Capital Leases;

(e) All obligations of such Person, contingent or otherwise, under or with respect to Surety Instruments;

(f) All Unfunded Pension Liabilities of such Person;

(g) All Disqualified Securities of such Person;

(h) With respect to any Rate Contracts that have been terminated, the Termination Value thereof;

(i) All obligations of such Person arising under acceptance facilities or under facilities for the discount of accounts receivable of such Person;

(j) All Contingent Obligations of such Person;

(k) All obligations of such Person with respect to letters of credit, whether drawn or undrawn, contingent or otherwise;

(l) All Guaranty Obligations of such Person with respect to the obligations of other Persons of the types described in clauses (a) - (k) above; and

(m) All obligations of other Persons ("Primary Obligors") of the types described in clauses (a) - (l) above to the extent secured by (or for which any holder of such obligations has an existing right, contingent or otherwise, to be secured by) any Lien on any property (including accounts and contract rights) of such Person, even though such Person has not assumed or become liable for the payment of such obligations (and, for purposes of this clause (m), the amount of the Indebtedness of such Person shall be deemed to be the lesser of (x) the amount of all obligations of such Primary Obligors so secured by (or for which any holder of such obligations has an existing right, contingent or otherwise, to be secured by) the property of such Person and (y) the value of such property).

To the extent not included above, "Indebtedness" shall include all Obligations.

"Indemnified Taxes" shall mean (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

“Indemnitees” shall have the meaning given to that term in Section 8.03.

“Interest Expense” shall mean, for any period, the sum, for the Loan Parties (determined on a consolidated basis without duplication in accordance with GAAP), of the following: (a) all interest, fees, charges and related expenses payable during such period to any Person in connection with Indebtedness or the deferred purchase price of assets that are treated as interest in accordance with GAAP, (b) the portion of rent actually paid during such period under Capital Leases that should be treated as interest in accordance with GAAP and (c) the net amounts payable (or minus the net amounts receivable) under Rate Contracts accrued during such period (whether or not actually paid or received during such period).

“Interest Period” shall mean, with respect to any LIBOR Loan, the time periods selected by the Borrowers pursuant to Section 2.01(c) or Section 2.01(e) which commences on the first day of such Loan or the effective date of any conversion and ends on the last day of such time period, and thereafter, each subsequent time period selected by the Borrowers pursuant to Section 2.01(f) which commences on the last day of the immediately preceding time period and ends on the last day of that time period.

“Investment” of any Person shall mean any loan or advance of funds by such Person to any other Person (other than advances to employees of such Person for moving and travel expenses, drawing accounts and similar expenditures in the ordinary course of business consistent with past practice), any purchase or other acquisition of any Equity Securities or Indebtedness of any other Person, any capital contribution by such Person to or any other investment by such Person in any other Person (including (x) any Guaranty Obligations of such Person with respect to any obligations of any other Person and (y) any payments made by such Person on account of obligations of any other Person); provided, however, that Investments shall not include (a) accounts receivable or other indebtedness owed by customers of such Person (other than any Loan Party) which are current assets and arose from sales of inventory in the ordinary course of such Person’s business consistent with past practice or (b) prepaid expenses of such Person incurred and prepaid in the ordinary course of business consistent with past practice.

“ISP” shall have the meaning given to that term in Section 2.02(h).

“Joint Lead Arrangers” shall mean, collectively, WFS, Merrill Lynch, Pierce, Fenner & Smith Incorporated and U.S. Bank National Association in their capacity as joint lead arrangers with respect to this Agreement.

“Joint Venture” shall mean a joint venture, limited liability company, corporation, partnership, other entity or other legal arrangement (whether created pursuant to a contract or conducted through a separate legal entity) formed by a Loan Party and one or more other Persons who are not Loan Parties.

“L/C Advance” shall mean, with respect to each Revolving Lender, such Revolving Lender’s payment or participation in any L/C Borrowing in accordance with its L/C Risk Participation therein.

“L/C Borrowing” shall mean an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Revolving Loan Borrowing.

“L/C Credit Extension” shall mean, with respect to any Letter of Credit, the issuance thereof, the amendment thereof, the extension of the expiry date thereof, or the renewal or increase of the amount thereof.

“L/C Issuer” shall mean Wells Fargo in its capacity as issuer of Letters of Credit hereunder, or any successor issuer of Letters of Credit hereunder.

“L/C Obligations” shall mean, as at any date of determination, the aggregate undrawn face amount of all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings.

“L/C Risk Participation” shall mean, with respect to any Revolving Lender and any Letter of Credit as of any date of determination, the sum of (a) such Lender’s Revolving Proportionate Share of the Effective Amount of the L/C Obligation attributable to such Letter of Credit outstanding at such time plus (b) the aggregate amount of all Defaulting Lenders’ Revolving Proportionate Shares of the Effective Amount of the L/C Obligation attributable to such Letter of Credit outstanding at such time that have been reallocated to such Lender pursuant to Section 2.16(a)(iv).

“Lender” and “Lenders” shall have the meaning given to such terms in clause (2) of the introductory paragraph hereof and includes the L/C Issuer and the Swing Line Lender.

“Lender Bank Product Provider” means any Lender or Affiliate of a Lender which provides one or more Lender Bank Products but in each case, only so long as such Person remains a Lender or an Affiliate of a Person that remains a Lender.

“Lender Bank Products” shall mean each and any of the following types of services or facilities extended to any Borrower by any Lender Bank Product Provider: (a) commercial credit cards; (b) cash management services (including daylight overdrafts, multicurrency accounts, foreign cash letters, merchant card services, controlled disbursement services, ACH transactions, and interstate depository network services), and (c) returned items. The obligations with respect to Lender Bank Products shall be secured by the Liens created by the Security Documents to the extent set forth in Section 2.14(a).

“Lender Parties” shall mean, collectively, the Lenders, WFS, the Lender Rate Contract Counterparties, the Lender Bank Product Providers and the Administrative Agent.

“Lender Rate Contract(s)” shall mean one or more Rate Contracts between a Borrower or the Borrowers and one or more Lender Rate Contract Counterparties with respect to the Indebtedness evidenced by this Agreement, on terms acceptable to such Borrower or the Borrowers and such Lender Rate Contract Counterparty that is a party to such Rate Contract. Each Lender Rate Contract shall be a Loan Document and shall be secured by the Liens created by the Security Documents to the extent set forth in Section 2.14(a).

“Lender Rate Contract Counterparty” means any Lender or Affiliate of a Lender which enters into a Lender Rate Contract (but in each case, only so long as such Person remains a Lender or an Affiliate of a Person that remains a Lender).

“Lenders” shall have the meaning given to that term in clause (2) of the introductory paragraph hereof and includes the L/C Issuer and the Swing Line Lender (unless the context otherwise requires).

“Letter of Credit” shall mean any letter of credit issued hereunder. A Letter of Credit may be a Commercial Letter of Credit or a Standby Letter of Credit.

“Letter of Credit Application” shall mean an application and agreement (including any master letter of credit agreement) for the issuance or amendment of a letter of credit in the form from time to time in use by the L/C Issuer.

“Letter of Credit Expiration Date” shall mean the day that is thirty days prior to the Maturity Date (or, if such day is not a Business Day, the next preceding Business Day).

“Letter of Credit Sublimit” shall mean an amount equal to the lesser of (a) \$5,000,000 and (b) the Total Revolving Loan Commitment. The Letter of Credit Sublimit is part of, and not in addition to, the Total Revolving Loan Commitment.

“LIBOR Loan” shall mean, at any time, a Loan (or in the case of the Term Loans, a portion thereof, as the context may require) which then bears interest as provided in clause (ii) of Section 2.01(d).

“LIBOR Rate” shall mean, with respect to any Interest Period for any LIBOR Loans, a rate per annum equal to the quotient (rounded upward if necessary to the nearest 1/100 of one percent) of (a) the rate per annum reported on Reuters Screen LIBOR 01 Page (or any successor or substitute page thereof), or if not reported by Reuters, as reported by any service selected by the Administrative Agent, at or about 11:00 a.m., London time (or as soon thereafter as practicable), two Business Days prior to the first day of such Interest Period, for Dollar deposits being delivered in the London interbank eurodollar currency market for a term comparable to such Interest Period, divided by (b) one minus the Reserve Requirement for such Loans in effect from time to time. If for any reason rates are not available as provided in clause (a) of the preceding sentence, the rate to be used in clause (a) shall be, at the Administrative Agent’s discretion (in each case, rounded upward if necessary to the nearest 1/100 of one percent), (i) the rate *per annum* at which Dollar deposits are offered to the Administrative Agent in the London interbank eurodollar currency market or (ii) the rate *per annum* at which Dollar deposits are offered to the Administrative Agent in, or by the Administrative Agent to major banks in, any offshore interbank eurodollar market selected by the Administrative Agent, in each case on the second Business Day prior to the commencement of such Interest Period at or about 11:00 a.m. London time (or as soon thereafter as practicable) (for delivery on the first day of such Interest Period) for a term comparable to such Interest Period and in an amount approximately equal to the amount of the Loans to be made or funded by the Lenders. Notwithstanding the foregoing, if the LIBOR Rate for any Loan shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement. The LIBOR

Rate shall be adjusted automatically as to all LIBOR Loans then outstanding as of the effective date of any change in the Reserve Requirement.

“Licenses” shall mean, collectively, any and all licenses (including provisional licenses), certificates of need, accreditations, permits, franchises, rights to conduct business, approvals (by a Governmental Authority or otherwise), consents, qualifications, operating authority and any other authorizations.

“Lien” shall mean, with respect to any property, any security interest, mortgage, pledge, lien, charge or other encumbrance in, of, or on such property or the income therefrom, including, without limitation, the interest of a vendor or lessor under a conditional sale agreement, Capital Lease or other title retention agreement, or any agreement to provide any of the foregoing, and the filing of any financing statement or similar instrument under the Uniform Commercial Code or comparable law of any jurisdiction.

“Loan” shall mean a Revolving Loan, a Swing Line Loan or a Term Loan (or, as the context may require, a portion thereof).

“Loan Account” shall have the meaning given to that term in Section 2.08(a).

“Loan Documents” shall mean and include this Agreement, the Notes, the Guaranty, the Security Documents, the Environmental Indemnity Agreement, the Title Company Escrow Agreement, each Letter of Credit Application, each Notice of Borrowing, each Notice of Interest Period Selection, each Notice of Conversion, the Fee Letter and all other documents, instruments and agreements delivered to the Administrative Agent or any Lender pursuant to Section 3.01, Section 3.02 or Section 3.03 and all other documents, instruments and agreements delivered by any Loan Party to the Administrative Agent, WFS or any Lender in connection with this Agreement or any other Loan Document on or after the date of this Agreement, including, without limitation, any amendments, consents or waivers, as the same may be amended, restated, supplemented or modified from time to time, but excluding all Lender Rate Contracts and all documents related to Lender Bank Products.

“Loan Parties” shall mean, collectively, the Borrowers and the Guarantors.

“Maintenance Capital Expenditure” shall mean, with respect to any Person and any period, all amounts expended by such Person during such period for the maintenance, repair, restoration or refurbishment of the Capital Assets of such Person computed in accordance with GAAP.

“Margin Stock” shall have the meaning given to that term in Regulation U issued by the Federal Reserve Board.

“Material Adverse Effect” shall mean any event or circumstance that has or could reasonably be expected to have a material adverse effect on (a) the business, operations, condition (financial or otherwise), assets or liabilities (whether actual or contingent) of the Loan Parties taken as a whole, (b) the ability of any Borrower to pay or perform the Obligations in accordance with the terms of this Agreement and the other Loan Documents or the ability of the Guarantors, collectively, to pay or perform any portion of their obligations in accordance with the terms of the Guaranty and the other Loan Documents; (c) the rights and remedies of the Administrative Agent

or any Lender under this Agreement, the other Loan Documents or any related document, instrument or agreement; (d) the value of the Collateral, the Administrative Agent's or any Lender's security interest in the Collateral or the perfection or priority of such security interests; or (e) the validity or enforceability of any of the Loan Documents.

“Material Contract” shall mean (a) the Construction Contract, the Plans and Specifications and the Construction Budget, (b) the Adjacent Driveway Estoppel, (c) the CC Skybridge Estoppel, (d) the Atlantis - BLILB Estoppel and (e) any other agreement or arrangement to which any Loan Party is a party (other than the Loan Documents) with respect to which breach, termination, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect.

“Material Documents” shall mean (i) the Organizational Documents of the Loan Parties and (ii) the Material Contracts.

“Maturity” or maturity” shall mean, with respect to any Loan, interest, fee or other amount payable by the Borrowers under this Agreement or the other Loan Documents, the date such Loan, interest, fee or other amount becomes due, whether upon the stated maturity or due date, upon acceleration or otherwise.

“Maturity Date” shall mean July 20, 2021.

“MGI” shall have the meaning given to that term in clause (1) of the introductory paragraph hereof.

“MGI Deed of Trust” shall mean the Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of the April 26, 2012, by MGI in favor of Public Trustee of Gilpin County, Colorado, for the benefit of the Administrative Agent.

“Minimum Collateral Amount” means, at any time, (i) with respect to Cash Collateral consisting of cash or deposit account balances, an amount equal to 105% of the Fronting Exposure of the L/C Issuer with respect to Letters of Credit issued and outstanding at such time and (ii) otherwise, if Event of Default has occurred and is continuing an amount equal to 105% of the L/C Obligations.

“Monarch Casino Black Hawk” shall mean collectively the real property encumbered by the Black Hawk Deed of Trust and the MGI Deed of Trust, the improvements located thereon and the hotel and casino business and related activities conducted thereon.

“Multiemployer Plan” shall mean any multiemployer plan within the meaning of Section 3(37) of ERISA maintained or contributed to by any Loan Party or any ERISA Affiliate.

“Negative Pledge” shall mean a Contractual Obligation which contains a covenant binding on any Loan Party that prohibits Liens on any of its Property, other than (a) any such covenant contained in a Contractual Obligation granting or relating to a particular Permitted Lien which affects only the Property that is the subject of such Permitted Lien and (b) any such covenant that does not apply to Liens securing the Obligations.

“Net Condemnation Proceeds” shall mean an amount equal to: (a) any cash payments or proceeds received by a Loan Party or the Administrative Agent as a result of any condemnation or other taking or temporary or permanent requisition of any Property of a Loan Party, any interest therein or right appurtenant thereto, or any change of grade affecting such Property, as the result of the exercise of any right of condemnation or eminent domain by a Governmental Authority (including a transfer to a Governmental Authority in lieu or anticipation of a condemnation), minus (b) (i) any actual and reasonable costs incurred by a Loan Party in connection with any such condemnation or taking (including reasonable fees and expenses of counsel), and (ii) provisions for all taxes payable as a result of such condemnation, without regard to the consolidated results of operations of the Loan Parties, taken as a whole.

“Net Income” shall mean with respect to any fiscal period, the net income of the Loan Parties for such period determined on a consolidated basis in accordance with GAAP, consistently applied; provided, that Net Income shall not include any income (or loss) attributable to any net income or (net loss) of any Excluded Subsidiary; provided, further that Net Income shall not include any dividends or distributions received by any Loan Party from any Excluded Subsidiary during such fiscal period other than cash dividends or distributions in an aggregate amount not to exceed the lesser of (x) the net income of such Excluded Subsidiary for such fiscal period and (y) the aggregate amount of cash distributions or dividends made by such Excluded Subsidiary to any Loan Party at a time when the Net Investment for such Excluded Subsidiary was equal to or less than zero.

“Net Insurance Proceeds” shall mean an amount equal to: (a) any cash payments or proceeds received by a Loan Party or the Administrative Agent under any key man life insurance policy or any casualty policy in respect of a covered loss thereunder with respect to any property, minus (b) (i) any actual and reasonable costs incurred by a Loan Party in connection with the adjustment or settlement of any claims of a Loan Party in respect thereof (including reasonable fees and expenses of counsel) and (ii) provisions for all taxes payable as a result of such event without regard to the consolidated results of operations of Loan Parties, taken as a whole.

“Net Investment” shall mean, at any time with respect to any Excluded Subsidiary, an amount equal to (a) the aggregate amount of Investments made by the Loan Parties in such Excluded Subsidiary since the First Restatement Effective Date minus (b) the aggregate amount of cash dividends or distributions received by the Loan Parties from such Excluded Subsidiary since the First Restatement Effective Date.

“Net Proceeds” shall mean:

(a) With respect to any sale of any asset or property by any Person, the aggregate consideration received by such Person from such sale less the sum of (i) the actual amount of the reasonable fees and commissions payable by such Person other than to any of its Affiliates, (ii) the reasonable legal expenses and other costs and expenses directly related to such sale that are to be paid by such Person other than to any of its Affiliates (including, without limitation, transfer, sale, use and other similar taxes payable in connection with such sale), (iii) income taxes reasonably estimated to be payable by such Person as a result of such sale, and (iv) the amount of any Indebtedness (other than the Obligations) which is secured by such asset and is required to be repaid or prepaid by such Person as a result of such sale; and

(b) With respect to any issuance or incurrence of any Indebtedness by any Person, the aggregate consideration received by such Person from such issuance or incurrence less the sum of (i) the actual amount of the reasonable fees and commissions payable by such Person other than to any of its Affiliates and (ii) the reasonable legal expenses and the other reasonable costs and expenses directly related to such issuance or incurrence that are to be paid by such Person other than to any of its Affiliates; and

(c) With respect to any issuance of Equity Securities by any Person, the aggregate consideration received by such Person from such issuance less the sum of (i) the actual amount of the reasonable fees and commissions payable by such Person other than to any of its Affiliates and (ii) the reasonable legal expenses and the other reasonable costs and expenses directly related to such issuance that are to be paid by such Person other than to any of its Affiliates.

“New Lender” shall have the meaning given to that term in Section 2.01(b)(ii).

“Non-Consenting Lender” shall mean any Lender that does not approve any consent, waiver or amendment that (i) requires the approval of all affected Lenders in accordance with the terms of Section 8.04 and (ii) has been approved by the Required Lenders.

“Non-Defaulting Lender” shall mean, at any time, a Lender that is not a Defaulting Lender at such time.

“Nonrenewal Notice Date” shall have the meaning given to that term in Section 2.02(b)(iii).

“Non-Wholly-Owned Subsidiary” shall mean a direct or indirect Subsidiary of Parent that is not a Wholly-Owned Subsidiary.

“Note” shall mean a Revolving Loan Note, a Term Loan Note or a Swing Loan Note.

“Notice of Borrowing” shall mean a Notice of Loan Borrowing or a Notice of Swing Loan Borrowing.

“Notice of Conversion” shall have the meaning given to that term in Section 2.01(e).

“Notice of Interest Period Selection” shall have the meaning given to that term in Section 2.01(f)(ii).

“Notice of Loan Borrowing” shall have the meaning given to that term in Section 2.01(c).

“Notice of Swing Loan Borrowing” shall mean a notice of a Swing Loan Borrowing pursuant to Section 2.03(b), which, if in writing, shall be substantially in the form of Exhibit D.

“Obligations” shall mean and include (a) all loans, advances, debts, liabilities and obligations, howsoever arising, owed or owing by one or more of the Borrowers of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising pursuant to the terms of this Agreement or any of the other Loan Documents,

including without limitation all interest (including interest that accrues after the commencement of any bankruptcy or other insolvency proceeding by or against one or more of the Borrowers, whether or not allowed or allowable), fees, charges, expenses, attorneys' fees and accountants' fees chargeable to and payable by the Borrowers hereunder and thereunder and (b) any and all obligations, howsoever arising, owed or owing by a Borrower to any Lender Party under or in connection with any Lender Rate Contract or Lender Bank Product (provided that if any such Lender Party ceases to be a Lender or an Affiliate of a Lender hereunder, such obligations under this clause (b) shall be limited to those that relate to any transaction entered into under any such Lender Rate Contract or any Lender Bank Product extended or provided prior to the date such party ceased to be a Lender or an Affiliate of a Lender); provided that "Obligations" shall exclude all Excluded Swap Obligations.

"Organizational Documents" shall mean, with respect to any Person, collectively, (a) such Person's articles or certificate of incorporation, articles or certificate of organization, certificate of limited partnership, certificate of formation, or comparable documents filed or recorded with the applicable Governmental Authority of such Person's jurisdiction of formation and (b) such Person's, bylaws, limited liability company agreement, partnership agreement or other comparable organizational or governing documents.

"Other Connection Taxes" shall mean, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"Other Taxes" shall mean all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.15(b)).

"Out-Of-Balance" shall mean, with respect to the Expansion Project as of any date of determination, that the aggregate amount of costs of the Expansion Project (inclusive of any contingency amount) remaining to be paid as of such date exceeds the following: (a) the Unused Revolving Commitment as of such date plus (b) unrestricted cash of the Loan Parties (excluding any cage cash and cash reserved as a result of any Requirement of Law or for any other purpose) subject to a Control Agreement as of such date and available to pay costs of the Expansion Project plus (c) the aggregate amount of funds in the Title Company Escrow Account up to 100% of the aggregate amount of the disputed mechanics lien claims for which such funds were deposited in such account minus (d) the Effective Amount of all Swing Line Loans as of such date minus (e) any amounts owing that remain unpaid under any of the Excluded Projects.

"Parent" shall have the meaning given to such term in clause (1) of the introductory paragraph hereof.

“Pari mutuel Accounts” shall mean, collectively, any deposit account of any Loan Party used exclusively for pari-mutuel activities conducted by a third party pari-mutuel operator so long as the aggregate amount of available funds on deposit does not at any time exceed \$50,000 for all such accounts.

“Participant” shall have the meaning given to that term in Section 8.05(b).

“Participant Register” shall mean a register maintained by the Administrative Agent at its address referred to in Section 8.01 on which the participations and the related commitments and Loans (and each repayment with respect to the principal amount thereof) of all Participants that exercise the right of setoff and offset described in Section 8.05(b) are recorded.

“Participation Seller” shall have the meaning given to that term in Section 8.05(h).

“Patriot Act” shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 (commonly known as the USA Patriot Act).

“PBGC” shall mean the Pension Benefit Guaranty Corporation.

“Pedestrian Crossing” shall mean the elevated pedestrian crossing which is constructed between the Atlantis Hotel/Casino Property and the V/P Property which includes, among other things, a restaurant, bar, gaming space and other public areas.

“Pedestrian Crossing Air Space” shall mean that portion of the airspace between the Atlantis Hotel/Casino Property and the V/P Property within which the Pedestrian Crossing is constructed.

“Pedestrian Crossing Air Space License” shall mean that certain Application and Permit for Occupancy of Nevada Department of Transportation Right of Way, which was issued to Golden Road by the State of Nevada Department of Transportation, under Permit Number 2-28-97, for the purpose of authorizing Golden Road’s construction and use of the Pedestrian Crossing within the Pedestrian Crossing Air Space.

“Pension Plan” shall mean any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan and a Foreign Plan, that is subject to Title IV of ERISA and is sponsored or maintained by a Loan Party or any ERISA Affiliate or to which a Loan Party or any ERISA Affiliate contributes or has an obligation to contribute.

“Permitted Indebtedness” shall have the meaning given to that term in Section 5.02(a).

“Permitted Liens” shall have the meaning given to that term in Section 5.02(b).

“Person” shall mean and include an individual, a partnership, a corporation (including a business trust), a joint stock company, an unincorporated association, a limited liability company, a joint venture, a trust or other entity or a Governmental Authority.

“Plans and Specifications” shall mean, collectively, the plans, specifications, construction plan and timetable to be prepared with respect to the Expansion Project, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof, all of which plans and specifications shall describe and show the construction of the Expansion Project and the labor and materials necessary for the construction thereof.

“Platform” shall have the meaning set forth in Section 8.01(b).

“Pledged Intercompany Notes” shall mean original demand promissory notes in favor of one or more of the Borrowers and the Guarantors evidencing intercompany advances pledged to the Administrative Agent pursuant to the Security Agreement.

“Pricing Grid” shall mean,

Pricing Grid				
Tier	Total Leverage Ratio	Applicable Margin for LIBOR Loans	Applicable Margin for Base Rate Loans	Commitment Fee Percentage
I	≥ 4.25	2.50%	1.50%	0.450%
II	≥ 4.00 but < 4.25	2.25%	1.25%	0.375%
III	≥ 3.25 but < 4.00	2.00%	1.00%	0.325%
IV	≥ 2.50 but < 3.25	1.75%	0.75%	0.275%
V	≥ 1.75 but < 2.50	1.50%	0.50%	0.225%
VI	≥ 1.00 but < 1.75	1.25%	0.25%	0.200%
VII	< 1.00	1.00%	0.00%	0.175%

Any increase or decrease in the Applicable Margin and Commitment Fee Percentage resulting from a change in the Total Leverage Ratio shall become effective as of the first day of the third calendar month following the end of the fiscal quarter for which the Administrative Agent receives a Compliance Certificate indicating the then current Total Leverage Ratio and applicable Tier level; provided, however, that if no Compliance Certificate is delivered when due in accordance with such Section, then Tier I shall apply as of the date of the failure to deliver such Compliance Certificate until such date as the Borrowers deliver such Compliance Certificate in form and substance acceptable to the Administrative Agent and thereafter the Applicable Margin and Commitment Fee Percentage shall be based on the Total Leverage Ratio indicated on such Compliance Certificate until such time as the Applicable Margin and Commitment Fee Percentage are further adjusted as set forth in this definition. Notwithstanding anything to the contrary herein, the Applicable Margin and Commitment Fee Percentage in effect as of the Third Restatement Effective Date shall be set at Tier VII until the first adjustment to occur after the Third Restatement Effective Date. If the Total Leverage Ratio reported in any Compliance Certificate shall be determined to have been incorrectly reported and if correctly reported would have resulted in a

higher Applicable Margin or Commitment Fee Percentage, then the Applicable Margin or Commitment Fee Percentage, as applicable, shall be retroactively adjusted to reflect the higher rate that would have been applicable had the Total Leverage Ratio been correctly reported in such Compliance Certificate and the additional amounts resulting therefrom shall be due and payable upon demand from the Administrative Agent or any Lender (the Borrowers' obligations to pay such additional amounts shall survive the payment and performance of all other Obligations and the termination of this Agreement). If the Total Leverage Ratio reported in any Compliance Certificate shall be determined to have been incorrectly reported and if correctly reported would have resulted in a lower Applicable Margin or Commitment Fee Percentage, then the Applicable Margin or Commitment Fee Percentage, as applicable, shall be retroactively adjusted to reflect the lower rate that would have been applicable had the Total Leverage Ratio been correctly reported in such Compliance Certificate and the adjusted amounts resulting therefrom shall be credited against future payments of interest and Commitment Fees owing by the Borrowers to the Lenders. For the avoidance of doubt, the Applicable Margin in effect under the Existing Credit Agreement immediately prior to the Third Restatement Effective Date shall be applicable to all interest and commitment fees accruing prior to the Third Restatement Effective Date.

“Prime Rate” shall mean the *per annum* rate of interest most recently announced within Wells Fargo at its principal office in San Francisco, California as its Prime Rate, with the understanding that Wells Fargo's Prime Rate is one of its base rates and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto, and is evidenced by the recording thereof after its announcement in such internal publication or publications as Wells Fargo may designate. Any change in the Base Rate resulting from a change in the Prime Rate shall become effective on the Business Day on which each such change in the Prime Rate occurs.

“Proportionate Share” shall mean a Revolving Proportionate Share or Term Proportionate Share, as the context may require.

“Public Lender” shall have the meaning given to that term in Section 5.01(a).

“Rate Contract” shall mean any agreement with respect to any swap, cap, collar, hedge, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions.

“Real Property Security Documents” shall mean (a) the Atlantis Deed of Trust, (b) the Black Hawk Deed of Trust, (c) the MGI Deed of Trust, (d) the Assignment of Entitlements and (e) each deed of trust or mortgage delivered from time to time in accordance with Section 5.01(k) or Section 5.01(p) or otherwise in connection with the Loan Documents.

“Receipt Date” shall have the meaning given to that term in Section 2.06(c)(vi).

“Reduction Notice” shall have the meaning given to that term in Section 2.04(a).

“Register” shall have the meaning given to that term in Section 8.05(d).

“Relevant Sale” shall have the meaning given to that term in Section 2.06(c)(v).

“Reportable Event” shall mean any of the events set forth in Section 4043(c) of ERISA and applicable regulations thereunder (other than events for which the thirty (30) day notice period has been waived).

“Required Lenders” shall mean, at any time, the Lenders whose Proportionate Shares then exceed fifty percent (50%) of the total Proportionate Shares of all Lenders; provided that at any time any Lender is a Defaulting Lender, such Defaulting Lender shall be excluded in determining “Required Lenders”, and “Required Lenders” shall mean at such time Non-Defaulting Lenders having total Proportionate Shares exceeding fifty percent (50%) of the total Proportionate Shares of all Non-Defaulting Lenders; provided that, in no event shall the Required Lenders consist of fewer than two non-Defaulting Lenders at any time at which there shall be at least two non-Defaulting Lenders party to this Agreement, and for purposes of the foregoing, Lenders that are Affiliates of one another shall be treated as a single Lender.

“Required Revolving Lenders” shall mean, at any time, the Revolving Lenders whose Revolving Proportionate Shares then exceed fifty percent (50%) of the total Revolving Proportionate Shares of all Revolving Lenders; provided that at any time any Revolving Lender is a Defaulting Lender, such Defaulting Lender shall be excluded in determining “Required Revolving Lenders”, and “Required Revolving Lenders” shall mean at such time Non-Defaulting Lenders having total Revolving Proportionate Shares exceeding fifty percent (50%) of the total Revolving Proportionate Shares of all Non-Defaulting Lenders; provided that, in no event shall the Required Revolving Lenders consist of fewer than two Non-Defaulting Lenders at any time at which there shall be at least two Non-Defaulting Lenders who are Revolving Lenders party to this Agreement, and for purposes of the foregoing, Revolving Lenders that are Affiliates of one another shall be treated as a single Lender.

“Requirement of Law” applicable to any Person shall mean (a) such Person’s Organizational Documents, (b) any Governmental Rule applicable to such Person, (c) any Governmental Authorization granted by or obtained from any Governmental Authority or under any Governmental Rule for the benefit of such Person or (d) any judgment, decision, award, decree, writ or determination of any Governmental Authority or arbitrator, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Reserve Requirement” shall mean, with respect to any day in an Interest Period for a LIBOR Loan and for any calculation of the One Month LIBOR Rate, the aggregate of the maximum of the reserve requirement rates (expressed as a decimal) in effect on such day for eurocurrency funding (currently referred to as “Eurocurrency liabilities” in Regulation D of the Federal Reserve Board) maintained by a member bank of the Federal Reserve System. As used herein, the term “reserve requirement” shall include, without limitation, any basic, supplemental or emergency reserve requirements imposed on any Lender by any Governmental Authority.

“Responsible Officer” shall mean, with respect to a Loan Party, the chief executive officer, president, chief operating officer, director, chief financial officer, vice president of finance or treasurer of such Loan Party. Any document delivered hereunder that is signed by a Responsible

Officer of a Loan Party and any request or other communication conveyed telephonically or otherwise by a Responsible Officer of a Loan Party (or any Person reasonably believed by the Administrative Agent to be a Responsible Officer of a Loan Party) shall be conclusively presumed to have been authorized by all necessary corporate, company, partnership and/or other action on the part of such Loan Party and such Responsible Officer (or such Person reasonably believed by the Administrative Agent to be a Responsible Officer) shall be conclusively presumed to have acted on behalf of such Loan Party.

“Revolving Lender” shall mean (a) on the Third Restatement Effective Date, the Lenders having Revolving Loan Commitments as specified on Part A of Schedule I hereto and (b) thereafter, the Lenders from time to time holding Revolving Loans, L/C Obligations and Swing Line Loans and Revolving Loan Commitments after giving effect to any increase in the Total Revolving Loan Commitment under Section 2.01(b) and any assignments permitted by Section 8.05(c).

“Revolving Loan” shall have the meaning given to that term in Section 2.01(a)(i).

“Revolving Loan Borrowing” shall mean a borrowing by the Borrowers consisting of the Revolving Loans made by each of the Revolving Lenders to the Borrowers on the same date and of the same Type pursuant to a single Notice of Loan Borrowing for Revolving Loans.

“Revolving Loan Commitment” shall mean, with respect to each Lender, the Dollar amount set forth under the caption “Revolving Loan Commitment” opposite such Lender’s name on Part A of Schedule I, or, if changed in accordance with this Agreement, such Dollar amount as may be set forth for such Lender in the Register.

“Revolving Loan Note” shall have the meaning given to that term in Section 2.08(b).

“Revolving Proportionate Share” shall mean:

(a) With respect to any Lender so long as the Revolving Loan Commitments are in effect, the ratio (expressed as a percentage rounded to the eighth digit to the right of the decimal point) of (i) such Lender’s Revolving Loan Commitment at such time to (ii) the Total Revolving Loan Commitment at such time; and

(b) With respect to any Lender at any other time, the ratio (expressed as a percentage rounded to the eighth digit to the right of the decimal point) of (i) the sum of (A) the aggregate Effective Amount of such Lender’s Revolving Loans, (B) such Lender’s pro rata share of the Effective Amount of all L/C Obligations, and (C) such Lender’s pro rata share of the aggregate Effective Amount of all Swing Line Loans to (ii) the sum of (A) the aggregate Effective Amount of all Revolving Loans and Swing Line Loans and (B) the Effective Amount of all L/C Obligations.

The initial Revolving Proportionate Share of each Lender is set forth under the caption “Revolving Proportionate Share” opposite such Lender’s name on Schedule I.

“RSCVA” shall mean the Reno Sparks Convention and Visitors Authority, a political subdivision of the County of Washoe, State of Nevada.

“Sale and Leaseback” shall mean, with respect to any Person, the sale of Property owned by such Person (the “Seller”) to another Person (the “Buyer”), together with the substantially concurrent leasing of such Property by the Buyer to the Seller.

“Sanctions” shall mean economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government (including those administered by OFAC), the European Union, Her Majesty’s Treasury, or other relevant sanctions authority.

“Sanctioned Country” shall mean at any time, a country or territory which is itself the subject or target of any Sanctions (including, without limitation, Cuba, Iran, North Korea, Sudan and Syria).

“Sanctioned Person” shall mean, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State, the United Nations Security Council, the European Union, Her Majesty’s Treasury, or other relevant sanctions authority, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons described in clauses (a) and (b).

“Second Restatement Effective Date” shall mean November 15, 2011.

“Security Agreement” shall mean that certain Amended and Restated Security Agreement, dated as of the date hereof, among each Loan Party party thereto and the Administrative Agent.

“Security Documents” shall mean and include the Security Agreement, each Control Agreement, each Real Property Security Document, the Assignment of Architect’s Agreement, the Assignment of Construction Contract, each pledge agreement or security agreement delivered in accordance with Section 5.01(i) and all other instruments, agreements, certificates, opinions and documents (including Uniform Commercial Code financing statements and fixture filings) delivered to the Administrative Agent or any Lender in connection with any Collateral or to secure the Obligations or the obligation of a Guarantor under the Loan Documents.

“Sole Bookrunner” shall mean WFS, in its capacity as Sole Bookrunner in connection with this Agreement.

“Solvent” shall mean, with respect to any Person on any date, that on such date (a) the fair value of the property of such Person is greater than the fair value of the liabilities (including contingent, subordinated, matured and unliquidated liabilities) of such Person, (b) the present fair saleable value of the assets of such Person is greater than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person’s ability to pay as such debts and liabilities mature and (d) such Person is not engaged in or about to engage in business or transactions for which such Person’s property would constitute an unreasonably small capital.

“Spaceleases” shall mean the executed leases and concession agreements pertaining to the Atlantis Casino Resort Spa or any portion thereof where Golden Road is the lessor.

“Standby Letter of Credit” shall mean any of the standby letters of credit issued by the L/C Issuer under this Agreement, either as originally issued or as the same may be supplemented, modified, amended, extended, restated or supplanted.

“Subsidiary” of any Person shall mean (a) any corporation of which more than 50% of the issued and outstanding Equity Securities having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person’s other Subsidiaries, (b) any partnership, joint venture, limited liability company or other association of which more than 50% of the Equity Securities having the power to vote, direct or control the management of such partnership, joint venture or other association is at the time owned and controlled by such Person, by such Person and one or more of the other Subsidiaries or by one or more of such Person’s other Subsidiaries or (c) any other Person included in the Financial Statements of such Person on a consolidated basis. Unless otherwise indicated in this Agreement, “Subsidiary” shall mean a Subsidiary of Parent.

“Surety Instruments” shall mean all letters of credit (including standby and commercial), banker’s acceptances, bank guaranties, shipside bonds, surety bonds and similar instruments.

“Swap Obligation” shall mean with respect to any Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of section 1a(47) of the Commodity Exchange Act.

“Swing Line” shall mean the revolving credit facility made available by the Swing Line Lender pursuant to Section 2.03.

“Swing Line Lender” shall mean Wells Fargo in its capacity as provider of Swing Line Loans, or any successor swing line lender hereunder.

“Swing Line Loan” shall mean the meaning specified in Section 2.03(a).

“Swing Line Risk Participation” shall mean, with respect to any Lender and any Swing Line Loan as of any date of determination, the sum of (a) such Lender’s Revolving Proportionate Share of the Effective Amount of such Swing Line Loan outstanding at such time plus (b) the aggregate amount of all Defaulting Lenders’ Revolving Proportionate Shares of the Effective Amount of such Swing Line Loan outstanding at such time that have been reallocated to such Lender pursuant to Section 2.16(a)(iv).

“Swing Line Settlement Date” shall mean the fifteenth day of each month and the last Business Day of each month.

“Swing Line Sublimit” shall mean an amount equal to the lesser of (a) \$10,000,000 and (b) the Total Revolving Loan Commitment. The Swing Line Sublimit is part of, and not in addition to, the Total Revolving Loan Commitment.

“Swing Loan Borrowing” shall mean a borrowing of a Swing Line Loan.

“Swing Loan Note” shall have the meaning given to that term in Section 2.08(c).

“Syndication Agent” shall mean Bank of America N.A., in its capacity as syndication agent in connection with this Agreement.

“Taxes” shall mean all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Termination Value” shall mean, in respect of any one or more Rate Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Rate Contracts, (a) for any date on or after the date such Rate Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Rate Contracts, as determined by the Administrative Agent based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Rate Contracts which may include any Lender.

“Term Lender” shall mean the Lenders from time to time holding Term Loans.

“Term Loan” shall mean each advance made by a Term Lender pursuant to Section 2.01(a)(ii).

“Term Loan Borrowing” shall have the meaning given to that term in Section 2.01(a)(ii). As used herein, Term Loan Borrowing may refer to the borrowing of all Term Loans or a portion thereof, as the context may require.

“Term Loan Installment Date” shall mean the last Business Day in March, June, September and December of each year, commencing with the Amortization Commencement Date.

“Term Loan Note” shall have the meaning given to that term in Section 2.08(d).

“Term Proportionate Share” shall mean, with respect to any Term Lender at any time, the ratio (expressed as a percentage rounded to the eighth digit to the right of the decimal point) of (i) the aggregate Effective Amount of such Lender’s Term Loans to (ii) the aggregate Effective Amount of all Term Loans.

“Third Restatement Effective Date” shall mean the time and Business Day on which the satisfaction of all the conditions precedent and the consummation of all of the transactions contemplated in Section 3.01 occurs.

“Title Company” shall mean (a) First American Title Insurance Company and (b) each other title company that issues a title policy to the Administrative Agent in connection with real property Collateral.

“Title Company Escrow Account” shall mean the account or accounts established under the Title Company Escrow Agreement.

“Title Company Escrow Agreement” shall mean an escrow agreement among Black Hawk, the Title Company and the Administrative Agent to be executed after the Third Restatement Effective Date in form and substance acceptable to the Administrative Agent.

“Title Company Escrow Loan” shall mean the proceeds of a Revolving Loan deposited in the Title Company Escrow Account in respect to one or more disputed mechanics lien claims.

“Total Funded Debt” shall mean all Indebtedness of the Loan Parties (determined on a consolidated basis without duplication in accordance with GAAP).

“Total Leverage Ratio” shall mean, at any time, the ratio of (a) Total Funded Debt at such time, to (b) EBITDA for the four consecutive fiscal quarter period most recently ended for which Financial Statements are available.

“Total Lender Risk Participation” shall mean, with respect to any Lender as of any date of determination, the sum of (a) such Lender’s L/C Risk Participations in all Letters of Credit outstanding at such time plus (b) such Lender’s Swing Line Risk Participations in all Swing Line Loans outstanding at such time.

“Total Available Commitment” shall mean, at any time, (i) prior to the initial Construction Loan advanced hereunder, Seventy Million Dollars (\$70,000,000) and (ii) from and after the date of the initial Construction Loan, the Total Revolving Loan Commitment.

“Total Revolving Loan Commitment” shall mean, as of the Third Restatement Effective Date, Two Hundred Fifty Million Dollars (\$250,000,000) or, when such amount is reduced pursuant to Section 2.04(a) or (b), the amount to which so reduced and in effect at such time or, if such amount is increased pursuant to Section 2.01(b), the amount to which it is increased and in effect at such time.

“Type” shall mean, with respect to any Loan or Borrowing at any time, the classification of such Loan or Borrowing by the type of interest rate it then bears, whether an interest rate based upon the Base Rate or the LIBOR Rate.

“UCP” shall have the meaning given to that term in Section 2.02(h).

“Unfunded Pension Liability” shall mean the excess of a Pension Plan’s benefit liabilities under Section 4001(a) (16) of ERISA, over the current value of that Pension Plan’s assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

“United States” and “U.S.” shall mean the United States of America.

“Unreimbursed Amount” shall have the meaning set forth in Section 2.02(c)(i).

“Unused Revolving Commitment” shall mean, at any time (a) the Total Revolving Loan Commitment at such time minus (b) the sum of the Effective Amount of all Revolving Loans and the Effective Amount of all L/C Obligations outstanding at such time. For the avoidance of doubt,

Swing Line Loans shall not be counted as Revolving Loans for purposes of determining the amount of Unused Revolving Commitment.

“U.S. Person” shall mean any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Code.

“U.S. Tax Compliance Certificate” shall have the meaning specified in Section 2.12(g)(ii).

“Village Shopping Center” shall mean the shopping center known as “The Village” and formerly known as the Sierra Marketplace Shopping Center, located at the southeast corner of Virginia Street and Moana Lane, Reno, Nevada, that is owned by BLILP, a portion of which is the subject of the Adjacent Driveway Lease.

“V/P Property” shall mean the real property more particularly described on that certain schedule marked Schedule B, affixed hereto and by this reference incorporated herein and made a part hereof.

“Wells Fargo” shall have the meaning given to that term in clause (3) of the introductory paragraph hereof.

“WFS” shall have the meaning given to that term in the introductory paragraph hereof.

“Wholly-Owned Subsidiary” shall mean any Person in which 100% of the Equity Securities of each class having ordinary voting power, and 100% of the Equity Securities of every other class, in each case, at the time as of which any determination is being made, is owned, beneficially and of record, by Parent, or by one or more Wholly-Owned Subsidiaries of Parent, or both.

“Withholding Agent” shall mean any Loan Party and the Administrative Agent.

1.02. GAAP. Unless otherwise indicated in this Agreement or any other Loan Document, all accounting terms used in this Agreement or any other Loan Document shall be construed, and all accounting and financial computations hereunder or thereunder shall be computed, in accordance with GAAP applied in a consistent manner with the principles used in the preparation of the Financial Statements referred to in item (d) of Schedule 3.01. Notwithstanding the foregoing, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Indebtedness and other liabilities of the Loan Parties shall be deemed to be carried at 100% of the outstanding principal amount thereof, and, to the extent applicable, the effects of FASB ASC 825 and FASB ASC 470-20 on financial liabilities shall be disregarded. If GAAP changes during the term of this Agreement such that any covenants contained herein would then be calculated in a different manner or with different components, the Borrowers, the Lenders and the Administrative Agent agree to negotiate in good faith to amend this Agreement in such respects as are necessary to conform those covenants as criteria for evaluating the Loan Parties’ financial condition to substantially the same criteria as were effective prior to such change in GAAP; provided, however, that, until the Borrowers, the Lenders and the Administrative Agent so amend this Agreement, all such covenants shall be calculated in accordance with GAAP, as in effect immediately prior to such change in GAAP.

1.03. Headings. The table of contents, captions and section headings appearing in this Agreement are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

1.04. Plural Terms. All terms defined in this Agreement or any other Loan Document in the singular form shall have comparable meanings when used in the plural form and vice versa.

1.05. Time. All references in this Agreement and each of the other Loan Documents to a time of day shall mean San Francisco, California time, unless otherwise indicated.

1.06. Governing Law. This Agreement and, unless otherwise expressly provided in any such Loan Document, each of the other Loan Documents shall be governed by and construed in accordance with the laws of the State of Nevada without reference to conflicts of law rules. The scope of the foregoing governing law provision is intended to be all-encompassing of any and all disputes that may be brought in any court or any mediation or arbitration proceeding and that relate to the subject matter of the Loan Documents, including contract claims, tort claims, breach of duty claims and all other common law and statutory claims.

1.07. Construction. This Agreement is the result of negotiations among, and has been reviewed by, the Borrowers, the Lenders, the Administrative Agent and their respective counsel. Accordingly, this Agreement shall be deemed to be the product of all parties hereto, and no ambiguity shall be construed in favor of or against the Borrowers, any Lender or the Administrative Agent.

1.08. Entire Agreement. This Agreement and each of the other Loan Documents, taken together, constitute and contain the entire agreement of the Borrowers, the Lenders and the Administrative Agent and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, whether written or oral, respecting the subject matter hereof, but excluding the Fee Letter.

1.09. Calculation of Interest and Fees. All calculations of interest and fees under this Agreement and the other Loan Documents for any period (a) shall include the first day of such period and exclude the last day of such period; provided that any Loan that is repaid on the same day on which it is made shall bear interest for one day and (b) shall be calculated on the basis of a year of 365 or 366 days, as appropriate, for actual days elapsed, except that during any period any Loan bears interest based upon the LIBOR Rate, such interest shall be calculated on the basis of a year of 360 days, for actual days elapsed.

1.10. References.

(a) References in this Agreement to “Recitals,” “Sections,” “Paragraphs,” “Exhibits” and “Schedules” are to recitals, sections, paragraphs, exhibits and schedules herein and hereto unless otherwise indicated.

(b) References in this Agreement or any other Loan Document to any document, instrument or agreement (i) shall include all exhibits, schedules and other attachments hereto or thereto, (ii) shall include all documents, instruments or agreements issued or executed in replacement thereof if such replacement is permitted hereby or

thereby, and (iii) shall mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, restated, modified and supplemented from time to time and in effect at any given time if such amendment, restatement, modification or supplement is permitted hereby or thereby.

(c) References in this Agreement or any other Loan Document to any Governmental Rule (i) shall include any successor Governmental Rule, (ii) shall include all rules and regulations promulgated under such Governmental Rule (or any successor Governmental Rule), and (iii) shall mean such Governmental Rule (or successor Governmental Rule) and such rules and regulations, as amended, modified, codified or reenacted from time to time and in effect at any given time.

(d) References in this Agreement or any other Loan Document to any Person in a particular capacity (i) shall include any successors to and permitted assigns of such Person in that capacity and (ii) shall exclude such Person individually or in any other capacity.

1.11. Other Interpretive Provisions. The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement or any other Loan Document shall refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Loan Document, as the case may be. The words “include” and “including” and words of similar import when used in this Agreement or any other Loan Document shall not be construed to be limiting or exclusive. In the event of any inconsistency between the terms of this Agreement and the terms of any other Loan Document, the terms of this Agreement shall govern.

1.12. Rounding. Any financial ratios required to be maintained by the Borrowers pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed in this Agreement and rounding the result up or down to the nearest number (with a round-up if there is no nearest number) to the number of places by which such ratio is expressed in this Agreement.

1.13. Joint and Several Obligations. Each of the Borrowers agrees that its obligations, agreements, representations and warranties, covenants and liabilities (including the Obligations) under this Agreement and all other Loan Documents are joint and several obligations.

1.14. Amendment and Restatement. It is intended by the parties hereto that (a) all obligations of the parties under the Existing Credit Agreement shall continue to exist under and be evidenced by this Agreement and the other Loan Documents; and (b) except as expressly stated herein or amended hereby, the Existing Credit Agreement and the other Loan Documents are ratified and confirmed as remaining unmodified and in full force and effect with respect to all obligations thereunder; it being understood that it is the intent of the parties hereto that this Agreement does not constitute a novation of rights, obligations and liabilities of the respective parties existing under the Existing Credit Agreement and such rights, obligations and liabilities shall continue and remain outstanding, and that this Agreement amends, restates and replaces in its entirety the Existing Credit Agreement. On the Third Restatement Effective Date, each Loan

Document that was in effect immediately prior to the Third Restatement Effective Date other than the Existing Credit Agreement and such other Loan Documents that are amended or amended and restated in connection herewith shall continue to be effective and, unless the context otherwise requires, any reference to the Existing Credit Agreement contained therein shall be deemed to refer to this Agreement and any reference to the Loans or Obligations shall be deemed to refer to the Loans and Obligations under this Agreement. Prior to the Third Restatement Effective Date, all Loan Documents (as defined in the Existing Credit Agreement) shall remain in full force in effect in accordance with their existing terms.

ARTICLE II. CREDIT FACILITIES.

2.01. Loan Facility.

(a) Loan Borrowings.

(i) Revolving Loans. On the terms and subject to the conditions of this Agreement, each Revolving Lender severally agrees to advance to the Borrowers from time to time during the period beginning on the Third Restatement Effective Date up to, but not including the Maturity Date such loans in Dollars as the Borrowers may request under this Section 2.01(a)(i). (individually, a “Revolving Loan”); provided, however, that (i) the sum of (A) the Effective Amount of all Revolving Loans made by such Revolving Lender at any time outstanding and (B) such Revolving Lender’s Total Lender Risk Participation shall not exceed such Revolving Lender’s Revolving Proportionate Share of the Total Available Commitment at such time and (ii) the sum of (A) the Effective Amount of all Revolving Loans made by all the Revolving Lenders at any time outstanding and (B) the Effective Amount of all L/C Obligations and Swing Line Loans at any time outstanding shall not exceed the Total Available Commitment at such time. All Revolving Loans shall be made on a *pro rata* basis by the Revolving Lenders in accordance with their respective Revolving Proportionate Shares, with each Revolving Loan Borrowing to be comprised of a Revolving Loan by each Revolving Lender equal to such Revolving Lender’s Revolving Proportionate Share of such Revolving Loan Borrowing. Except as otherwise provided herein, the Borrowers may borrow, repay and reborrow Revolving Loans until the Maturity Date.

(ii) Term Loans. On the Amortization Commencement Date, the Conversion Amount of the Revolving Loans outstanding on such date shall be automatically converted to a term loan borrowing (the “Term Loan Borrowing”) consisting of loans in Dollars (individually, a “Term Loan”) made by the Lenders *pro rata* in accordance with their respective Revolving Proportionate Shares of the Conversion Amount. Such conversion shall be made without regard to the conditions set forth in Section 3.02. For the avoidance of doubt, (x) no additional funds shall be required to be funded by the Lenders in connection with the Term Loan Borrowing and (y) the aggregate amount of Revolving Loans outstanding on the Amortization Commencement Date shall be automatically reduced by the

amount of the Term Loan Borrowing. The Borrowers may not reborrow the principal amount of the Term Loans after repayment or prepayment thereof.

(b) Optional Increases.

(i) On the terms and subject to the conditions set forth below, Borrower may, at any time after the Third Restatement Effective Date and before the Maturity Date, request an increase of the Total Revolving Loan Commitment; provided that:

(A) after giving effect to the requested increase, the aggregate amount of the increases in the Total Revolving Loan Commitment shall not exceed \$75,000,000;

(B) all required third party consents and approvals shall have been obtained;

(C) prior to the date of any proposed increase, the Total Revolving Loan Commitment shall not have been decreased pursuant to Section 2.04(a);

(D) each such increase in the Total Revolving Loan Commitment shall be equal to \$15,000,000 or an integral multiple of \$1,000,000 in excess thereof;

(E) no Default shall have occurred and be continuing or shall occur as a result of such increase; and

(F) the Borrowers and the Guarantors shall have executed and delivered such documents and instruments and taken such other actions as may be reasonably requested by the Administrative Agent in connection with such increases in the Total Revolving Loan Commitment (including documents related to real property Collateral, title insurance endorsements, new or amended Notes, any related fee letters, documents evidencing the increased Revolving Loan Commitment held by any applicable Lender, a compliance certificate evidencing pro forma compliance with the financial covenants, any joinder agreements related to a New Lender, reaffirmations of the Guaranty, resolutions regarding the increase in the Total Revolving Loan Commitment and related actions taken by the Borrowers and the Guarantors, certified as true and correct by a Responsible Officer and legal opinions, all in form and substance reasonably satisfactory to the Administrative Agent).

Any request under this Section 2.01(b) shall be submitted by the Borrowers to the Administrative Agent (which shall promptly forward copies to the Lenders), specify the proposed effective date and amount of such increase (and whether such increase shall be an increase in the Total Revolving Loan Commitment) and be accompanied by a certificate of a Responsible Officer stating that no Default exists or will occur as a result of such increase. If any fees are to be paid or offered in connection with such increase, the Administrative Agent (with the consent of Borrowers) may also

specify any fees offered to those Lenders (the “Increasing Lenders”) which agree to increase the amount of their respective Revolving Loan Commitment, which fees may be variable based upon the amount by which any such Lender is willing to increase the amount of its Revolving Loan Commitment; no Lender which is not an Increasing Lender shall be entitled to receive any such fees. No Lender shall have any obligation, express or implied, to increase the amount of its Revolving Loan Commitment. Only the consent of each Increasing Lender shall be required for an increase in the amount of the Total Revolving Loan Commitment pursuant to this Section 2.01(b)(i). No Lender which elects not to increase the amount of its Revolving Loan Commitment may be replaced in respect of its existing Revolving Loan Commitment as a result thereof without such Lender’s written consent.

(ii) Each Increasing Lender shall, as soon as practicable after the Borrowers have submitted a request under Section 2.01(b)(i), specify the amount of the proposed increase in its Revolving Loan Commitment which it is willing to offer. To the extent the increased Revolving Loan Commitment of the Increasing Lenders is insufficient or there are no Increasing Lenders, the Borrowers may designate new lenders who qualify as Eligible Assignees and which are reasonably acceptable to the Administrative Agent as additional Lenders hereunder in accordance with this Section 2.01(b)(ii) (each such new Lender being a “New Lender”), which New Lender may assume all or a portion of the increase in the amount of the Total Revolving Loan Commitment. The Borrowers shall pay a fee to the Administrative Agent solely for the account of the Administrative Agent in connection with any such increase as set forth in the Fee Letter. The Borrowers and the Administrative Agent shall have discretion jointly to adjust the allocation of the increased aggregate principal amount of the Total Revolving Loan Commitment among Increasing Lenders and New Lenders.

(iii) Each New Lender designated by the Borrowers and reasonably acceptable to the Administrative Agent shall become an additional party hereto as a New Lender concurrently with the effectiveness of the proposed increase in the amount of the Total Revolving Loan Commitment upon its execution of an instrument of joinder, in each case prepared by the Administrative Agent and otherwise in form and substance reasonably satisfactory to the Administrative Agent. Each New Lender shall provide the documentation required by Section 2.12(g).

(iv) Subject to the foregoing, any increase in the Total Revolving Loan Commitment requested by the Borrowers shall be effective as of the date proposed by the Borrowers (the “Increase Effective Date”) and shall be in the principal amount equal to (i) the amount which the Increasing Lenders are willing to assume as increases to the amount of their Revolving Loan Commitments plus (ii) the amount offered by the New Lenders with respect to the Total Revolving Loan Commitment, in either case as adjusted by the Borrowers and the Administrative Agent pursuant to the last sentence of Section 2.01(b)(ii).

(v) On or prior to the Increase Effective Date, with respect to any increase in the Total Revolving Loan Commitment, the Administrative Agent shall

notify each Lender of the amount required to be paid by or to such Lender so that the Revolving Loans held by the Lenders on the Increase Effective Date (before giving effect to any new Revolving Loans made on such date) shall be held by each Lender pro rata in accordance with the Revolving Loan Commitments of the Lenders as adjusted pursuant to the last sentence of Section 2.01(b)(ii). Each Lender which is required to reduce the amount of Revolving Loans held by it (each such Lender, a “Decreasing Lender”) shall irrevocably assign, without recourse or warranty of any kind whatsoever (except that each Decreasing Lender warrants that it is the legal and beneficial owner of the Revolving Loans assigned by it under this Section 2.01(b)(v) and that such Revolving Loans are held by such Decreasing Lender free and clear of adverse claims), to each Increasing Lender and New Lender participating in the applicable increase in the Total Revolving Loan Commitment, and each applicable Increasing Lender and New Lender shall irrevocably acquire from the Decreasing Lenders, a portion of the principal amount of the Revolving Loans of each Decreasing Lender (collectively, the “Acquired Portion”) outstanding on the Increase Effective Date (before giving effect to any new Revolving Loans made on such date) in an amount such that the principal amount of the Revolving Loans held by each applicable Increasing Lender, New Lender and Decreasing Lender as of the Increase Effective Date shall be held in accordance with each such Lender’s Revolving Proportionate Share (if any) as of such date. Such assignment and acquisition shall be effective on the Increase Effective Date automatically and without any action required on the part of any party other than the payment by the applicable Increasing Lenders and New Lenders to the Administrative Agent for the account of the Decreasing Lenders of an aggregate amount equal to the Acquired Portion, which amount shall be allocated and paid by the Administrative Agent at or before 12:00 noon on the Increase Effective Date to the Decreasing Lenders *pro rata* based upon the respective reductions in the principal amount of the Revolving Loans held by such Lenders on the Increase Effective Date (before giving effect to any new Revolving Loans made on such date). Each of the Administrative Agent and the Lenders shall adjust its records accordingly to reflect the payment of the Acquired Portion. The payments to be made in respect of the Acquired Portion shall be made by the applicable Increasing Lenders and New Lenders to the Administrative Agent in Dollars in immediately available funds at or before 11:00 a.m. on the Increase Effective Date, such payments to be made by the applicable Increasing Lenders and New Lenders *pro rata* based upon the respective increases in the amount of the Revolving Loan Commitments held by such Lenders on the Increase Effective Date.

(vi) To the extent any of the Revolving Loans acquired by the applicable Increasing Lenders and New Lenders from the Decreasing Lenders pursuant to Section 2.01(b)(v) above are LIBOR Loans and the Increase Effective Date is not the last day of an Interest Period for such LIBOR Loans, the Decreasing Lenders shall not be entitled to compensation from the Borrowers as provided in Section 2.13 (as if the Borrowers had prepaid such Revolving Loans in an amount equal to the Acquired Portion on the Increase Effective Date).

(c) Notice of Loan Borrowing. The Borrowers shall request each Revolving Loan Borrowing by delivering to the Administrative Agent an irrevocable written notice substantially in the form of Exhibit A (a “Notice of Loan Borrowing”), duly executed by a Responsible Officer of the Borrowers and appropriately completed (or shall notify the Administrative Agent by telephone, to be promptly confirmed by the delivery to the Administrative Agent of a signed Notice of Loan Borrowing, which may be delivered by facsimile or e-mail), which specifies, among other things:

(i) The principal amount of the requested Revolving Loan Borrowing, which shall be in the amount of (A) \$50,000 or an integral multiple of \$10,000 in excess thereof in the case of a Borrowing consisting of Base Rate Loans or (B) \$100,000 or an integral multiple of \$10,000 in excess thereof in the case of a Borrowing consisting of LIBOR Loans;

(ii) Whether the requested Revolving Loan Borrowing is to consist of Base Rate Loans or LIBOR Loans;

(iii) If the requested Revolving Loan Borrowing is to consist of LIBOR Loans, the initial Interest Periods selected by the Borrowers for such LIBOR Loans in accordance with Section 2.01(f);

(iv) Whether the requested Revolving Loan Borrowing is to consist of Title Company Escrow Loans;

(v) Whether the requested Revolving Loan Borrowing is to consist of Construction Loans, and if Construction Loans, the Borrower shall attach the wire instructions for each Person (including the General Contractor) to be paid from the proceeds of such Construction Loans; and

(vi) The date of the requested Revolving Loan Borrowing, which shall be a Business Day.

The Borrowers shall give each Notice of Loan Borrowing for Revolving Loans to the Administrative Agent not later than (1) 11:00 a.m. at least three (3) Business Days before the date of the requested Revolving Loan Borrowing in the case of a Revolving Loan Borrowing consisting of LIBOR Loans and (2) 11:00 a.m. at least one (1) Business Day before the date of the requested Revolving Loan Borrowing in the case of a Revolving Loan Borrowing consisting of Base Rate Loans; provided that in the case of Construction Loans:

(y) each Notice of Loan Borrowing for Construction Loans, along with the corresponding Draw Package, must be received by the Construction Consultant and the Administrative Agent not later than ten (10) Business Days before the date of the requested Borrowing, and

(y) (i) each Notice of Loan Borrowing for Construction Loans, (ii) if applicable, a copy of the General Contractor’s application for payment to the applicable Loan Party and, if required by the Administrative Agent or the Title Company, signed by the applicable Loan Party, on AIA Forms G702 and G703/G703A or other forms

acceptable to the Administrative Agent and/or the Title Company, as applicable, (iii) copies of conditional lien waivers from the General Contractor for any lienable work and materials for which such Loan will be used and unconditional lien waivers from the General Contractor for any lienable work and materials relating to a prior Loan (to the extent not already delivered to the Administrative Agent, the Construction Consultant and the Title Company) and (iv) any additional information, documents or items as the Title Company may reasonably request, must be received by the Title Company not later than ten (10) Business Days before the date of the requested Borrowing.

Each Notice of Loan Borrowing shall be delivered by first-class mail or facsimile or by e-mail containing a PDF of such signed and completed Notice of Loan Borrowing to the Administrative Agent at the office or facsimile number or e-mail address, as the case may be, and during the hours specified in Section 8.01; provided, however, that, if requested by the Administrative Agent, the Borrowers shall promptly deliver to the Administrative Agent the original of any Notice of Loan Borrowing initially delivered by facsimile or e-mail. The Administrative Agent shall promptly notify each Revolving Lender of the contents of each Notice of Loan Borrowing for Revolving Loans and of the amount and Type of (and, if applicable, the Interest Period for) the Revolving Loan to be made by such Lender as part of the requested Revolving Loan Borrowing.

With respect to the Term Loan Borrowing, the Borrowers may deliver an irrevocable written notice in a form reasonably acceptable to the Administrative Agent and executed by a Responsible Officer of the Borrowers not later than 11:00 a.m. at least three (3) Business Days before the Amortization Commencement Date requesting that the Term Loan Borrowing consist of LIBOR Loans and setting forth the initial Interest Periods selected by the Borrowers for such LIBOR Loans in accordance with Section 2.01(f); to the extent no such notice is timely delivered (or a Borrowing consisting of LIBOR Loans is not otherwise permitted hereunder), the Term Loan Borrowing shall be initially consist of Base Rate Loans.

(d) Interest Rates. The Borrowers shall pay interest on the unpaid principal amount of each Loan from the date of such Loan until paid in full, at one of the following rates *per annum*:

(i) During such periods as such Loan is a Base Rate Loan, at a rate *per annum* equal to the Base Rate plus the Applicable Margin therefor, such rate to change from time to time as the Applicable Margin or Base Rate shall change; and

(ii) During such periods as such Loan is a LIBOR Loan, at a rate *per annum* equal at all times during each Interest Period for such LIBOR Loan to the LIBOR Rate for such Interest Period plus the Applicable Margin therefor, such rate to change from time to time during such Interest Period as the Applicable Margin shall change.

The number of Interest Periods for LIBOR Loans shall not exceed eight (8) in the aggregate at any time.

(e) Conversion of Loans. Subject to Section 2.13, the Borrowers may convert any Loans from one Type to the other Type; provided that any conversion of Base Rate Loans into LIBOR Loans shall be in the amount of \$50,000 or an integral multiple of \$10,000 in excess thereof and any conversion of LIBOR Loans into Base Rate Loans shall be in the amount of \$100,000 or an integral multiple of \$10,000 in excess thereof; provided, further, that (i) no Base Rate Loan may be converted into a LIBOR Loan after the occurrence and during the continuance of an Event of Default and (ii) any conversion of a LIBOR Loan on any day other than the last day of the Interest Period therefor shall be subject to the payments required under Section 2.13. The Borrowers shall request such a conversion by delivering to the Administrative Agent an irrevocable written notice to the Administrative Agent substantially in the form of Exhibit B (a “Notice of Conversion”), duly executed by a Responsible Officer of the Borrowers and appropriately completed (or shall notify the Administrative Agent by telephone, to be promptly confirmed by the delivery to the Administrative Agent of a signed Notice of Conversion, which may be delivered by facsimile or e-mail), which specifies, among other things:

- (i) The Loans to be converted;
- (ii) The Type of Loans into which such Loans are to be converted;
- (iii) If such Loans are to be converted into LIBOR Loans, the initial Interest Period selected by the Borrowers for such LIBOR Loans in accordance with Section 2.01(f), as applicable; and
- (iv) The date of the requested conversion, which shall be a Business Day.

The Borrowers shall give each Notice of Conversion to the Administrative Agent not later than 11:00 a.m. at least three (3) Business Days before the date of the requested conversion of a Base Rate Loan into a LIBOR Loan or at least one (1) Business Day before the date of the requested conversion of a LIBOR Loan into a Base Rate Loan. Each Notice of Conversion shall be delivered by first-class mail or facsimile or by e-mail containing a PDF of such signed and completed Notice of Conversion to the Administrative Agent at the office or to the facsimile number or e-mail address and during the hours specified in Section 8.01; provided, however, that, if requested by the Administrative Agent, the Borrowers shall promptly deliver to the Administrative Agent the original of any Notice of Conversion initially delivered by facsimile or e-mail. The Administrative Agent shall promptly notify each Revolving Lender of the contents of each Notice of Conversion relating to Revolving Loans and each Term Lender of the contents of each Notice of Conversion relating to Term Loans. For the avoidance of doubt, the provisions of this Section 2.01(e) relate to the conversion of the type of interest rate (LIBOR or Base Rate) applicable to the applicable Loans and do not permit the conversion of a Revolving Loan or Term Loan into any other kind of Loan provided hereunder.

(f) LIBOR Loan Interest Periods.

- (i) The initial and each subsequent Interest Period selected by the Borrowers for a Borrowing consisting of LIBOR Loans shall be one (1), three (3) or six (6) months; provided, however, that (A) any Interest Period which would

otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such next Business Day falls in another calendar month, in which case such Interest Period shall end on the immediately preceding Business Day; (B) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month; (C) no Interest Period shall end after the Maturity Date; (D) no Interest Period for any LIBOR Loans in the Term Loan Borrowing shall end after a Term Loan Installment Date unless, after giving effect to such Interest Period, the aggregate principal amount of the Base Rate Loans and all LIBOR Loans of the Term Loan Borrowing having Interest Periods ending on or prior to such Term Loan Installment Date equals or exceeds the principal payment on the Term Loan Borrowing due on such Term Loan Installment Date; and (E) no LIBOR Loan shall be made or continued for an additional Interest Period after the occurrence and during the continuance of an Event of Default.

(ii) The Borrowers shall notify the Administrative Agent of the Borrowers' selection of a new Interest Period for a Borrowing by an irrevocable written notice substantially in the form of Exhibit C (a "Notice of Interest Period Selection"), duly executed by a Responsible Officer of the Borrowers and appropriately completed (or shall notify the Administrative Agent by telephone, to be promptly confirmed by the delivery to the Administrative Agent of a signed Notice of Interest Period Selection, which may be delivered by facsimile or e-mail), not later than 11:00 a.m. at least three (3) Business Days prior to the last day of each Interest Period for a Borrowing consisting of LIBOR Loans; provided, however, that no LIBOR Loan shall be continued for an additional Interest Period after the occurrence and during the continuance of an Event of Default. Each Notice of Interest Period Selection shall be given by first-class mail or facsimile or by e-mail containing a PDF of such signed and completed Notice of Interest Period Selection to the Administrative Agent to the office or the facsimile number or e-mail address and during the hours specified in Section 8.01; provided, however, that, if requested by the Administrative Agent, the Borrowers shall promptly deliver to the Administrative Agent the original of any Notice of Interest Period Selection initially delivered by facsimile or e-mail. If (A) the Borrowers shall fail to notify the Administrative Agent of the next Interest Period for a Borrowing consisting of LIBOR Loans in accordance with this Section 2.01(f) or (B) an Event of Default has occurred and is continuing on the last date of an Interest Period for any LIBOR Loan, such LIBOR Loan(s) shall automatically convert to Base Rate Loan(s) in Dollars on the last day of the current Interest Period therefor. The Administrative Agent shall promptly notify each Revolving Lender of the contents of each Notice of Interest Period Selection for the Revolving Loans and each Term Lender of the contents of each Notice of Interest Period Selection for the Term Loans.

(g) Scheduled Payments.

(i) Interest – All Loans. The Borrowers shall pay accrued interest on the unpaid principal amount of each Revolving Loan thereof in arrears (i) in the

case of a Base Rate Loan, on the last Business Day of each fiscal quarter, (ii) in the case of a LIBOR Loan, on the last day of each Interest Period therefor (and, if any such Interest Period is longer than three (3) months, every three (3) months after the first day of such Interest Period); and (iii) in the case of all Loans, on the Maturity Date. All interest that is not paid when due shall be due on demand.

(ii) Scheduled Principal Payments - Revolving Loans and Unreimbursed Amounts. The Borrowers shall repay the then unpaid principal amount of the Revolving Loans and Unreimbursed Amounts on the Maturity Date. The Borrowers shall also make the mandatory prepayments required by Section 2.06(c).

(iii) Scheduled Principal Payments – Term Loans. The Borrowers shall repay the aggregate principal amount of the Term Loans on each Term Loan Installment Date in an amount equal to (x) the percentage set forth opposite the applicable year during which such Term Loan Installment Date occurs multiplied by (y) the Conversion Amount:

<u>Calendar Year</u>	<u>Quarterly Percentage</u>
2019	1.875%
2020	2.50%
2021	3.75%

provided that the Borrowers shall pay all outstanding principal on the Term Loans, together with all accrued and unpaid interest thereon on the Maturity Date.

The Borrowers shall also make the mandatory prepayments required by Section 2.06(c).

2.02. Letters of Credit.

(a) The Letter of Credit Commitment.

(i) On the Third Restatement Effective Date, the Existing Letters of Credit shall be deemed to have been issued hereunder, and each Revolving Lender shall thereupon acquire a participation interest therein in accordance with its Revolving Proportionate Share and the terms of this Section 2.02. The Existing Letters of Credit shall be deemed to have been issued pursuant hereto, and from and after the Third Restatement Effective Date shall be subject to and governed by the terms and conditions hereof. On the terms and subject to the conditions set forth herein, (A) the L/C Issuer (1) shall, from time to time on any Business Day during the period from the Third Restatement Effective Date until the Letter of Credit Expiration Date, issue Letters of Credit in Dollars for the account of a Borrower in support of the obligations of such Borrower or any other Loan Party, and to amend or renew Letters of Credit previously issued by it, in accordance with subsection (b) below, and (2) shall honor drafts under the Letters of Credit; and (B) the Revolving Lenders severally agree to participate in Letters of Credit issued

for the account of a Borrower in support of the obligations of such Borrower or any other Loan Party; provided that the L/C Issuer shall not be obligated to make any L/C Credit Extension with respect to any Letter of Credit, and no Lender shall be obligated to participate in, any Letter of Credit if as of the date of such L/C Credit Extension, (x) the Effective Amount of all Revolving Loans, Swing Line Loans and L/C Obligations would exceed the Total Available Commitment at such time, (y) the aggregate Effective Amount of the Revolving Loans of any Lender, plus such Lender's Total Lender Risk Participation would exceed such Lender's Revolving Proportionate Share of the Total Available Commitment, or (z) the Effective Amount of the L/C Obligations would exceed the Letter of Credit Sublimit. Each Letter of Credit shall be in a form acceptable to the L/C Issuer. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrowers' ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrowers may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed.

(ii) The L/C Issuer shall be under no obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the L/C Issuer from issuing such Letter of Credit, or any Requirement of Law applicable to the L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the L/C Issuer shall prohibit, or request that the L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the L/C Issuer is not otherwise compensated hereunder) not in effect on the Third Restatement Effective Date, or shall impose upon the L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Third Restatement Effective Date and which the L/C Issuer in good faith deems material to it;

(B) subject to Section 2.02(b)(iii), (1) in the case of any Standby Letter of Credit, the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last renewal or (2) in the case of any Commercial Letter of Credit, the expiry date of such requested Letter of Credit would occur more than 180 days after the date of issuance or last renewal, in either case unless the Required Revolving Lenders have approved such expiry date;

(C) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Revolving Lenders have approved such expiry date;

(D) the issuance of such Letter of Credit would violate one or more policies of the L/C Issuer or the terms and conditions of the applicable Letter of Credit Application;

(E) such Letter of Credit is in a face amount less than \$25,000, in the case of a Commercial Letter of Credit, or \$100,000, in the case of any other type of Letter of Credit, or denominated in a currency other than Dollars;

(F) such Letter of Credit is in violation of the ISP, the UCP or other applicable Governmental Rule; or

(G) any Lender is at such time a Defaulting Lender hereunder, unless such Lender's Fronting Exposure has been reallocated to other Lenders in accordance with Section 2.16(a), Cash Collateral has been provided as set forth in Section 2.16(c) or the L/C Issuer has entered into arrangements satisfactory to the L/C Issuer with the Borrowers or such Defaulting Lender to eliminate the L/C Issuer's Fronting Exposure.

(iii) The L/C Issuer shall be under no obligation to amend any Letter of Credit.

(b) Procedures for Issuance and Amendment of Letters of Credit; Evergreen Letters of Credit.

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrowers delivered to the L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of the Borrowers. Such Letter of Credit Application must be received by the L/C Issuer and the Administrative Agent not later than 11:00 a.m., at least four (4) Business Days (or such later date and time as the L/C Issuer may agree in a particular instance in its sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which date shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; (G) the account party thereunder, and (H) such other matters as the L/C Issuer may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which date shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the L/C Issuer may require.

(ii) Promptly after receipt of any Letter of Credit Application, the L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Borrowers and, if not, the L/C Issuer will provide the Administrative Agent with a copy thereof. Upon receipt by the L/C Issuer of confirmation from the Administrative Agent that the requested issuance or amendment is permitted in accordance with the terms hereof, then, subject to the terms and conditions hereof, the L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the applicable Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with the L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Revolving Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the L/C Issuer a participation in such Letter of Credit in an amount equal to the product of such Revolving Lender's Revolving Proportionate Share times the amount of such Letter of Credit; provided, however, that the amount of such Lender's participation shall be adjusted in the manner set forth in Section 2.16(a)(iv). The Administrative Agent shall promptly notify each Lender upon the issuance of a Letter of Credit.

(iii) If the Borrowers so request in any applicable Letter of Credit Application, the L/C Issuer may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic renewal provisions (each, an "Evergreen Letter of Credit"); provided that any such Evergreen Letter of Credit must permit the L/C Issuer to prevent any such renewal at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Nonrenewal Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the L/C Issuer, the Borrowers shall not be required to make a specific request to the L/C Issuer for any such renewal. Once an Evergreen Letter of Credit has been issued, the Revolving Lenders shall be deemed to have authorized (but may not require) the L/C Issuer to permit the renewal of such Letter of Credit at any time to a date not later than the Letter of Credit Expiration Date; provided, however, that the L/C Issuer shall not permit any such renewal if (A) the L/C Issuer would have no obligation at such time to issue such Letter of Credit in its renewed form under the terms hereof, or (B) it has received notice (which may be by telephone or in writing) on or before the Business Day immediately preceding the Nonrenewal Notice Date (1) from the Administrative Agent that the Required Revolving Lenders have elected not to permit such renewal or (2) from the Administrative Agent, any Revolving Lender or the Borrowers that one or more of the applicable conditions specified in Section 3.02 is not then satisfied. Notwithstanding anything to the contrary contained herein, the L/C Issuer shall have no obligation to permit the renewal of any Evergreen Letter of Credit at any time.

(iv) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary

thereof, the L/C Issuer will also deliver to the Borrowers and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

(c) Drawings and Reimbursements; Funding of Participations.

(i) Upon any drawing under any Letter of Credit, the L/C Issuer shall notify the Borrowers and the Administrative Agent of the amount to be paid by the L/C Issuer as a result of such drawing and the date on which payment is to be made by the L/C Issuer to the beneficiary of such Letter of Credit in respect of such drawing; provided, however, that in the case of Commercial Letters of Credit, subsequent notification by routine methods shall be deemed sufficient notice. Not later than 11:00 a.m., on the date of any payment by the L/C Issuer under a Letter of Credit (each such date of payment, an "Honor Date"), the Borrowers shall reimburse the L/C Issuer through the Administrative Agent in an amount equal to the amount of such drawing, which may be effected through the debiting of one or more deposit accounts maintained with the Administrative Agent. If the Borrowers fail to so reimburse the L/C Issuer by such time, the Administrative Agent shall promptly notify each Revolving Lender of the Honor Date, the amount of the unreimbursed drawing (the "Unreimbursed Amount"), and the amount of such Revolving Lender's L/C Risk Participation with respect thereto. In such event, the Borrowers shall be deemed to have requested a Revolving Loan Borrowing of Base Rate Loans to be disbursed on the Business Day following the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.01 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Total Available Commitment and the conditions set forth in Section 3.02 (other than the delivery of a Notice of Loan Borrowing for Revolving Loans). Any notice given by the L/C Issuer or the Administrative Agent pursuant to this Section 2.02(c) (i) may be given by telephone if immediately confirmed in writing; provided, that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Revolving Lender (including the Revolving Lender acting as L/C Issuer) shall upon any notice pursuant to Section 2.02(c)(i) make funds available to the Administrative Agent for the account of the L/C Issuer at the Administrative Agent's Office in an amount equal to its L/C Risk Participation with respect to the Unreimbursed Amount not later than 1:00 p.m. on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.02(c)(iii), each Revolving Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrowers in such amount. The Administrative Agent shall remit the funds so received to the L/C Issuer.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Revolving Loan Borrowing because the conditions set forth in Section 3.02 cannot be satisfied or for any other reason, the Borrowers shall be deemed to have incurred from the L/C Issuer an L/C Borrowing in the amount of

the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the rate applicable to Revolving Loans upon the occurrence and during the continuance of an Event of Default. In such event, each Revolving Lender's payment to the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.02(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Revolving Lender in satisfaction of its participation obligation under this Section 2.02.

(iv) Until each Revolving Lender funds its Revolving Loan or L/C Advance pursuant to this Section 2.02(c) to reimburse the L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Revolving Lender's L/C Risk Participation with respect thereto shall be solely for the account of the L/C Issuer. For the avoidance of doubt, interest shall accrue beginning on the Honor Date for any such draw under a Letter of Credit.

(v) Each Revolving Lender's obligation to make Revolving Loans or L/C Advances to reimburse the L/C Issuer for, or participate in, amounts drawn under Letters of Credit, as contemplated by this Section 2.02(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Revolving Lender may have against the L/C Issuer, the Borrowers or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default or Event of Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing. Any such reimbursement shall not relieve or otherwise impair the obligation of the Borrowers to reimburse the L/C Issuer for the amount of any payment made by the L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Revolving Lender fails to make available to the Administrative Agent for the account of the L/C Issuer any amount required to be paid by such Revolving Lender pursuant to the foregoing provisions of this Section 2.02(c) by the time specified in Section 2.02(c)(ii), the L/C Issuer shall be entitled to recover from such Revolving Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the L/C Issuer at a rate *per annum* equal to the daily Federal Funds Rate. A certificate of the L/C Issuer submitted to any Revolving Lender (through the Administrative Agent) with respect to any amounts owing under this clause (vi) shall be conclusive absent manifest error.

(d) Repayment of Participations.

(i) At any time after the L/C Issuer has made a payment under any Letter of Credit and has received from any Revolving Lender such Revolving Lender's L/C Advance in respect of such payment in accordance with Section 2.02(c), if the Administrative Agent receives for the account of the

L/C Issuer any payment related to such Letter of Credit (whether directly from the Borrowers or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), or any payment of interest thereon, the Administrative Agent will distribute to such Revolving Lender its L/C Risk Participation with respect to such Letter of Credit in the same funds as those received by the Administrative Agent.

(ii) If any payment received by the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.02(c)(i) is required to be returned, each Revolving Lender shall pay to the Administrative Agent for the account of the L/C Issuer its L/C Risk Participation with respect thereto on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Revolving Lender, at a rate *per annum* equal to the daily Federal Funds Rate.

(e) Obligations Absolute. The obligation of the Borrowers to reimburse the L/C Issuer for each drawing under each Letter of Credit, and to repay each L/C Borrowing and each drawing under a Letter of Credit that is refinanced by a Borrowing of Revolving Loans, shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement and the other Loan Documents under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of the Borrowers in respect of any Letter of Credit or any other amendment or waiver of, or any consent to departure from, all or any of the Loan Documents;

(iii) the existence of any claim, counterclaim, set-off, defense or other right that a Borrower or any other Loan Party may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iv) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(v) any payment by the L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the L/C Issuer under such Letter of

Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law;

(vi) the existence, character, quality, quantity, condition, packing, value or delivery of any property purported to be represented by documents presented in connection with any Letter of Credit or any difference between any such property and the character, quality, quantity, condition, or value of such property as described in such documents;

(vii) the time, place, manner, order or contents of shipments or deliveries of property as described in documents presented in connection with any Letter of Credit or the existence, nature and extent of any insurance relative thereto;

(viii) the solvency or financial responsibility of any party issuing any documents in connection with a Letter of Credit;

(ix) any failure or delay in notice of shipments or arrival of any property;

(x) any error in the transmission of any message relating to a Letter of Credit not caused by the L/C Issuer, or any delay or interruption in any such message;

(xi) any error, neglect or default of any correspondent of the L/C Issuer in connection with a Letter of Credit;

(xii) any consequence arising from acts of God, war, insurrection, civil unrest, disturbances, labor disputes, emergency conditions or other causes beyond the control of the L/C Issuer;

(xiii) the form, accuracy, genuineness or legal effect of any contract or document referred to in any document submitted to the L/C Issuer in connection with a Letter of Credit; or

(xiv) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrowers.

The Borrowers shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrowers' instructions or other irregularity, the Borrowers will immediately notify the L/C Issuer. The Borrowers shall be conclusively deemed to have waived any such claim against the L/C Issuer and its correspondents unless such notice is given as aforesaid.

(f) Role of L/C Issuer. The Borrowers and the Revolving Lenders agree that, in paying any drawing under a Letter of Credit, the L/C Issuer shall not have any responsibility to obtain any document (other than any sight draft, certificates and

documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. Neither the Administrative Agent nor the L/C Issuer nor any of their respective affiliates, directors, officers, employees, agents or advisors nor any of the correspondents, participants or assignees of the L/C Issuer shall be liable to any Revolving Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders, the Required Lenders, the Revolving Lenders or the Required Revolving Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct as determined by a final, non-appealable judgment of a court of competent jurisdiction; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Letter of Credit Application. The Borrowers hereby assume all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrowers from pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. Neither the Administrative Agent nor the L/C Issuer nor any of their respective affiliates, directors, officers, employees, agents or advisors nor any of the correspondents, participants or assignees of the L/C Issuer shall be liable or responsible for any of the matters described in Section 2.02(e); provided, however, that anything in such clauses to the contrary notwithstanding, the Borrowers may have a claim against the L/C Issuer, and the L/C Issuer may be liable to the Borrowers, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrowers which are determined by a final, non-appealable judgment of a court of competent jurisdiction to have arisen from the L/C Issuer's gross negligence or willful misconduct or the L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the L/C Issuer may accept documents that appear on their face to be in substantial compliance with the terms of a Letter of Credit, without responsibility for further investigation, regardless of any notice or information to the contrary, and the L/C Issuer shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(g) Cash Collateral. Upon the request of the Administrative Agent, (i) if the L/C Issuer has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted in an L/C Borrowing, or (ii) if, as of the Letter of Credit Expiration Date, any Letter of Credit may for any reason remain outstanding and partially or wholly undrawn, the Borrowers shall immediately Cash Collateralize the Obligations in an amount equal to the Minimum Collateral Amount. The Borrowers hereby grant to the Administrative Agent, for the benefit of the L/C Issuer and the Revolving Lenders, a Lien on all cash and deposit account balances described in the definition of "Cash Collateralize" as security for the Obligations. All Cash Collateral shall be maintained in a blocked, non-interest bearing deposit account with the Administrative Agent. Such accounts must be subject to a control agreement pursuant to which the Administrative Agent has "control," as such term is used in the Uniform Commercial Code, sufficient to perfect on a first

priority basis a security interest in such Cash Collateral. Upon the drawing of any Letter of Credit for which funds are on deposit as Cash Collateral, such funds shall be applied, to the extent permitted under applicable Laws, to reimburse the L/C Issuer. Cash Collateral provided under Section 2.06(d), Section 2.16(c) and this Section 2.02(g) shall be released to the Persons legally entitled thereto upon the satisfaction of each of the following conditions: (x) no Letters of Credit shall be outstanding, (y) all L/C Obligations shall have been repaid in full, and (z) no Default or Event of Default shall have occurred and be continuing.

(h) Applicability of ISP and UCP. Unless otherwise expressly agreed by the L/C Issuer and the Borrowers when a Letter of Credit is issued, (i) the rules of the “International Standby Practices 1998” published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) (the “ISP”) shall apply to each Standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce at the time of issuance (the “UCP”), shall apply to each Commercial Letter of Credit.

(i) Letter of Credit Fees. The Borrowers shall pay, to the Administrative Agent for the account of each Revolving Lender in accordance with its L/C Risk Participation in each Letter of Credit, a Letter of Credit fee for each such Letter of Credit for the period from the date of issuance of such Letter of Credit until the expiry thereof, at a *per annum* rate equal to the Applicable Margin for LIBOR Loans (plus two percent (2.00%) during such time that the Default Rate is in effect with respect to the Obligations pursuant to Section 2.07(c)) applicable from time to time during such period multiplied by the actual daily maximum amount available to be drawn under such Letter of Credit; provided, however, that any fees payable for the account of a Defaulting Lender with respect to any Letter of Credit as to which such Defaulting Lender has not provided Cash Collateral satisfactory to the L/C Issuer pursuant to Section 2.16(c) shall be (x) payable, to the maximum extent permitted by applicable Governmental Rules, to the other Lenders in accordance with the upward adjustments of their respective participations in such Letter of Credit pursuant to Section 2.16(a)(iv) and (y) with the balance of such fee, if any, payable to the L/C Issuer for its own account. Such fee for each Letter of Credit shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit and on the Letter of Credit Expiration Date. Each such fee, when due, shall be fully earned and when paid, shall be non-refundable. If there is any change in the Applicable Margin for LIBOR Loans during any quarter, the Applicable Margin used for the calculation of the Letter of Credit fee shall be the Applicable Margin for LIBOR Loans on each day during such quarter.

(j) Fronting Fee and Documentary and Processing Charges Payable to L/C Issuer. The Borrowers shall pay directly to the L/C Issuer for its own account the customary issuance, transfer, negotiation, fronting (which fronting fee shall not exceed 0.125% per annum on the face amount of each Letter of Credit), presentation, amendment and other processing fees, and other standard costs and charges, of the L/C Issuer relating

to letters of credit as from time to time in effect. Such fees and charges are due and payable on demand and are nonrefundable.

(k) Conflict with Letter of Credit Application. In the event of any conflict between the terms hereof and the terms of any Letter of Credit Application, the terms hereof shall control.

2.03. Swing Line.

(a) The Swing Line. On the terms and subject to the conditions set forth herein, the Swing Line Lender shall make loans (each such loan, a "Swing Line Loan") in Dollars to the Borrowers from time to time on any Business Day during the period from the Third Restatement Effective Date up to but not including the Maturity Date in an aggregate amount not to exceed at any time outstanding the amount of the Swing Line Sublimit, notwithstanding the fact that such Swing Line Loans, when aggregated with the Effective Amount of Revolving Loans of the Swing Line Lender in its capacity as a Revolving Lender of Revolving Loans, may exceed the amount of such Revolving Lender's Revolving Loan Commitment; provided, however, that after giving effect to any Swing Line Loan, (i) the aggregate Effective Amount of all Revolving Loans, Swing Line Loans and L/C Obligations shall not exceed the Total Available Commitment at such time, and (ii) the aggregate Effective Amount of the Revolving Loans of any Revolving Lender (other than the Swing Line Lender), plus such Revolving Lender's Total Lender Risk Participation shall not exceed such Revolving Lender's Revolving Proportionate Share of the Total Available Commitment, and provided, further, that (x) the Swing Line Lender shall not make any Swing Line Loan to refinance an outstanding Swing Line Loan and (y) the Borrowers shall be entitled to no more than five (5) Swing Line Loans in any month. Within the foregoing limits, and subject to the other terms and conditions hereof, the Borrowers may borrow under this Section 2.03, prepay under Section 2.06, and reborrow under this Section 2.03. Each Swing Line Loan shall be a Base Rate Loan. Immediately upon the making of a Swing Line Loan, each Revolving Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Swing Line Lender a risk participation in such Swing Line Loan in an amount equal to such Revolving Lender's Swing Line Risk Participation with respect to such Swing Line Loan. If there at any time exists a Defaulting Lender, unless such Lender's Fronting Exposure has been reallocated to other Lenders in accordance with Section 2.16(a), before making any Swing Line Loans, the Swing Line Lender may condition the provision of such Swing Line Loans on its entering into arrangements satisfactory to the Swing Line Lender with the Borrowers or such Defaulting Lender to eliminate the Swing Line Lender's Fronting Exposure.

(b) Borrowing Procedures. Each Swing Loan Borrowing shall be requested pursuant to the Borrowers' irrevocable notice to the Swing Line Lender and the Administrative Agent, which may be given by telephone. Each such notice must be received by the Swing Line Lender and the Administrative Agent not later than 11:00 a.m., on the requested borrowing date, and shall specify (i) the amount to be borrowed, which amount shall be a minimum amount of \$50,000 or an integral multiple of \$10,000 in excess thereof and (ii) the requested borrowing date, which shall be a Business Day. Each such telephonic notice must be confirmed immediately by the delivery to the Swing Line Lender

and the Administrative Agent of a written Notice of Swing Loan Borrowing, appropriately completed and signed by a Responsible Officer of the Borrowers, which notice may be delivered by facsimile or e-mail. Promptly after receipt by the Swing Line Lender of any telephonic Notice of Swing Loan Borrowing, the Swing Line Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has also received such Notice of Swing Loan Borrowing and, if not, the Swing Line Lender will notify the Administrative Agent (by telephone or in writing) of the contents thereof. Unless the Swing Line Lender has received notice (by telephone or in writing) from the Administrative Agent (including at the request of any Lender) prior to 1:00 p.m., on the date of the proposed Swing Loan Borrowing (A) directing the Swing Line Lender not to make such Swing Line Loan as a result of the limitations set forth in the first proviso to the first sentence of Section 2.03(a), or (B) that one or more of the applicable conditions specified in Section 3.02 is not then satisfied, then, subject to the terms and conditions hereof, the Swing Line Lender will, not later than 2:00 p.m., on the borrowing date specified in such Notice of Swing Loan Borrowing, make the amount of its Swing Line Loan available to the Borrowers by crediting the account of the Borrowers on the books of the Swing Line Lender in immediately available funds.

(c) Refinancing of Swing Line Loans.

(i) The Swing Line Lender at any time in its sole and absolute discretion may request, on behalf of the Borrowers (which hereby irrevocably requests the Swing Line Lender to act on its behalf), under this subsection (c), that each Lender make a Base Rate Loan in an amount equal to such Lender's Revolving Proportionate Share of the amount of Swing Line Loans then outstanding. Such request shall be made in accordance with the requirements of Section 2.01, without regard to the minimum and multiples specified therein for the principal amount of Base Rate Loans, but subject to the unutilized portion of the Total Available Commitment and the conditions set forth in Section 3.02. The Swing Line Lender shall furnish the Borrowers with a copy of the applicable Notice of Loan Borrowing for Revolving Loans promptly after delivering such notice to the Administrative Agent. Each Lender shall make an amount equal to its Revolving Proportionate Share of the amount specified in such Notice of Loan Borrowing for Revolving Loans available to the Administrative Agent in immediately available funds for the account of the Swing Line Lender at the Administrative Agent's Office not later than 12:00 noon, on the day specified in such Notice of Loan Borrowing for Revolving Loans, whereupon, subject to Section 2.03(c)(ii), each Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrowers in such amount. The Administrative Agent shall remit the funds so received to the Swing Line Lender.

(ii) If for any reason any Revolving Loan Borrowing cannot be requested in accordance with Section 2.03(c)(i) or any Swing Line Loan cannot be refinanced by such a Revolving Loan Borrowing, the Notice of Loan Borrowing for Revolving Loans submitted by the Swing Line Lender shall be deemed to be a request by the Swing Line Lender that each of the Lenders fund its participation in the relevant Swing Line Loan and each Lender's payment to the Administrative

Agent for the account of the Swing Line Lender pursuant to Section 2.03(c)(i) shall be deemed payment in respect of such participation.

(iii) If any Revolving Lender fails to make available to the Administrative Agent for the account of the Swing Line Lender any amount required to be paid by such Revolving Lender pursuant to the foregoing provisions of this Section 2.03(c) by the time specified in Section 2.03(c)(i), the Swing Line Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swing Line Lender at a rate *per annum* equal to the daily Federal Funds Rate. A certificate of the Swing Line Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (iii) shall be conclusive absent manifest error.

(iv) Each Revolving Lender's obligation to make Revolving Loans or to purchase and fund participations in Swing Line Loans pursuant to this Section 2.03(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender, the Borrowers or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default or Event of Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing. Any such purchase of participations shall not relieve or otherwise impair the obligation of the Borrowers to repay Swing Line Loans, together with interest as provided herein.

(d) Repayment of Participations.

(i) At any time after any Lender has purchased and funded a Swing Line Risk Participation in a Swing Line Loan, if the Swing Line Lender receives any payment on account of such Swing Line Loan, the Swing Line Lender will distribute to such Lender an amount equal to such Lender's Swing Line Risk Participation with respect thereto (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's Swing Line Risk Participation was outstanding and funded) in the same funds as those received by the Swing Line Lender.

(ii) If any payment received by the Swing Line Lender in respect of principal or interest on any Swing Line Loan is required to be returned by the Swing Line Lender, each Lender shall pay to the Swing Line Lender its Swing Line Risk Participation thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned, at a rate *per annum* equal to the daily Federal Funds Rate. The Administrative Agent will make such demand upon the request of the Swing Line Lender.

(e) Interest for Account of Swing Line Lender. Subject to Section 2.07(c), each Swing Line Loan shall bear interest on the outstanding principal amount thereof from the

applicable borrowing date at a rate *per annum* equal to the Base Rate plus the Applicable Margin for Base Rate Loans. The Swing Line Lender shall be responsible for invoicing the Borrowers for interest on the Swing Line Loans. Until each Lender funds its Base Rate Loan or Swing Line Risk Participation pursuant to this Section 2.03 to refinance such Lender's Swing Line Risk Participation of any Swing Line Loan, interest in respect of such Swing Line Risk Participation shall be solely for the account of the Swing Line Lender. The Borrowers shall pay accrued interest on the unpaid principal amount of each Swing Line Loan on the last Business Day of each fiscal quarter and at maturity.

(f) Payments Directly to Swing Line Lender. The Borrowers shall make all payments of principal and interest in respect of the Swing Line Loans directly to the Swing Line Lender.

2.04. Amount Limitations, Commitment Reductions, Etc.

(a) Optional Reduction or Cancellation of Revolving Loan Commitments. From and after the Third Restatement Effective Date, the Borrowers may, upon three (3) Business Days written notice to the Administrative Agent (each a "Reduction Notice"), permanently reduce the Total Revolving Loan Commitment by the amount of \$500,000 or an integral multiple of \$50,000 in excess thereof or cancel the Total Revolving Loan Commitment in its entirety; provided, however, that:

(i) The Borrowers may not reduce the Total Revolving Loan Commitment prior to the Maturity Date, if, after giving effect to such reduction, the Effective Amount of all Revolving Loans, L/C Obligations and Swing Line Loans then outstanding would exceed the Total Revolving Loan Commitment as so reduced or the Expansion Project would then be Out-of-Balance; and

(ii) The Borrowers may not cancel the Total Revolving Loan Commitment prior to the Maturity Date, if, after giving effect to such cancellation, any Revolving Loan would then remain outstanding or the Expansion Project would then be Out-of-Balance.

Any Reduction Notice shall be irrevocable; provided that any Reduction Notice may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrowers (by written notice to the Administrative Agent on or prior to the specified effective date previously provided in the applicable Reduction Notice) if such condition is not satisfied.

(b) Scheduled and Mandatory Reductions of Revolving Loan Commitments.

(i) The aggregate amount of the Total Revolving Loan Commitment shall be automatically and permanently reduced to \$50,000,000 on the Amortization Commencement Date. The Total Revolving Loan Commitment shall be automatically and permanently reduced to zero on the Maturity Date.

(ii) The Total Revolving Loan Commitment shall be automatically and permanently reduced by an amount equal to the maximum amount that would be

required to be applied as a mandatory prepayment of the Revolving Loans pursuant to Section 2.06(c)(iii), (v) or (vi) if the Effective Amount of the Revolving Loans was then equal to the amount of the Total Revolving Loan Commitment (but without regard to the actual usage of the Total Revolving Loan Commitment), such reduction to be effective on the date of the required prepayment; provided that if equity proceeds are received under Section 2.06(c)(v) for an Investment for which the Collateral related thereto is pledged to the Administrative Agent within ninety (90) days of the receipt of such proceeds, then there shall be no reduction in the Total Revolving Loan Commitment in connection therewith.

(c) Effect of Revolving Loan Commitment Adjustments. From the effective date of any reduction or increase of the Total Revolving Loan Commitment, the Commitment Fees payable pursuant to Section 2.05(b) shall be computed on the basis of the Total Revolving Loan Commitment as so reduced or increased. Once reduced or cancelled, the Total Revolving Loan Commitment may not be increased or reinstated without the prior written consent of all Lenders (except as permitted under Section 2.01(b)). Any reduction of the Total Revolving Loan Commitment pursuant to Section 2.04(a) shall be applied ratably to reduce each Lender's Revolving Loan Commitment in accordance with clause (i) of Section 2.10(a).

2.05. Fees.

(a) Fees. The Borrowers shall pay to the Administrative Agent and WFS, for their own account, agent's fees and other compensation in the amounts and at the times set forth in the Fee Letter and any fees set forth in any fee letter or agreement executed in connection with any increase under Section 2.01(b).

(b) Commitment Fee. The Borrowers shall pay to the Administrative Agent, for the ratable benefit of the Revolving Lenders (other than any Defaulting Lender with respect to the period during which it is a Defaulting Lender) as provided in clause (iv) of Section 2.10(a), a commitment fee (collectively, the "Commitment Fee") equal to the Commitment Fee Percentage multiplied by the daily average Unused Revolving Commitment for the period beginning on the Third Restatement Effective Date and ending on the Maturity Date. The Borrowers shall pay the Commitment Fee in arrears on the last Business Day in each fiscal quarter (commencing with the first full fiscal quarter ending after the Third Restatement Effective Date) and on the Maturity Date (or if the Total Revolving Loan Commitment is cancelled on a date prior to the Maturity Date, on such prior date).

2.06. Prepayments.

(a) Terms of All Prepayments. Upon the prepayment of any Loan (whether such prepayment is an optional prepayment under Section 2.06(b), a mandatory prepayment required by Section 2.06(c) or a mandatory prepayment required by any other provision of this Agreement or the other Loan Documents, including a prepayment upon acceleration), the Borrowers shall pay (i) if a LIBOR Loan is being prepaid under Section 2.06(b) or Section 2.06(c), to the Administrative Agent for the account of the

Lender that made such LIBOR Loan all accrued interest to the date of such prepayment on the amount prepaid, (ii) if a prepayment is made upon acceleration, to the Administrative Agent for the account of the Lender that made such Loan all accrued interest and fees to the date of such prepayment on the amount prepaid and (iii) to such Lender if such prepayment is the prepayment of a LIBOR Loan on a day other than the last day of an Interest Period for such LIBOR Loan, all amounts payable to such Lender pursuant to Section 2.13.

(b) Optional Prepayments.

(i) At its option, the Borrowers may, without premium or penalty but subject to Section 2.13 in the case of LIBOR Loans, upon one (1) Business Day's notice from the Borrowers to the Administrative Agent in the case of Base Rate Loans or three (3) Business Days' notice from the Borrowers to the Administrative Agent in the case of LIBOR Loans, prepay the Loans in any Borrowing and all accrued but unpaid interest thereon in part, in a minimum principal amount of \$50,000 or an integral multiple of \$10,000 in excess thereof, or in whole. Each such notice shall specify the date and amount of such prepayment; provided that if such prepayment is on any day other than on the last day of the Interest Period applicable to such LIBOR Loan, the Borrowers shall be subject to the payments required by Section 2.13. If such notice is given by the Borrowers, the Borrowers shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein; provided that any such notice may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrowers (by written notice to the Administrative Agent on or prior to the specified prepayment date) if such condition is not satisfied. If no Default has occurred and is continuing, all prepayments under this Section 2.06(b) which are applied to reduce the principal amount of the Loans shall be applied to the Loans as directed by the Borrowers. If the Borrowers fail to direct the application of any such prepayments, then such prepayments shall be applied first to the accrued but unpaid interest on and then any principal of the Term Loans until paid in full (in the manner set forth in Section 2.06(d)), second to the accrued but unpaid interest on and then any principal of the Swing Line Loans until paid in full, third to the accrued but unpaid interest on and then any principal of the Revolving Loans until paid in full and finally to Cash Collateralize the Obligations in an amount equal to the Effective Amount of the L/C Obligations. In each case, to the extent possible, such principal payment shall be first applied to prepay Base Rate Loans and then if any funds remain, to prepay LIBOR Loans; provided that if an Event of Default has occurred and is continuing at the time any such prepayment is made, the Lenders shall apply such prepayments to such Obligations as the Administrative Agent may determine in its discretion which determination shall be effective as to all Lenders (but for regulatory purposes, the Lenders may apply such payments internally as they shall determine).

(ii) At its option, the Borrowers may, upon notice by the Borrowers to the Swing Line Lender (with a copy to the Administrative Agent), at any time or

from time to time, voluntarily prepay Swing Line Loans in whole or in part without premium or penalty; provided, that (A) such notice must be received by the Swing Line Lender and the Administrative Agent not later than 1:00 p.m. on the date of the prepayment, and (B) any such prepayment shall be in a minimum principal amount of \$50,000 or an integral multiple of \$10,000 in excess thereof. Each such notice shall specify the date and amount of such prepayment. If such notice is given by the Borrowers, the Borrowers shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein.

(c) Mandatory Prepayments. The Borrowers shall prepay (or Cash Collateralize, as applicable) the Obligations as follows:

(i) If, at any time, the Effective Amount of all Revolving Loans, Swing Line Loans and L/C Obligations then outstanding exceeds the Total Available Commitment at such time, the Borrowers shall immediately (A) prepay the Swing Line Loans to the extent Swing Line Loans in a sufficient amount are then outstanding, (B) then prepay the Revolving Loans to the extent Revolving Loans in a sufficient amount are then outstanding and (C) otherwise, Cash Collateralize the Obligations in an amount equal to the then Effective Amount of the L/C Obligations, in an aggregate principal amount equal to such excess.

(ii) The Borrowers shall repay each Swing Line Loan on the earlier to occur of (A) the second Swing Line Settlement Date occurring after such Swing Line Loan is made and (B) the Maturity Date.

(iii) If, at any time after the Third Restatement Effective Date, any Loan Party sells or otherwise disposes of any assets (other than sales permitted under Section 5.02(c) (excluding clause (iii) thereof)) and the Net Proceeds of such sale or other disposition, when added to the Net Proceeds of all such sales or dispositions by the Loan Parties during the term of this Agreement, in the aggregate, exceed \$2,500,000, the Borrowers shall, not later than five (5) Business Days after the completion of each such sale or other disposition which results in such excess or an increase in such excess, prepay (or Cash Collateralize, as applicable) the outstanding Loans and other Obligations in the manner set forth in Section 2.06(d), in each case, in an aggregate principal amount equal to one hundred percent (100%) of the Net Proceeds of such excess or increase in such excess. Notwithstanding the foregoing, the Borrowers shall not be required to make a prepayment pursuant to this Section 2.06(c) (iii) with respect to any sale or other disposition (a "Relevant Sale") if the Borrowers advise the Administrative Agent in writing within four (4) Business Days after the time the Net Proceeds from such Relevant Sale are received that the applicable Loan Party intends to reinvest all or any portion of such Net Proceeds in replacement assets to the extent the acquisition of such replacement assets occurs within 180 days from the date of such Relevant Sale. If, at any time after the occurrence of a Relevant Sale and prior to the acquisition of the related replacement assets, the 180-day period provided in the preceding sentence shall elapse or an Event of Default shall occur, then the Borrowers shall immediately

prepay (or Cash Collateralize, as applicable), the outstanding Loans and other Obligations in the amount and in the manner described in the first sentence of this Section 2.06(c)(iii).

(iv) Not later than ninety (90) days after the end of each fiscal year (commencing with the fiscal year ending December 31, 2019), the Borrower shall prepay the outstanding Loans and other Obligations in the manner set forth in Section 2.06(d) in an aggregate amount equal to (x) if the Total Leverage Ratio as of the last day of such fiscal year is greater than or equal to 3.75:1.00, 50%, (y) if the Total Leverage Ratio as of the last day of such fiscal year is greater than or equal to 3.00:1.00 but less than 3.75:1.00, 25% and (z) otherwise, 0% of Excess Cash Flow for such fiscal year;

(v) If, at any time after the Third Restatement Effective Date, any Loan Party issues or sells any Equity Securities or receives any capital contribution from any other Person, the Borrowers shall, immediately after such issuance or sale, prepay (or Cash Collateralize, as applicable) the outstanding Loans and other Obligations in the manner set forth in Section 2.06(d), in each case, in an aggregate principal amount equal to fifty percent (50%) of the Net Proceeds of such Equity Securities.

(vi) Not later than five (5) Business Days after the date (the "Receipt Date") of receipt by a Loan Party (or the Administrative Agent) of any Net Insurance Proceeds or Net Condemnation Proceeds which exceed \$2,000,000 in connection with a particular circumstance or event, the Borrowers shall prepay (or Cash Collateralize, as applicable) the outstanding Loans and other Obligations in the manner set forth in Section 2.06(d) in an amount equal to such Net Insurance Proceeds or Net Condemnation Proceeds. Notwithstanding the foregoing, the Borrowers shall not be required to make a prepayment pursuant to this Section 2.06(c)(vi) with respect to any particular Net Insurance Proceeds or Net Condemnation Proceeds if (A) the Borrowers advise the Administrative Agent in writing within four (4) Business Days after the related Receipt Date that it or another Loan Party intends to repair, restore or replace the assets from which such Net Insurance Proceeds or Net Condemnation Proceeds were derived to the extent such repair, restoration or replacement is completed within 180 days after the related Receipt Date and (B) the Net Insurance Proceeds or Net Condemnation Proceeds are sufficient to defray the entire cost of such repair, restoration or replacement or if not, the Borrowers have deposited with the Administrative Agent good funds equal to the difference between the cost of such repair, restoration or replacement and the amount of Net Insurance Proceeds or Net Condemnation Proceeds deposited with the Administrative Agent, and such funds and proceeds will be held by the Administrative Agent and disbursed under procedures established by the Administrative Agent in good faith. If, at any time after the occurrence of a Receipt Date and prior to the completion of the corresponding repair, restoration or replacement, the applicable 180-day period provided in the preceding sentence shall elapse without the completion of the related repair, restoration or replacement, or the Borrowers shall fail to provide and deposit the

funds and proceeds required under clause (B) above, or an Event of Default shall occur, then the Borrowers shall immediately prepay (or Cash Collateralize, as applicable) the outstanding Loans and other Obligations in the amount and in the manner described in the first sentence of this Section 2.06(c) (vi). If the Borrowers have provided the written notice contemplated by the prior sentence, then until such Net Insurance Proceeds or Net Condemnation Proceeds are needed to pay for the related repair, restoration or replacement such proceeds shall be held by the Administrative Agent as Collateral in an interest bearing account with the Administrative Agent as directed by the Borrowers. No right to apply proceeds to repair, restoration or replacement shall exist if any such repair, restoration or replacement cannot reasonably be completed prior to 180 days before the Maturity Date.

(vii) The Borrowers shall deliver to the Administrative Agent, at the time of each prepayment (or Cash Collateralization, as applicable) required under this Section 2.06(c), (A) a certificate signed by the chief financial officer or vice president of finance of the Borrowers setting forth in reasonable detail the calculation of the amount of such prepayment and (B) to the extent practicable, at least three days prior written notice of such prepayment (or Cash Collateralization, as applicable). Each notice of prepayment (or Cash Collateralization, as applicable) shall specify the prepayment (or Cash Collateralization, as applicable) date and the Type and principal amount of each Loan to be prepaid. In the event that the Borrowers shall subsequently determine that the actual amount was greater than the amount set forth in such certificate, the Borrowers shall promptly make an additional prepayment of the Loans (and/or, if applicable, the Revolving Loan Commitments shall be permanently reduced) in an amount equal to the amount of such excess, and the Borrowers shall concurrently therewith deliver to the Administrative Agent a certificate signed by the chief financial officer or vice president of finance of the Borrowers demonstrating the derivation of the additional amount resulting in such excess.

(d) Application of Loan Prepayments. All prepayments required under Sections 2.06(c)(iii)-(vi) shall be applied: (A) first, to prepay the remaining installments of the Term Loans (if any) in inverse order of maturity, (B) then to prepay the Swing Line Loans to the extent Swing Line Loans are then outstanding, (C) then to prepay the Revolving Loans to the extent Revolving Loans are then outstanding and (D) then to Cash Collateralize the Obligations in an amount equal to the then Effective Amount of the L/C Obligations. Without modifying the order of application of prepayments set forth in the preceding sentence, all such prepayments shall, to the extent possible, be first applied to prepay Base Rate Loans and then if any funds remain, to prepay LIBOR Loans.

2.07. Other Payment Terms.

(a) Place and Manner. All payments to be made by the Borrowers under this Agreement or any other Loan Document shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. The Borrowers shall make all payments due to each Lender or the Administrative Agent under this Agreement or any other Loan

Document by payments to the Administrative Agent at the Administrative Agent's office located at the address specified in Section 8.01, with each payment due to a Lender to be for the account of such Lender and such Lender's Applicable Lending Office. The Borrowers shall make all payments under this Agreement or any other Loan Document in Dollars in same day or immediately available funds not later than 12:00 noon on the date due. The Administrative Agent shall promptly disburse to each Lender each payment received by the Administrative Agent for the account of such Lender.

(b) Date. Whenever any payment due hereunder shall fall due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of interest or fees, as the case may be.

(c) Default Rate. Upon the occurrence and during the continuation of any Event of Default other than an Event of Default described in Section 6.01(a), (f) or (g), at the option of the Required Lenders, from and after the date of such Event of Default (or such later date designated by the Required Lenders) until the time when such Event of Default shall have been cured or waived in writing by the Required Lenders or all the Lenders (as may be required by this Agreement), the Borrowers shall pay interest on the aggregate, outstanding amount of all Obligations hereunder at a per annum rate equal to the otherwise applicable interest rate plus two percent (2.00%) or, if no such per annum rate is applicable to any such Obligations, at a per annum rate equal to the Base Rate, plus the Applicable Margin for Base Rate Loans, plus two percent (2.00%) (the "Default Rate") payable on demand. Upon the occurrence and during the continuation of an Event of Default described in Section 6.01(a), (f) or (g) until the time when such Event of Default shall have been cured or waived in writing by the Required Lenders or all the Lenders (as may be required by this Agreement), the Borrowers shall pay interest on the aggregate, outstanding amount of all Obligations hereunder at a per annum rate equal to the Default Rate (such Default Rate becoming effective on such date of occurrence of such Event of Default without notice and shall be immediately due and payable without notice or demand). Overdue interest shall itself bear interest at the Default Rate, and shall be compounded with the principal Obligations daily, to the fullest extent permitted by applicable Governmental Rules.

(d) Application of Payments. All payments hereunder shall be applied first to unpaid fees, costs and expenses then due and payable under this Agreement or the other Loan Documents, second to accrued interest then due and payable under this Agreement or the other Loan Documents and finally to reduce the principal amount of outstanding Loans and L/C Borrowings. The proceeds of the Collateral will be applied as set forth in Section 6.02.

(e) Failure to Pay the Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrowers at least one (1) Business Day prior to the date on which any payment is due to the Lenders hereunder that the Borrowers will not make such payment in full, the Administrative Agent shall be entitled to assume that the Borrowers have made or will make such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to

be paid to the Lenders on such due date an amount equal to the amount then due such Lenders. If and to the extent the Borrowers shall not have so made such payment in full to the Administrative Agent, each such Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at a *per annum* rate equal to the daily Federal Funds Rate. A certificate of the Administrative Agent submitted to any Lender with respect to any amount owing by such Lender under this Section 2.07(e) shall be conclusive absent manifest error.

2.08. Loan Accounts; Notes.

(a) Loan Accounts. The obligation of the Borrowers to repay the Loans made to it by each Lender and to pay interest thereon at the rates provided herein shall be evidenced by an account or accounts maintained by such Lender on its books (individually, a "Loan Account"), except that any Lender may request that its Loans be evidenced by a note or notes pursuant to Section 2.08(b) and Section 2.08(c). Each Lender shall record in its Loan Accounts (i) the date and amount of each Loan made by such Lender, (ii) the interest rates applicable to each such Loan and the effective dates of all changes thereto, (iii) the Interest Period for each LIBOR Loan, (iv) the date and amount of each principal and interest payment on each Loan and (v) such other information as such Lender may determine is necessary for the computation of principal and interest payable to it by the Borrowers hereunder; provided, however, that any failure by a Lender to make, or any error by any Lender in making, any such notation shall not affect the Borrowers' Obligations. The Loan Accounts shall be conclusive absent manifest error as to the matters noted therein. In addition to the Loan Accounts, each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit and Swing Line Loans. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control.

(b) Revolving Loan Notes. If requested by a Revolving Lender, such Lender's Revolving Loans shall be evidenced by a promissory note in the form of Exhibit E (individually, a "Revolving Loan Note") which note shall be (i) payable to the order of such Lender, (ii) in the amount of such Lender's Revolving Loan Commitment, (iii) dated the Third Restatement Effective Date or other date acceptable to such Lender and (iv) otherwise appropriately completed. The Borrowers authorize each Revolving Lender to record on the schedule annexed to such Lender's Revolving Loan Note the date and amount of each Revolving Loan made by such Lender and of each payment or prepayment of principal thereon made by the Borrowers, and agrees that all such notations shall be conclusive absent manifest error with respect to the matters noted; provided, however, that any failure by a Lender to make, or any error by any Lender in making, any such notation shall not affect the Borrowers' Obligations. The Borrowers further authorize each Revolving Lender to attach to and make a part of such Lender's Revolving Loan Note continuations of the schedule attached thereto as necessary. If, because any Revolving Lender designates separate Applicable Lending Offices for Base Rate Loans and LIBOR

Loans, such Lender requests that separate promissory notes be executed to evidence separately such Revolving Loans, then each such note shall be in the form of Exhibit E, *mutatis mutandis* to reflect such division, and shall be (w) payable to the order of such Lender, (x) in the amount of such Lender's Revolving Loan Commitment, (y) dated the Third Restatement Effective Date or other date acceptable to such Lender and (z) otherwise appropriately completed. Such notes shall, collectively, constitute a Revolving Loan Note.

(c) Swing Loan Notes. The Swing Line Lender's Swing Line Loans shall be evidenced by a promissory note in the form of Exhibit F (individually, a "Swing Loan Note") which note shall be (i) payable to the order of the Swing Line Lender, (ii) in the amount of the Swing Line Lender's Swing Line Loans, (iii) dated the Third Restatement Effective Date and (iv) otherwise appropriately completed.

(d) Term Loan Notes. If requested by a Term Lender, such Lender's Term Loans shall be evidenced by a promissory note in the form of Exhibit I (individually, a "Term Loan Note") which note shall be (i) payable to the order of such Lender, (ii) in the amount of such Lender's Term Loan, (iii) dated the Amortization Commencement Date or other date acceptable to such Lender and (iv) otherwise appropriately completed. If, because any Term Lender designates separate Applicable Lending Offices for Base Rate Loans and LIBOR Loans, such Lender requests that separate promissory notes be executed to evidence separately such Term Loans, then each such note shall be in the form of Exhibit E, *mutatis mutandis* to reflect such division, and shall be (w) payable to the order of such Lender, (x) in the amount of such Lender's Term Loan, (y) dated the Third Restatement Effective Date and (z) otherwise appropriately completed. Such notes shall, collectively, constitute a Term Loan Note.

2.09. Loan Funding.

(a) Lender Funding and Disbursement to the Borrowers. Each Lender shall, before 11:00 a.m. on the date of each Revolving Loan Borrowing, make available to the Administrative Agent at the Administrative Agent's office specified in Section 8.01, in same day or immediately available funds, such Lender's Revolving Proportionate Share of such Borrowing. After the Administrative Agent's receipt of such funds and upon satisfaction of the applicable conditions set forth in Section 3.02 and Section 3.03, as applicable (if such Borrowing is the initial Loan or Letter of Credit, Section 3.01), the Administrative Agent shall promptly make all funds so received available to the Borrowers in like funds as received by the Administrative Agent either by (i) crediting the joint account of the Borrowers maintained by the Borrowers on the books of Wells Fargo with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to the Administrative Agent by the Borrowers; provided, however, that if, on the date of the Borrowing there are Swing Line Loans and/or L/C Borrowings outstanding, then the proceeds of such Borrowing shall be applied, first, to the payment in full of any such L/C Borrowings, second, to the payment in full of any such Swing Line Loans, and third, to the Borrowers as provided above.

(b) Lender Failure to Fund. Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Revolving Loan Borrowing that such

Lender will not make available to the Administrative Agent such Lender's Revolving Proportionate Share of such Borrowing, the Administrative Agent shall be entitled to assume that such Lender has made or will make such portion available to the Administrative Agent on the date of such Borrowing in accordance with Section 2.09(a), and the Administrative Agent may on such date, in reliance upon such assumption, disburse or otherwise credit to the Borrowers a corresponding amount. If any Lender does not make the amount of such Lender's Revolving Proportionate Share of any Revolving Loan Borrowing available to the Administrative Agent on or prior to the date of such Borrowing, such Lender shall pay to the Administrative Agent, on demand, interest which shall accrue on such amount from the date of such Borrowing until such amount is paid to the Administrative Agent at *per annum* rates equal to the daily Federal Funds Rate. A certificate of the Administrative Agent submitted to any Lender with respect to any amount owing by such Lender under this Section 2.09(b) shall be conclusive absent manifest error with respect to such amount. If the amount of any Lender's Revolving Proportionate Share of any Revolving Loan Borrowing is not paid to the Administrative Agent by such Lender within three (3) Business Days after the date of such Borrowing, the Borrowers shall repay such amount to the Administrative Agent, on demand, together with interest thereon, for each day from the date such amount was disbursed to the Borrowers until the date such amount is repaid to the Administrative Agent, at the interest rate applicable at the time to the Loans comprising such Borrowing.

(c) Lenders' Obligations Several. The failure of any Lender to make the Loan to be made by it as part of any Borrowing or to fund participations in Letters of Credit and Swing Line Loans to be funded by it shall not relieve any other Lender of its obligation hereunder to make its Loan as part of such Borrowing or fund its participations in Letters of Credit and Swing Line Loans, but, except as a result of a reallocation of a Defaulting Lender's Revolving Proportionate Share of the Effective Amount of L/C Obligations and Swing Line Loans pursuant to Section 2.16(a)(iv), no Lender shall be obligated in any way to make any Loan or fund any participation in Letters of Credit or Swing Line Loans which another Lender has failed or refused to make or otherwise be in any way responsible for the failure or refusal of any other Lender to make any Loan required to be made by such other Lender on the date of any Borrowing or to fund any participation required to be funded by such other Lender.

2.10. Pro Rata Treatment.

(a) Borrowings, Commitment Reductions, Etc. Except as otherwise provided herein (including the application of funds provided for under Section 2.16(a)(ii) arising from the existence of a Defaulting Lender and the termination of the unused Revolving Loan Commitment of a Defaulting Lender provided for under Section 2.16(a)(vi)):

(i) (A) Each Revolving Borrowing and reduction of the Total Revolving Loan Commitment shall be made or shared among the Lenders *pro rata* according to their respective Revolving Proportionate Shares and (B) the Term Loan Borrowing shall be made by the Lenders *pro rata* according to their respective Revolving Proportionate Shares on the Amortization Commencement Date;

(ii) Each payment of principal on Loans in any Borrowing or on any L/C Advances in any L/C Borrowing shall be shared among the Lenders which hold the Loans in such Borrowing or the L/C Advances in such L/C Borrowing *pro rata* according to the respective unpaid principal amounts of such Loans or L/C Advances then owed to such Lenders; provided, however, during any time there is a Defaulting Lender, each payment of principal on Loans or L/C Advances shall be shared by only the Non-Defaulting Lenders that made such Loans or L/C Advances *pro rata* according to the respective unpaid principal amounts of such Loans or L/C Advances then owed to such Non-Defaulting Lenders until the unpaid principal amounts of all Loans or L/C Advances, as applicable, are held by all Lenders according to their respective Revolving Proportionate Shares;

(iii) Each payment of interest on Loans in any Borrowing shall be shared among the Lenders which made or funded the Loans in such Borrowing *pro rata* according to (A) the respective unpaid principal amounts of such Loans so made or funded by such Lenders and (B) the dates on which such Lenders so made or funded such Loans;

(iv) Each payment of Commitment Fees payable under Section 2.05(b) and Letter of Credit fees payable under Section 2.02(i) shall be shared among the Revolving Lenders with Revolving Loan Commitments (except for Defaulting Lenders) *pro rata* according to (A) their respective Revolving Proportionate Shares and (B) in the case of each Lender which becomes a Lender hereunder after the date hereof, the date upon which such Lender so became a Lender;

(v) Each payment of interest (other than interest on Loans or interest in respect of Lender Rate Contracts or Lender Bank Products) shall be shared among the Lenders and the Administrative Agent owed the amount upon which such interest accrues *pro rata* according to (A) the respective amounts so owed such Lenders and the Administrative Agent and (B) the dates on which such amounts became owing to such Lenders and the Administrative Agent;

(vi) Letter of Credit fees payable under Section 2.02(i) shall be shared among the Lenders with Revolving Loan Commitments (other than Defaulting Lenders who have not provided Cash Collateral satisfactory to the L/C Issuer pursuant to Section 2.16(c)) and the L/C Issuer *pro rata* according to their respective L/C Risk Participations and Fronting Exposure with respect to the applicable Letters of Credit;

(vii) Each payment of any fees due in connection with any amendment hereto or any waiver of or forbearance from any Event of Default existing hereunder shall be shared among those Lenders consenting to such amendment, waiver or forbearance or as otherwise agreed to by such Lenders; and

(viii) All other payments under this Agreement and the other Loan Documents (including, without limitation, fees paid in connection with any

amendment, consent, waiver or the like) shall be for the benefit of the Person or Persons specified and entitled to payment.

(b) Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of the Loans made by it, or the participations in L/C Obligations or in Swing Line Loans held by it, in excess of its ratable share of payments on account of the Loans and the L/C Obligations obtained by all Lenders entitled to such payments, such Lender shall forthwith purchase from the other Lenders such participations in the Loans and/or participations in L/C Obligations or in Swing Line Loans as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase shall be rescinded and each other Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such other Lender's ratable share (according to the proportion of (i) the amount of such other Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrowers agree that any Lender so purchasing a participation from another Lender pursuant to this Section 2.10(b) may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of the Borrowers in the amount of such participation.

For the avoidance of doubt, the provisions of this Section 2.10(b) shall not be construed to apply to (x) any payment made by the Borrowers pursuant to and in accordance with the express terms of this Agreement (including (1) the sharing of principal payments among Non-Defaulting Lenders pursuant to the proviso to Section 2.10(a)(ii) and (2) the application of funds provided for under Section 2.16(a)(ii) arising from the existence of a Defaulting Lender) or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in L/C Obligations or in Swing Line Loans to any assignee or participant.

2.11. Change of Circumstances.

(a) Inability to Determine Rates. If, on or before the first day of any Interest Period for any LIBOR Loan, (i) any Lender shall advise the Administrative Agent that the LIBOR Rate for such Interest Period cannot be adequately and reasonably determined due to the unavailability of funds in or other circumstances affecting the London interbank market or (ii) any Lender shall advise the Administrative Agent that the rate of interest for such Loan does not adequately and fairly reflect the cost to such Lender of making or maintaining such LIBOR Loan, the Administrative Agent shall immediately give notice of such condition to the Borrowers and the other Lenders. After the giving of any such notice and until the Administrative Agent shall otherwise notify the Borrowers that the circumstances giving rise to such condition no longer exist, the Borrowers' right to request the making of, conversion to or a new Interest Period for LIBOR Loans or the continuation of a Loan as a LIBOR Loan shall be suspended. Any LIBOR Loans outstanding at the commencement of any such suspension shall be converted at the end of the then current

Interest Period for such LIBOR Loans into Base Rate Loans, unless such suspension has then ended.

(b) Illegality. If any Change of Law shall make it unlawful or impossible for any Lender to make or maintain any LIBOR Loan, such Lender shall immediately notify the Administrative Agent and the Borrowers in writing of such Change of Law. Upon receipt of such notice, (i) the Borrowers' right to request the making of, conversion to or a new Interest Period for LIBOR Loans with respect to such Lender shall be terminated, and (ii) the Borrowers shall, at the request of such Lender, either (A) pursuant to Section 2.01(e), as the case may be, convert any such then outstanding LIBOR Loans of such Lender into Base Rate Loans at the end of the current Interest Period for such LIBOR Loans or (B) immediately repay or convert any such LIBOR Loans of such Lender if such Lender shall notify the Borrowers that such Lender may not lawfully continue to fund and maintain such LIBOR Loans. Any conversion or prepayment of LIBOR Loans made pursuant to the preceding sentence prior to the last day of an Interest Period for such LIBOR Loans shall not be deemed a prepayment thereof for purposes of Section 2.13. After any Lender notifies the Administrative Agent and the Borrowers of such a Change of Law and until such Lender notifies the Administrative Agent and the Borrowers that it is no longer unlawful or impossible for such Lender to make or maintain a LIBOR Loan, all Revolving Loans of such Lender shall be Base Rate Loans.

(c) Increased Costs. If any Change of Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in the LIBOR Rate); or

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to the Administrative Agent or any such Lender of making, converting to, continuing or maintaining any Loan or of maintaining its obligation to make any such Loan, or to increase the cost to the Administrative Agent or such Lender of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by the Administrative Agent or such Lender (whether of principal, interest or any other amount) then, upon request of the Administrative Agent or such Lender, the Borrowers will, within five (5) Business Days after written demand therefor, pay to the Administrative Agent or such Lender, as the case may be, such additional amount or amounts as

will compensate the Administrative Agent or such Lender, as the case may be, for such additional costs incurred or reduction suffered. The obligations of the Borrowers under this Section 2.11(c) shall survive the payment and performance of the Obligations and the termination of this Agreement.

(d) Capital Requirements. If any Lender determines that any Change of Law affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the commitments of such Lender or the Loans made by, or participations in Letters of Credit or Swing Line Loans held by, such Lender, or the Letters of Credit issued by any L/C Issuer, to a level below that which such Lender or such Lender's holding company could have achieved but for such Change of Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy and liquidity), then from time to time the Borrowers will, within five (5) Business Days after written demand therefor, pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered. The obligations of the Borrowers under this Section 2.11(d) shall survive the payment and performance of the Obligations and the termination of this Agreement.

(e) Certificates for Reimbursement. A certificate of the Administrative Agent or a Lender, as applicable, setting forth the amount or amounts necessary to compensate the Administrative Agent or such Lender or its holding company, as the case may be, as specified in Section 2.11(c) or Section 2.11(d) and delivered to the Borrowers, shall be conclusive absent manifest error. The Borrowers shall pay the Administrative Agent or such Lender, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(f) Delay in Requests. Failure or delay on the part of the Administrative Agent or any Lender to demand compensation pursuant to Section 2.11(c) or Section 2.11(d) shall not constitute a waiver of the Administrative Agent's or such Lender's right to demand such compensation; provided that the Borrowers shall not be required to compensate the Administrative Agent or a Lender pursuant to Section 2.11(c) or Section 2.11(d) for any increased costs incurred or reductions suffered more than 270 days prior to the date that the Administrative Agent or such Lender, as the case may be, notifies the Borrowers of the Change of Law giving rise to such increased costs or reductions, and of the Administrative Agent's or such Lender's intention to claim compensation therefor (except that, if the Change of Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof).

2.12. Taxes on Payments.

(a) Defined Terms. For purposes of this Section Taxes on Payments, the term "Lender" includes any L/C Issuer and the term "applicable law" includes FATCA.

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Loan Parties. The Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) Indemnification by the Loan Parties. The Loan Parties shall jointly and severally indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 2.12) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrowers by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Evidence of Payments. As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section 2.12, the applicable Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(f) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Loan Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 8.05 relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such

Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (f).

(g) Status of Lenders.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrowers and the Administrative Agent, at the time or times reasonably requested by the Borrowers or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrowers or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrowers or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrowers or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.12(g)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing,

(A) any Lender that is a U.S. Person shall deliver to the Borrowers and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrowers or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrowers and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrowers or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with

respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “interest” article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty;

(2) executed copies of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit J-1 to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Code, a “10 percent shareholder” of the Borrowers within the meaning of Section 881(c)(3)(B) of the Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code (a “U.S. Tax Compliance Certificate”) and (y) executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, IRS Form W-8BEN-E a U.S. Tax Compliance Certificate substantially in the form of Exhibit J-2 or Exhibit J-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit J-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrowers and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrowers or the Administrative Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law

to permit the Borrowers or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrowers and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrowers or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrowers or the Administrative Agent as may be necessary for the Borrowers and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered becomes inaccurate in any respect, it shall update such form or certification or promptly notify the Borrowers and the Administrative Agent in writing of its legal inability to do so.

(h) Survival. Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 2.12 shall survive the payment in full of principal, interest and all other Obligations hereunder.

(i) Tax Returns. Nothing contained in this Section 2.12 shall require the Administrative Agent or any Lender to make available any of its tax returns or any other information that it deems to be confidential or proprietary.

2.13. Funding Loss Indemnification. If the Borrowers, including as a result of an assignment required by Section 2.15(b), shall (a) repay, prepay or convert any LIBOR Loan on any day other than the last day of an Interest Period therefor (whether a scheduled payment, an optional prepayment or conversion, a mandatory prepayment or conversion, a payment upon acceleration or otherwise), (b) fail to borrow any LIBOR Loan or for which a Notice of Loan Borrowing has been delivered to the Administrative Agent (whether as a result of the failure to satisfy any applicable conditions or otherwise), (c) fail to convert any Loans into LIBOR Loans in accordance with a Notice of Conversion delivered to the Administrative Agent (whether as a result of the failure to satisfy any applicable conditions or otherwise) or (d) fail to continue a LIBOR Loan for which a Notice of Interest Period Selection has been delivered to the Administrative Agent, the Borrowers shall pay to the appropriate Lender within five (5) Business Days after demand a prepayment fee, failure to borrow fee, failure to convert fee or failure to continue fee, as the case may be (determined as though 100% of the LIBOR Loan had been funded in the London interbank eurodollar currency market) equal to the sum of:

(a) the amount, if any, by which (i) the additional interest would have accrued on the amount prepaid or not borrowed at the LIBOR Rate plus the Applicable Margin for LIBOR Loans if that amount had remained or been outstanding through the last day of the applicable Interest Period exceeds (ii) the interest that such Lender could recover by placing such amount on deposit in the London interbank eurodollar currency market for a period beginning on the date of the prepayment or failure to borrow and ending on the last day of the applicable Interest Period (or, if no deposit rate quotation is available for such period, for the most comparable period for which a deposit rate quotation may be obtained); plus

(b) All reasonable and customary out-of-pocket expenses incurred by such Lender reasonably attributable to such payment, prepayment or failure to borrow.

Each Lender's determination of the amount of any prepayment fee payable under this Section 2.13 shall be demonstrated pursuant to calculations in reasonable detail and shall be conclusive in the absence of manifest error. The obligations of the Borrowers under this Section 2.13 shall survive the payment and performance of the Obligations and the termination of this Agreement.

2.14. Security.

(a) Security Documents. The Loans, together with all other Obligations, shall be secured by the Liens granted by the Borrowers under the Security Documents. All obligations of a Guarantor under the Loan Documents shall be secured by the Liens granted by such Guarantor under the Security Documents. So long as the terms thereof are in compliance with this Agreement, each Lender Rate Contract and Lender Bank Product shall be secured by the Lien of the Security Documents with the priority set forth in Section 6.02.

(b) Further Assurances. The Borrowers shall deliver, and shall cause each Guarantor to deliver, to the Administrative Agent such mortgages, deeds of trust, security agreements, pledge agreements, lessor consents and estoppels (containing appropriate mortgagee and lender protection language), control agreements, and other instruments, agreements, certificates, opinions and documents (including Uniform Commercial Code financing statements and fixture filings and landlord waivers) as the Administrative Agent may reasonably request to:

(i) grant, perfect, maintain, protect and evidence security interests in favor of the Administrative Agent, for the benefit of the Administrative Agent and the Lender Parties, in any or all present and future property of the Borrowers and the Guarantors prior to the Liens or other interests of any Person, except for Permitted Liens; and

(ii) otherwise establish, maintain, protect and evidence the rights provided to the Administrative Agent, for the benefit of the Administrative Agent and the Lender Parties, pursuant to the Security Documents.

The Borrowers shall fully cooperate with the Administrative Agent and the Lenders and perform all additional acts requested by the Administrative Agent or any Lender to effect the

purposes of this Section 2.14.

2.15. Lender Mitigation; Replacement of the Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 2.11(c), or requires the Borrowers to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.12, then such Lender shall (at the request of the Borrowers) use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.11(c) or Section 2.12, as the case may be, in the future, and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrowers hereby agree to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If (i) any Lender requests compensation under Section 2.11(c) or Section 2.11(d), (ii) the Borrowers are required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.12 and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 2.15(a),

(iii) any Lender is a Defaulting Lender or a Non-Consenting Lender, or (iv) any Loan Party shall receive a notice from any applicable Governmental Authority that a Lender is no longer qualified or suitable to make Loans to one or more Borrowers under the applicable Gaming Laws (and such Lender is notified by the Borrowers and the Administrative Agent in writing of such disqualification), including because such Lender has been denied a License, qualification or finding of suitability or has failed to deliver information required under the applicable Gaming Laws, then the Borrowers may, at their sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 8.05), all of its interests, rights (other than its existing rights to payments pursuant to Section 2.11(c), Section 2.11(d) or Section 2.12) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that:

(i) the Borrowers shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 8.05;

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in L/C Obligations, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 2.11) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrowers (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under Section 2.11(c) or Section 2.11(d) or payments required to be made pursuant to Section 2.12, such assignment will result in a reduction in such compensation or payments thereafter;

(iv) such assignment does not conflict with applicable law; and

(v) in the case of any assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrowers to require such assignment and delegation cease to apply.

2.16. Defaulting Lenders.

(a) Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, modification, supplement, extension, termination, waiver or consent with respect to this Agreement or any other Loan Document shall be restricted as set forth in the definition of Required Lenders and in the Defaulting Lender Amendment Paragraph.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 6.02 or otherwise), shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a *pro rata* basis of any amounts owing by such Defaulting Lender to the L/C Issuer or the Swing Line Lender hereunder; third, to Cash Collateralize the L/C Issuer's Fronting Exposure with respect to such Defaulting Lender in accordance with Section 2.16(c); fourth, as the Borrowers may request (so long as no Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrowers, to be held in a non-interest bearing deposit account and released *pro rata* in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) Cash Collateralize the L/C Issuer's future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.16(c); sixth, to the payment of any amounts owing to the Administrative Agent, the Lenders, the L/C Issuer or the Swing Line Lender as a result of any judgment of a court of competent jurisdiction obtained by the Administrative Agent, any Lender, the

L/C Issuer or the Swing Line Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrowers as a result of any judgment of a court of competent jurisdiction obtained by the Borrowers against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or L/C Borrowing in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 3.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and L/C Borrowings owed to, all Non-Defaulting Lenders on a *pro rata* basis prior to being applied to the payment of any Loans of, or L/C Borrowings owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in L/C Obligations and Swing Line Loans are held by the Lenders *pro rata* in accordance with the Revolving Loan Commitments under the applicable this Agreement without giving effect to Section 2.16(a)(iv). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.16(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees.

(A) Any Defaulting Lender shall not be entitled to receive any commitment fee for any period during which that Lender is a Defaulting Lender (and the Borrowers shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(B) Each Defaulting Lender shall be entitled to receive Letter of Credit fees for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Revolving Pro Rata Share of the stated amount of Letters of Credit for which it has provided Cash Collateral pursuant to Section 2.16(a)(v).

(C) With respect to any Letter of Credit Fee not required to be paid to any Defaulting Lender pursuant to clause (B) above, the Borrowers shall (x) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in L/C Obligations that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (y) pay to the L/C Issuer the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to the L/C Issuer's Fronting Exposure to such Defaulting Lender, and (z) not be required to pay the remaining amount of any such fee.

(iv) Reallocation of Participations to Reduce Fronting Exposure. All or any part of such Defaulting Lender's participation in L/C Obligations and Swing Line Loans shall be reallocated among the Non-Defaulting Lenders in accordance with their

respective Revolving Proportionate Shares (calculated without regard to such Defaulting Lender's Revolving Loan Commitment) but only to the extent that such reallocation does not cause the sum of (I) the Effective Amount of all Revolving Loans made by such Non-Defaulting Lender outstanding at such time and (II) such Non-Defaulting Lender's Total Lender Risk Participation at such time to exceed such Non-Defaulting Lender's Revolving Loan Commitment. No reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(v) Cash Collateral, Repayment of Swing Line Loans. If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrowers shall, without prejudice to any right or remedy available to it hereunder or under law, (x) first, prepay Swing Line Loans in an amount equal to the Swing Line Lender's Fronting Exposure and (y) second, Cash Collateralize the L/C Issuer's Fronting Exposure in accordance with the procedures set forth in Section 2.16(c).

(vi) Termination of Revolving Loan Commitment. The Borrowers may terminate the unused amount of the Revolving Loan Commitment of a Defaulting Lender upon not less than three (3) Business Days' prior notice to the Administrative Agent (which will promptly notify the Lenders thereof), and in such event the provisions of clause (ii) above will apply to all amounts thereafter paid by the Borrowers for the account of such Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity or other amounts); provided that (i) no Event of Default shall have occurred and be continuing and (ii) such termination will not be deemed to be a waiver or release of any claim the Borrowers, the Administrative Agent, the L/C Issuer or any Lender may have against such Defaulting Lender.

(b) Defaulting Lender Cure. If the Borrowers, the Administrative Agent and the L/C Issuer and the Swing Line Lender agree in writing in their sole discretion that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Revolving Loans and funded and unfunded participations in Letters of Credit and Swing Line Loans to be held *pro rata* by the Lenders in accordance with their Revolving Proportionate Shares (without giving effect to Section 2.16(a)(iv)), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrowers while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Non-Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(c) Cash Collateral Provisions.

(i) At any time that there shall exist a Defaulting Lender, within one Business Day following the written request of the Administrative Agent or the L/C Issuer (with a copy to the Administrative Agent) the Borrowers shall Cash Collateralize the L/C Issuer's Fronting Exposure with respect to such Defaulting Lender (determined after giving effect to Section 2.16(a)(iv)) and any Cash Collateral provided by such Defaulting Lender) in an amount not less than the Minimum Collateral Amount.

(ii) The Borrowers, and to the extent provided by any Defaulting Lender, such Defaulting Lender, hereby grant to the Administrative Agent, for the benefit of the L/C Issuer, and agrees to maintain, a first priority security interest in all such Cash Collateral as security for the Defaulting Lender's obligation to fund participations in respect of L/C Obligations, to be applied pursuant to clause (iii) below. If at any time the Administrative Agent determines that Cash Collateral is subject to any right or claim of any Person other than the Administrative Agent and the L/C Issuer as herein provided (other than Permitted Liens), or that the total amount of such Cash Collateral is less than the Minimum Collateral Amount, the Borrowers will, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional Cash Collateral in an amount sufficient to eliminate such deficiency (after giving effect to any Cash Collateral provided by the Defaulting Lender).

(iii) Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.16 in respect of Letters of Credit shall be applied to the satisfaction of the Defaulting Lender's obligation to fund participations in respect of L/C Obligations (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein.

(iv) Cash Collateral (or the appropriate portion thereof) provided to reduce the L/C Issuer's Fronting Exposure shall no longer be required to be held as Cash Collateral pursuant to this Section 2.16(c) following (i) the elimination of the applicable Fronting Exposure (including by the termination of Lender status of the applicable Defaulting Lender), or (ii) the determination by the Administrative Agent and the L/C Issuer that there exists excess Cash Collateral; provided that, subject to this Section 2.16 the Person providing Cash Collateral and the L/C Issuer may agree that Cash Collateral shall be held to support future anticipated Fronting Exposure or other obligations.

(d) New Swing Line Loans/Letters of Credit. So long as any Lender is a Defaulting Lender, (i) the Swing Line Lender shall not be required to fund any Swing Line Loans unless it is satisfied that it will have no Fronting Exposure after giving effect to such Swing Line Loan and (ii) the L/C Issuer shall not be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

(e) Termination of Defaulting Lender. The Borrowers may terminate the unused amount of the Revolving Loan Commitment of any Lender that is a Defaulting Lender upon not less than three (3) Business Days' prior notice to the Administrative Agent (which shall

promptly notify the Lenders thereof), and in such event the provisions of Section 2.16(a)(ii) will apply to all amounts thereafter paid by the Borrowers for the account of such Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity or other amounts); provided that (i) no Event of Default shall have occurred and be continuing, and (ii) such termination shall not be deemed to be a waiver or release of any claim the Borrowers, the Administrative Agent, the L/C Issuer, the Swing Line Lender or any Lender may have against such Defaulting Lender.

ARTICLE III. CONDITIONS PRECEDENT.

3.01. Initial Conditions Precedent. The Third Restatement Effective Date and the effectiveness of this Agreement are subject to the satisfaction or waiver of the conditions set forth on Schedule 3.01 and receipt by the Administrative Agent, on or prior to the Third Restatement Effective Date, of each item listed on Schedule 3.01, each in form and substance satisfactory to the Administrative Agent and each Lender.

3.02. Conditions Precedent to each Credit Event. The occurrence of each Credit Event (including the initial Borrowing) is subject to the further conditions that:

(a) The Borrowers shall have delivered to the Administrative Agent and, if applicable, the L/C Issuer or the Swing Line Lender, the Notice of Borrowing or Letter of Credit Application, as the case may be, for such Credit Event in accordance with this Agreement; and

(b) On the date such Credit Event is to occur and after giving effect to such Credit Event, the following shall be true and correct:

(i) The representations and warranties of the Loan Parties set forth in Article IV and in the other Loan Documents are true and correct in all material respects (except to the extent that such representation and warranty is qualified by materiality, in which case such representation and warranty must be true in all respects) as if made on such date (except for representations and warranties expressly made as of a specified date, which shall be true and correct in all material respects (except to the extent that such representation and warranty is qualified by materiality, in which case such representation and warranty must be true in all respects) as of such date);

(ii) No Default has occurred and is continuing or will result from such Credit Event;

(iii) No material adverse change in the business, operations, condition (financial or otherwise), assets or liabilities (whether actual or contingent) of the Loan Parties (taken as a whole) having occurred since December 31, 2015; and

(iv) For any Credit Event prior to the Completion Date, the Borrowers shall have represented and warranted to the Administrative Agent and the Lenders that the Expansion Project is not Out-Of-Balance (and shall have delivered

calculations with respect thereto in form and substance reasonably satisfactory to the Administrative Agent).

The submission by the Borrowers to the Administrative Agent of each Notice of Borrowing and each Letter of Credit Application shall be deemed to be a representation and warranty by the Borrowers that each of the statements set forth above in Section 3.02(b) is true and correct as of the date of such notice.

3.03. Conditions Precedent to Construction Loans. In addition to any applicable conditions precedent set forth elsewhere in this Article III, and after giving effect to the requested Construction Loans, the obligation of each Lender to make any Construction Loan is subject to the conditions precedent set forth on Schedule 3.03 being satisfied before and after giving effect to the requested Loan.

ARTICLE IV. REPRESENTATIONS AND WARRANTIES.

4.01. Representations and Warranties. In order to induce the Administrative Agent and the Lenders to enter into this Agreement, the Borrowers hereby represent and warrant to the Administrative Agent and the Lenders for the Borrowers and each of the other Loan Parties as follows and agrees that each of said representations and warranties shall be deemed to survive until full, complete and indefeasible payment and performance of the Obligations and shall apply anew to each Borrowing hereunder:

(a) Due Formation, Qualification, etc. Each Loan Party (i) is a corporation, partnership or limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or formation; (ii) has the power and authority to own, lease and operate its properties and carry on its business as now conducted; and (iii) is duly qualified, licensed to do business and in good standing as a foreign corporation, partnership or limited liability company, as applicable, in each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification or license and where the failure to be so qualified or licensed, individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

(b) Authority. The execution, delivery and performance by each Loan Party of each Loan Document executed, or to be executed, by such Loan Party and the consummation of the transactions contemplated thereby (i) are within the power of such Loan Party and (ii) have been duly authorized by all necessary actions on the part of such Loan Party.

(c) Enforceability. Each Loan Document executed, or to be executed, by each Loan Party has been, or will be, duly executed and delivered by such Loan Party and constitutes, or will constitute, a legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity.

(d) Non-Contravention. The execution and delivery by each Loan Party of the Loan Documents executed by such Loan Party and the performance and consummation of the transactions (including the use of Loan and Letter of Credit proceeds) contemplated thereby do not (i) violate any Requirement of Law applicable to such Loan Party; (ii) violate any provision of, or result in the breach or the acceleration of, or entitle any other Person to accelerate (whether after the giving of notice or lapse of time or both), any Contractual Obligation of such Loan Party; (iii) result in the creation or imposition of any Lien (or the obligation to create or impose any Lien) upon any property, asset or revenue of such Loan Party (except such Liens as may be created in favor of the Administrative Agent for the benefit of the Lender Parties pursuant to this Agreement or the other Loan Documents), (iv) result in a revocation, termination or other material restriction on any Licenses material to the business, operations or properties of the Loan Parties or (v) violate any provision of any existing law, rule, regulation, order, writ, injunction or decree of any court or Governmental Authority to which it is subject.

(e) Approvals.

(i) Except as provided in Nevada Gaming Commission Regulations 3.020 or 8.130 with respect to Atlantis Casino Resort Spa, no consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Authority or other Person (including, without limitation, the equity holders of any Person) is required in connection with the borrowing of Loans, the granting of Liens under the Loan Documents, the execution and delivery of the Loan Documents (or any documents executed in connection therewith) executed by any Loan Party or the performance or consummation of the transactions contemplated hereby and thereby, except for those which have been made or obtained and are in full force and effect.

(ii) All Governmental Authorizations required for the activities and operations of the Loan Parties (including gaming operations) and the ownership of all property owned, operated or leased by the Loan Parties have been duly obtained and are in full force and effect without any known conflict with the rights of others and free from any unduly burdensome restrictions, except where any such failure to obtain such Governmental Authorizations or any such conflict or restriction could not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect. No Loan Party has received any written notice or other written communications from any Governmental Authority regarding (A) any revocation, withdrawal, suspension, termination or modification of, or the imposition of any material conditions with respect to, any Governmental Authorization or License, or (B) any other limitations on the conduct of business by such Loan Party, except where any such revocation, withdrawal, suspension, termination, modification, imposition or limitation could not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

(iii) No Governmental Authorization is required for either (x) the pledge or grant by any Loan Party as applicable of the Liens purported to be created in favor of the Administrative Agent in connection herewith or any other Loan

Document or (y) the exercise by the Administrative Agent of any rights or remedies in respect of any Collateral (whether specifically granted or created pursuant to any of the Security Documents or created or provided for by any Governmental Rule), except for (1) such Governmental Authorizations that have been obtained and are in full force and effect and fully disclosed to Administrative Agent in writing, and (2) filings or recordings contemplated in connection with this Agreement or any Security Document.

(f) No Violation or Default. No Loan Party is in violation of or in default with respect to (i) any Requirement of Law applicable to such Person (including Gaming Laws) or (ii) any Contractual Obligation of such Person (nor is there any waiver in effect which, if not in effect, could result in such a violation or default), where, in each case, such violation or default could reasonably be expected to have a Material Adverse Effect. No Default has occurred and is continuing.

(g) Litigation. Except as set forth in Schedule 4.01(g), no actions (including derivative actions), suits, proceedings (including arbitration proceedings or mediation proceedings) or investigations are pending or threatened against any Loan Party at law or in equity in any court, arbitration proceeding or before any other Governmental Authority which (i) could reasonably be expected to (alone or in the aggregate) have a Material Adverse Effect or (ii) seek to enjoin, either directly or indirectly, the execution, delivery or performance by any Loan Party of the Loan Documents or the transactions contemplated thereby (or any documents executed in connection therewith or the transactions contemplated thereby) or the construction of the Expansion Project.

(h) Real Property, Etc.

(i) All real property owned or leased by the Loan Parties is described (including, as to real property owned, a legal description) in Schedule 4.01(h) (as supplemented from time to time by the Borrowers in a notice delivered pursuant to Section 5.01(a)(ix)). The Loan Parties own and have good and marketable title, or a valid leasehold interest in, all their respective properties and assets as reflected in the most recent Financial Statements of Parent delivered to the Administrative Agent (except those assets and properties disposed of in the ordinary course of business or otherwise in compliance with this Agreement since the date of such Financial Statements) and all respective assets and properties acquired by the Loan Parties since such date (except those disposed of in the ordinary course of business or otherwise in compliance with this Agreement), except in each case, such defects in title that, in the aggregate, could not reasonably be expected to have a Material Adverse Effect. Such assets and properties are subject to no Lien, except for Permitted Liens. Each of the Loan Parties has complied in all material respects with all material obligations under all material leases to which it is a party and enjoys peaceful and undisturbed possession under such leases. The real properties owned by the Loan Parties are taxed separately and do not include any other property, and for all purposes the real properties may be mortgaged, conveyed and otherwise dealt with as a separate legal parcel.

(ii) The Borrowers conduct, in the ordinary course of business, for themselves and the other Loan Parties, a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties. No Loan Party (A) has violated any Environmental Laws, (B) has any liability under any Environmental Laws or (C) has received notice or other communication of an investigation or is under investigation by any Governmental Authority having authority to enforce Environmental Laws, where such violation, liability or investigation could have, individually or in the aggregate, a Material Adverse Effect. Each Loan Party's use and operation of its business properties are in compliance with all applicable Governmental Rules, including all applicable land use and zoning laws, except to the extent that non-compliance could not reasonably be expected to have a Material Adverse Effect.

(i) Financial Statements. The Financial Statements of Parent and its Subsidiaries which have been delivered to the Administrative Agent (i) are in accordance with the books and records of the Loan Parties, which have been maintained in accordance with good business practice; (ii) have been prepared in conformity with GAAP; and (iii) fairly present in all material respects the financial conditions and results of operations of the Loan Parties as of the date thereof and for the period covered thereby. No Loan Party has any Contingent Obligations, liability for taxes or other outstanding obligations which, in any such case, are material in the aggregate, except as disclosed in the Financial Statements of Parent and its Subsidiaries furnished to the Administrative Agent and the Lenders pursuant to item (d) of Schedule 3.01 or in the Financial Statements delivered to the Administrative Agent pursuant to clause (i) or (ii) of Section 5.01(a).

(j) Creation, Perfection and Priority of Liens; Equity Securities.

(i) As of the Third Restatement Effective Date (or as of the date any Loan Party becomes party to the Loan Documents after the Third Restatement Effective Date, as to such Loan Party), (x) the execution and delivery of the Security Documents by the Loan Parties, together with the filing of any Uniform Commercial Code financing statements and the recording of the U.S. Patent and Trademark Office filings and U.S. Copyright Office filings delivered to the Administrative Agent for filing and recording, and as of the date delivered, the recording of any mortgages or deeds of trust delivered to the Administrative Agent for recording (but not yet recorded), are effective to create in favor of the Administrative Agent for the benefit of the Lender Parties, as security for the Obligations, a valid and perfected first priority Lien on all of the Collateral as of the Third Restatement Effective Date (or as of the date any Loan Party becomes party to the Loan Documents after the Third Restatement Effective Date, as to such Loan Party) (subject only to Permitted Liens), and (y) all filings and other actions necessary or desirable to perfect and maintain the perfection and first priority status of such Liens have been duly made or taken and remain in full force and effect. In the case of deposit accounts and accounts with any securities intermediary (other than the Pari-mutuel Accounts) maintained in the United States and pledged to the Administrative Agent under the Security Agreement, when the Control Agreements

have been duly executed and delivered by a Borrower or applicable Guarantor, the Administrative Agent and the applicable depository bank or securities intermediary, as the case may be, the Security Agreement (together with such Control Agreements) shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of such Borrower or Guarantor in such Collateral, as security for the Obligations, in each case prior and superior to the Lien of any other Person.

(ii) All outstanding Equity Securities of the Loan Parties are duly authorized, validly issued, fully paid and non-assessable. Except as set forth on Schedule 4.01(j)(ii), there are no outstanding subscriptions, options (excluding officer, director and employee stock options issued pursuant to a stock option plan disclosed to the Administrative Agent), conversion rights, warrants or other agreements or commitments of any nature whatsoever (firm or conditional) obligating the Loan Parties to issue, deliver or sell, or cause to be issued, delivered or sold, any additional Equity Securities of the Loan Parties, or obligating the Loan Parties to grant, extend or enter into any such agreement or commitment. All Equity Securities of the Loan Parties have been offered and sold in compliance with all federal and state securities laws and all other Requirements of Law, except where any failure to comply could not reasonably be expected to have a Material Adverse Effect.

(iii) Each of the Real Property Security Documents is effective to create in favor of the Administrative Agent, for the benefit of the Lender Parties, a legal, valid, binding and enforceable Lien on, and security interest in, the respective Loan Party's right, title and interest in and to the real property subject thereto and proceeds thereof, and, each such Real Property Security Document shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the grantors thereof in such real property and proceeds thereof, as security for the Obligations, in each case prior and superior in right to any other Person (except with respect to Permitted Liens).

(k) ERISA. Except as set forth on Schedule 4.01(k):

(i) Based upon the actuarial assumptions specified for funding purposes in the latest valuation of each Pension Plan that any Loan Party or any ERISA Affiliate maintains or contributes to, or has any obligation under, the aggregate benefit liabilities of such Pension Plan within the meaning of Section 4001 of ERISA did not exceed the aggregate value of the assets of such Pension Plan. Neither any Loan Party nor any ERISA Affiliate has any liability with respect to any post-retirement benefit under any employee welfare plan (as defined in Section 3(1) of ERISA), other than liability for health plan continuation coverage described in Part 6 of Title I(B) of ERISA, which liability for health plan continuation coverage could not have a Material Adverse Effect.

(ii) Each Pension Plan complies, in both form and operation, in all material respects, with its terms, ERISA and the Code, and no condition exists or

event has occurred with respect to any such Pension Plan which would result in the incurrence by any Loan Party or any ERISA Affiliate of any material liability, fine or penalty. Each Pension Plan, related trust agreement, arrangement and commitment of any Loan Party or any ERISA Affiliate is legally valid and binding and in full force and effect. No Pension Plan is being audited or investigated by any government agency or is subject to any pending or threatened claim or suit. No Loan Party or ERISA Affiliate has engaged in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code with respect to any Pension Plan which would result in the incurrence by any Loan Party or ERISA Affiliate of any material liability.

(iii) No Loan Party or ERISA Affiliates contributes to or has any material contingent obligations to any Multiemployer Plan. No Loan Party or ERISA Affiliate has incurred any material liability (including secondary liability) to any Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan under Section 4201 of ERISA or as a result of a sale of assets described in Section 4204 of ERISA. No Loan Party or ERISA Affiliate has been notified that any Multiemployer Plan is in reorganization or insolvent under and within the meaning of Section 4241 or Section 4245 of ERISA or that any Multiemployer Plan intends to terminate or has been terminated under Section 4041A of ERISA.

(iv) No Loan Party has (A) engaged in any transaction prohibited by any Governmental Rule applicable to any Foreign Plan; (B) failed to make full payment when due of all amounts due as contributions to any Foreign Plan; or (C) otherwise failed to comply with the requirements of any Governmental Rule applicable to any Foreign Plan, where singly or cumulatively, the above could reasonably be expected to have a Material Adverse Effect.

(l) Margin Stock; Other Regulations. No Loan Party owns any Margin Stock which, in the aggregate, would constitute a substantial part of the assets of Parent or the Loan Parties (taken as a whole), and not more than 25% of the value (as determined by any reasonable method) of the assets of any Loan Party is represented by Margin Stock, and no proceeds of any Loan or any Letter of Credit will be used, whether directly or indirectly, to purchase, acquire or carry any Margin Stock or to extend credit, directly or indirectly, to any Person for the purpose of purchasing or carrying any Margin Stock. No Loan Party is subject to regulation under the Investment Company Act of 1940, the Federal Power Act, the Interstate Commerce Act, any state public utilities code or to any other Governmental Rule limiting its ability to incur indebtedness.

(m) Trademarks, Patents, Copyrights and Licenses. The Loan Parties each possess and either own, or have the right to use to the extent required, all necessary trademarks, trade names, copyrights, patents, patent rights and licenses which are material to the conduct of their respective businesses as now operated. The Loan Parties each conduct their respective businesses without infringement or, to the Borrowers' knowledge, claim of infringement of any trademark, trade name, trade secret, service mark, patent, copyright, license or other intellectual property rights of any other Person (which is not a

Loan Party), except where such infringement or claim of infringement could not have a Material Adverse Effect. There is no infringement or, to the Borrowers' knowledge, claim of infringement by others of any material trademark, trade name, trade secret, service mark, patent, copyright, license or other intellectual property right of the Borrowers or any of the other Loan Parties. Each of the patents, trademarks, trade names, service marks and copyrights owned by any Loan Party which is Collateral and registered with any Governmental Authority is set forth on the schedules to the Security Agreement.

(n) Governmental Charges. The Loan Parties have timely filed or caused to be timely filed with the appropriate taxing authorities all federal Tax Returns and Nevada and other material state Tax Returns which are required to be filed by them. The Tax Returns accurately reflected all material liabilities for Taxes of the Loan Parties for the periods covered thereby. The Loan Parties have paid, or made provision for the payment of, all Taxes and other Governmental Charges which have or may have become due pursuant to said returns or otherwise and all other indebtedness, except such Governmental Charges or indebtedness, if any, which are being contested in good faith by appropriate proceedings and as to which adequate reserves (determined in accordance with GAAP) have been established. All Taxes which any Loan Party was required by law to withhold or collect in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party have been duly withheld or collected, and have been timely paid over to the proper authorities to the extent due and payable. No Loan Party has executed or filed with the Internal Revenue Service or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any taxes or Governmental Charges.

(o) Subsidiaries, Etc. Schedule 4.01(o) (as supplemented by the Borrowers in a notice delivered pursuant to Section 5.01(a)(vii)) sets forth each of the Subsidiaries of each Loan Party, its jurisdiction of organization, the classes of its Equity Securities, the number of Equity Securities of each such class issued and outstanding, the percentages of Equity Securities of each such class owned directly or indirectly by each Loan Party and whether such Loan Party owns such Equity Securities directly or, if not, the Subsidiary of such Loan Party that owns such Equity Securities and the number of Equity Securities and percentages of Equity Securities of each such class owned directly or indirectly by such Loan Party. Except as set forth on Schedule 4.01(o) (as supplemented as set forth above), none of the Loan Parties currently has any Subsidiaries. All of the outstanding Equity Securities of each such Subsidiary indicated on Schedule 4.01(o) as owned by each Loan Party are owned beneficially and of record by such Loan Party free and clear of all adverse claims.

(p) Solvency, Etc. Each of the Loan Parties is Solvent and, after the execution and delivery of the Loan Documents and the consummation of the transactions contemplated thereby, will be Solvent.

(q) Labor Matters. There are no disputes presently subject to grievance procedure, arbitration or litigation under any of the collective bargaining agreements, employment contracts or employee welfare or incentive plans to which any Loan Party is a party, and there are no strikes, lockouts, work stoppages or slowdowns, or, to the

knowledge of the Borrowers, jurisdictional disputes or organizing activities occurring or threatened which alone or in the aggregate could have a Material Adverse Effect.

(r) No Material Adverse Effect. Since December 31, 2015, no event has occurred and no condition exists which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(s) Accuracy of Information Furnished; Material Documents.

(i) The Loan Documents and the other certificates, statements and information (excluding projections) furnished by the Loan Parties to the Administrative Agent and the Lenders in connection with the Loan Documents and the transactions contemplated thereby, taken as a whole, do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All projections furnished by the Loan Parties to the Administrative Agent and the Lenders in connection with the Loan Documents and the transactions contemplated thereby have been prepared on a basis consistent with the historical Financial Statements described above, except as described therein, have been based upon reasonable assumptions and represent, as of their respective dates of presentations, the Loan Parties' good faith and reasonable estimates of the future performance of the Loan Parties, and the Borrowers have no reason to believe that such estimates and assumptions are not reasonable.

(ii) The copies of the Material Documents which have been delivered to the Administrative Agent in accordance with Section 3.01 are true, correct and complete copies of the respective originals thereof, as in effect on the Third Restatement Effective Date, and no amendments or modifications have been made to the Material Documents, except as set forth by documents delivered to the Administrative Agent in accordance with said Section 3.01 or otherwise reasonably approved in writing by the Required Lenders in accordance with Section 5.02(m). None of the Material Documents has been terminated and each of the Material Documents is in full force and effect. None of the Loan Parties is in default in the observance or performance of any of its material obligations under the Material Documents and each Loan Party has taken all action required to be taken as of the Third Restatement Effective Date to keep unimpaired its rights thereunder (other than possible defaults which may be the subject of any litigation referred to in Schedule 4.01(g)).

(t) Brokerage Commissions. No person is entitled to receive any brokerage commission, finder's fee or similar fee or payment in connection with the extensions of credit contemplated by this Agreement as a result of any agreement entered into by any Loan Party. No brokerage or other fee, commission or compensation is to be paid by the Lenders with respect to the extensions of credit contemplated hereby as a result of any agreement entered into by any Loan Party, and the Borrowers agree to indemnify the Administrative Agent and the Lenders against any such claims for brokerage fees or commissions and to pay all expenses including, without limitation, attorney's fees incurred

by the Administrative Agent and the Lenders in connection with the defense of any action or proceeding brought to collect any such brokerage fees or commissions.

(u) Policies of Insurance. The properties of the Loan Parties are insured with financially sound and reputable insurance companies not Affiliates of the Loan Parties, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Loan Parties operate. As of the Third Restatement Effective Date, the insurance policies of the Loan Parties are in compliance with the insurance requirements set forth on Schedule 4.01(u). Such insurance has not been terminated and is in full force and effect, and each of the Loan Parties has taken all action required to be taken as of the date of this Agreement to keep unimpaired its rights thereunder.

(v) Agreements with Affiliates and Other Agreements. Except as disclosed on Schedule 4.01(v), no Loan Party has entered into and, as of the date of the applicable Credit Event does not contemplate entering into, any material agreement or contract with any Affiliate of any Loan Party, except upon terms at least as favorable to such Loan Party as an arms-length transaction with unaffiliated Persons, based on the totality of the circumstances. No Loan Party is a party to or is bound by any Contractual Obligation or is subject to any restriction under its respective charter or formation documents, which could not reasonably be expected to have a Material Adverse Effect.

(w) Anti-Corruption Laws and Sanctions. None of (a) the Borrowers or, to any such Borrower's knowledge, any of its directors, officers, employees or affiliates, or (b) to the knowledge of any Borrower, any agent or representative of such Borrower that will act in any capacity in connection with or benefit from the credit facility established hereby, (i) is a Sanctioned Person or currently the subject or target of any Sanctions or (ii) has taken any action, directly or indirectly, that would result in a violation by such Persons of any Anti-Corruption Laws.

(x) Burdensome Contractual Obligations, Etc. None of the Loan Parties and none of their properties is subject to any Contractual Obligation or Requirement of Law which, either individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

(y) CC Skybridge Documentation. The copies of the CC Skybridge Agreement and CC Skybridge Peckham Lane Entitlements which have been delivered to Administrative Agent pursuant to Schedule 3.01 are true and correct copies of the originals thereof. The CC Skybridge Agreement and CC Skybridge Peckham Lane Entitlements are each in full force and effect and have not been amended or otherwise modified except as set forth by documents delivered to the Administrative Agent pursuant to Schedule 3.01, except as permitted under Section 5.01(o).

(z) Spaceleases. Schedule 4.01(z) sets forth all executed Spaceleases pertaining to the Atlantis Casino Resort Spa or any portion thereof as of the Third Restatement Effective Date, including in each case the name of the other party thereto, a brief description of such Spacelease, and the commencement and end date thereof.

(aa) Access; Utilities.

(i) All roads necessary for the construction of the Expansion Project for its intended purposes have either been completed or the necessary rights of way therefore have been acquired by one or more of the Loan Parties.

(ii) All utilities, services and facilities necessary for the construction of the Expansion Project (including water supply, storm and sanitary sewer facilities, gas, electrical and telephone facilities) are and will continue to be available at or within the boundaries thereof when needed.

(iii) One or more of the Loan Parties possess all rights and interests in property (including the Expansion Project and rights of ingress to and egress from the Expansion Project) and all material rights or contracts necessary for the construction, installation and completion of the Expansion Project and the operation and maintenance of the Expansion Project as contemplated by this Agreement, the Construction Contracts and the Plans and Specifications.

(bb) Construction Budget. On and as of the date of the initial Construction Loan (and as of the date of any amendment thereto as permitted by this Agreement), the Construction Budget prepared by a Loan Party and delivered to the Administrative Agent and the Lenders on or prior to the date of the initial Construction Loan (and any applicable subsequent date) was based on such Loan Party's good faith assumptions and estimates, and such Loan Party is not aware of any facts that would lead it to believe that the assumptions and estimates on which the Construction Budget was based are not reasonable.

4.02. Reaffirmation. The Borrowers shall be deemed to have reaffirmed, for the benefit of the Lenders and the Administrative Agent, each representation and warranty contained in Article IV on and as of the date of each Credit Event (except for representations and warranties expressly made as of a specified date, which shall be true as of such date).

ARTICLE V. COVENANTS.

5.01. Affirmative Covenants. So long as any Loan or L/C Obligation remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of any loan commitment hereunder remains in force, the Borrowers will comply, and will cause compliance by the other Loan Parties, with the following affirmative covenants, unless the Required Lenders shall otherwise consent in writing:

(a) Financial Statements, Reports, etc. The Borrowers shall furnish to the Administrative Agent and each Lender the following, each in such form and such detail as the Administrative Agent or the Required Lenders shall request:

(i) As soon as available and in no event later than forty-five (45) days after the last day of each fiscal quarter (including the last fiscal quarter of each fiscal year), copies of the Financial Statements of Parent and its Subsidiaries (prepared on a consolidated basis) and the balance sheets and statements of income of Parent and its Subsidiaries (prepared on a consolidating basis) for such fiscal

quarter and for the fiscal year to date, each certified by a Responsible Officer of Parent to present fairly in all material respects the financial condition, results of operations and other information reflected therein and to have been prepared in accordance with GAAP (subject to normal year-end audit adjustments and the absence of footnotes);

(ii) As soon as available and in no event later than ninety (90) days after the close of each fiscal year, copies of the consolidated and consolidating Financial Statements of Parent and its Subsidiaries for such year, audited (as to the consolidated Financial Statements) by an independent certified public accountants of recognized national standing acceptable to the Administrative Agent, which Financial Statements shall be accompanied by a narrative from management which discusses results and copies of the unqualified opinions and, to the extent delivered, management letters delivered by such accountants in connection with all such Financial Statements and prepared in accordance with GAAP;

(iii) Contemporaneously with the Financial Statements for each fiscal quarter and each fiscal year end required by the foregoing clauses (i) and (ii), a compliance certificate of a Responsible Officer of the Borrowers in substantially the form of Exhibit H (a "Compliance Certificate");

(iv) As soon as possible and in no event later than ten (10) Business Days after any Loan Party knows of the occurrence or existence of (A) any ERISA Event, (B) any actual or threatened litigation, suits, claims, disputes or investigations against any Loan Party involving potential monetary damages payable by any Loan Party of \$750,000 or more (alone or in the aggregate) or in which injunctive relief or similar relief is sought, which relief, if granted, could have a Material Adverse Effect, (C) any other event or condition which, either individually or in the aggregate, could have a Material Adverse Effect, including (I) breach or non-performance of, or any default under, a Contractual Obligation of a Borrower or any Guarantor; (II) any dispute, litigation, investigation, proceeding or suspension between a Borrower or any Guarantor and any Governmental Authority; or (III) the commencement of, or any material development in, any litigation or proceeding affecting a Borrower or any Guarantor, including pursuant to any applicable Environmental Laws; or (D) any material change in accounting policies of or financial reporting practices by the applicable Loan Party. Each notice pursuant to this Section 5.01(a)(iv) shall be accompanied by a statement of a Responsible Officer of the Borrowers setting forth details of the occurrence referred to therein and stating what action the Borrowers have taken and proposes to take with respect thereto. Each notice pursuant to this Section 5.01(a)(iv) shall describe with particularity any and all provisions of this Agreement or other Loan Document that have been breached;

(v) As soon as available, and in any event not later than forty-five (45) days after the commencement of each fiscal year, the budget and projected financial statements of Parent and its Subsidiaries for such fiscal year and each of the two fiscal years following such fiscal year (detailed on a quarterly basis), including, in

each case, projected balance sheets, statements of income and statements of cash flow of Parent and its Subsidiaries, all in reasonable detail and with assumptions and in any event to include projected Capital Expenditures and quarterly projections of the Borrowers' compliance with each of the covenants set forth in Section 5.03 of this Agreement;

(vi) As soon as possible and in no event later than five (5) Business Days prior to the occurrence of any event or circumstance that would require a prepayment pursuant to Section 2.06(c), the statement of a Responsible Officer of the Borrowers setting forth the details thereof;

(vii) As soon as possible and in no event later than ten (10) days prior thereto, written notice of the establishment or acquisition by a Loan Party of any new Subsidiary or the issuance of any new Equity Securities of any existing Loan Party;

(viii) As soon as possible and in no event later than ten (10) Business Days after the receipt thereof by a Loan Party, a copy of any notice, summons, citations or other written communications concerning any actual, alleged, suspected or threatened material violation of any Environmental Law, or any liability of a Loan Party for Environmental Damages;

(ix) As soon as possible and in no event later than ten (10) Business Days prior to the acquisition by any Loan Party of any leasehold or ownership interest in real property, a written supplement to Schedule 4.01(h);

(x) As soon as practicable, and in any event within two (2) Business Days after a Responsible Officer of any Loan Party becomes aware of the existence of the Expansion Project being Out-Of-Balance, written notice specifying the extent of the Out Of Balance condition and specifying what action the Borrowers are taking or proposes to take with respect thereto;

(xi) As soon as practicable, and in any event no later than ten (10) Business Days prior to entering the Construction Contract or the Architect's agreement or modifying the Construction Contract or the Architect's agreement, a copy of such proposed Construction Contract, the Architect's agreement or modification, and (y) as soon as practicable, and in any event no later than two (2) Business Days after entering the Construction Contract, the Architect's agreement or modification of the Construction Contract or the Architect's agreement, a copy of such Construction Contract, Architect's agreement or modification and, to the extent not previously delivered, a signed Assignment of Construction Contract from the contractor party to such Construction Contract and a signed Assignment of Architect's Agreement from the Architect party to such agreement, as applicable, provided that so long as any change order is allowed under Section 5.02(q)(i), the Borrowers shall not be required to provide a copy of any change order prior to entering into such change order modifying the Construction Contract;

(xii) As soon as possible after the sending or filing thereof, copies of any proxy statements, financial statements or reports that Parent has made generally available to its shareholders; copies of any regular, periodic and special reports or registration statements or prospectuses that Borrower files with the Securities and Exchange Commission or any other Governmental Authority, or any securities exchange; and copies of any press releases or other statements made available by Parent to the public concerning material changes to or developments in the business of Parent; and

(xiii) Such other instruments, agreements, certificates, opinions, statements, documents and information relating to the properties, operations or condition (financial or otherwise) of the Loan Parties, and compliance by the Borrowers with the terms of this Agreement and the other Loan Documents as the Administrative Agent or any Lender may from time to time reasonably request.

The Borrowers hereby acknowledge that (a) the Administrative Agent will make available to the Lenders and the L/C Issuer materials and/or information provided by or on behalf of the Borrowers hereunder (the "Borrower Materials") by posting the Borrower Materials on one or more Platforms and (b) certain of the Lenders may be "public-side" Lenders (i.e. Lenders that do not wish to receive non-public information with respect to the Loan Parties or their securities) (each, a "Public Lender"). The Borrowers hereby agrees that (w) all Borrower Material that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof, (x) by marking Borrower Materials "PUBLIC" the Borrowers shall be deemed to have authorized the Administrative Agent, the L/C Issuer and the Lenders to treat such Borrower Materials as either publicly available information or not material information (although it may be sensitive and proprietary) with respect to the Loan Parties or their securities for purposes of United States Federal and state security laws; (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor;" and (z) the Administrative Agent shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor".

(b) Books and Records. The Loan Parties shall at all times keep proper books of record and account in which full, true and correct entries will be made of their transactions in accordance with GAAP.

(c) Inspections.

(i) Subject to any applicable Gaming Laws restricting such actions, the Loan Parties shall permit the Administrative Agent and each Lender, or any agent or representative thereof, upon reasonable, but in no event less than two (2) Business Days', notice and during normal business hours so long as no Default shall have occurred and be continuing and otherwise at any time as the Administrative Agent and any Lender may determine with or without prior notice to the Borrowers, to visit and inspect any of the properties and offices of the Loan Parties, to conduct audits of any or all of the Collateral, to examine the books and

records of the Loan Parties and make copies thereof, and to discuss the affairs, finances and business of the Loan Parties with, and to be advised as to the same by, their officers, auditors and accountants, all at such times and intervals as the Administrative Agent or any Lender may request, all at the Borrowers' expense; provided that Borrowers shall not be responsible for such expenses unless an Event of Default has occurred and was continuing at the time of any such inspection.

(ii) Construction Inspections. Notwithstanding the foregoing, the Loan Parties shall:

(A) provide the Construction Consultant any and all requested access to the Expansion Project site;

(B) provide any and all information which is reasonably required for the preparation of a Construction Progress Report;

(C) cooperate in the preparation of each Construction Progress Report and, if requested by the Administrative Agent, cause each Architect and General Contractor to certify that the progress of the Expansion Project as of the date of any Construction Progress Report conform to the Plans and Specifications in all material respects;

(D) maintain a full set of working drawings at the construction office for the Expansion Project for review by the Construction Consultant;

(E) within fifteen (15) days following any request by the Administrative Agent, deliver (1) then current construction plans for the Expansion Project certified as true and correct by each Architect, (2) a then current list of the names, addresses and telephone numbers of each contractor, subcontractor and material supplier with respect to the Expansion Project and the dollar value and amounts paid with respect to the related contracts, and (3) then current versions of the construction schedule for all uncompleted work on the Expansion Project and all executed contracts and subcontracts for such work; and

(F) cooperate (and shall use its best efforts to cause the General Contractor to cooperate) with the Administrative Agent in arranging for inspections from time to time by the Administrative Agent or the Construction Consultant or any other representative of the Administrative Agent of the progress of construction and its relation to the Construction Budget and the Plans and Specifications. In the course of such inspections, each of the Administrative Agent and the Construction Consultant or any other representative of the Administrative Agent shall be entitled to inspect (1) the Expansion Project, (2) all materials to be used in the construction of the Expansion Project, (3) all plans and shop drawings which are or may be kept at the construction site, (4) any contracts, bills of sale, statements, receipts or vouchers in connection with the Expansion Project whether or

not kept at the construction site, (5) all work done, labor performed, materials furnished in and about the Expansion Project, (6) all books, contracts and records of the Loan Parties and each Loan Party's agents and other entities as may be contractually bound to the Loan Parties to provide such records with respect to the construction of the Expansion Project whether or not kept at the construction site, and (7) any other documents relating to the construction of the Expansion Project whether or not kept at the construction site. In addition to the foregoing, the Administrative Agent and the Construction Consultant or any employees, agents and representatives of the Administrative Agent shall be entitled to inspect (x) all books, contracts and records of the general contractor and the Loan Parties with respect to the Expansion Project (whether or not related to the construction thereof) and (y) any other document of the General Contractor and the Loan Parties relating to the Expansion Project whether or not related to the construction thereof and whether or not kept at the construction site. The Loan Parties shall cooperate (and shall use their respective best efforts to cause all of the following Persons to cooperate) and instruct any Architect and the General Contractor and all material subcontractors to cooperate with the Administrative Agent and any representatives of the Administrative Agent so that they may perform their respective responsibilities hereunder and to comply with the Administrative Agent's requirements.

Any inspection conducted by the Construction Consultant or the Administrative Agent may not cause any material delay in the construction of the Expansion Project that directly results from conducting any such inspection.

(d) Insurance. The Loan Parties shall:

(i) Carry and maintain coverage consistent with (A) the insurance coverage specified on Schedule 4.01(u), (B) to the extent not already included on Schedule 4.01(u), insurance during the term of this Agreement of the types and in the amounts customarily carried from time to time by others engaged in substantially the same business as the Loan Parties and operating in the same or similarly situated geographic area as the Atlantis Casino Resort Spa and the Monarch Casino Black Hawk, and the Borrowers shall deliver evidence of insurance complying with the requirements of this Section 5.01(d), in each case for the business and properties of the Borrowers and that such policies state that such insurance shall not be cancelled or revised in any material manner without 30 days prior written notice by the insurer to the Administrative Agent and (C) insurance required by any Real Property Security Document.

(ii) Furnish to any Lender, upon written request, full information as to the insurance carried; and

(iii) Obtain and maintain endorsements acceptable to the Administrative Agent for such insurance (including form 438BFU or equivalent) naming the

Administrative Agent and the Lenders as an additional insured and naming the Administrative Agent as mortgagee and as lender's loss payee and including mortgagee's and lender's loss payable endorsements;

provided, however, that if any Loan Party shall fail to maintain insurance in accordance with this Section 5.01(d), or if any Loan Party shall fail to provide the required endorsements with respect thereto, the Administrative Agent shall have the right (but shall be under no obligation) to procure such insurance and the Borrowers agree to reimburse the Administrative Agent for all costs and expenses of procuring such insurance.

(e) Governmental Charges and Other Indebtedness. Each Loan Party shall promptly pay and discharge when due (i) all Taxes and other Governmental Charges, (ii) all Indebtedness which, if unpaid, could become a Lien upon the property of such Loan Party and (iii) subject to any subordination provisions applicable thereto, all other Indebtedness which in each case, if unpaid, could be reasonably likely to have a Material Adverse Effect, except such Taxes, Governmental Charges and Indebtedness as may in good faith be contested or disputed, or for which arrangements for deferred payment have been made; provided that in each such case appropriate reserves are maintained in accordance with GAAP and no material property of any Loan Party is at impending risk of being seized, levied upon or forfeited.

(f) Use of Proceeds. The Borrowers shall use the proceeds of the Loans (i) to provide a portion of the financing for the Expansion Project, (ii) to pay fees and expenses incurred in connection with this Agreement and the refinancing described in clause (iii), (iii) to refinance certain existing Indebtedness of the Loan Parties, and (iv) to provide for the working capital and general corporate purpose needs of the Loan Parties including Title Company Escrow Loans deposited in the Title Company Escrow Account. The Borrowers shall not request any Loans, and the Borrowers shall not use, and shall ensure that their respective directors, officers, employees and agents shall not use, the proceeds of any Term Loans in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, or (iii) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

(g) General Business Operations. Each of the Loan Parties shall (i) preserve, renew and maintain in full force its corporate, partnership or limited liability company existence and good standing under the Governmental Rules of the jurisdiction of its organization and all of its material rights, permits, Licenses (including all gaming licenses and permits), leases, qualifications, privileges, franchises and other authority reasonably necessary to the conduct of its business, (ii) conduct its business activities in compliance with all Gaming Laws and all other material Requirements of Law and material Contractual Obligations applicable to such Person, (iii) keep all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted and from time to time make, or cause to be made, all necessary and proper repairs, except, in each case, where any failure, either individually or in the aggregate, could not reasonably be

expected to have a Material Adverse Effect, (iv) maintain, preserve and protect all of its material rights to enjoy and use material trademarks, trade names, service marks, patents, copyrights, Licenses, leases, franchise agreements and franchise registrations and (v) conduct its business in an orderly manner without voluntary interruption. No Loan Party shall change its jurisdiction of formation.

(h) Compliance with Laws. Each Loan Party shall comply in all material respects with the requirements of all applicable laws, rules, regulations and orders of any Governmental Authority (including, without limitation, all Environmental Laws) and the inventory of each Loan Party shall comply with the Fair Labor Standards Act. The Borrowers will maintain in effect and enforce policies and procedures designed to ensure compliance by the Borrowers and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

(i) New Subsidiaries. The Borrowers shall, at their own expense promptly, and in any event within twenty (20) Business Days after the formation or acquisition of any Subsidiary by any Loan Party (other than an Excluded Subsidiary) or after any Excluded Subsidiary ceases to be an Excluded Subsidiary (A) notify the Administrative Agent of such event in writing (to the extent notice has not already been provided in accordance with Section 5.01(a)(vii)), (B) cause such Subsidiary to execute and deliver or otherwise become a party to the Guaranty and to become a party to the Security Agreement and each other applicable Security Document, in each case in accordance with the terms thereof and amend the Security Documents as appropriate in light of such event to pledge to the Administrative Agent for the benefit of itself and the Lenders 100% of the Equity Securities of such Subsidiary and execute and deliver all documents or instruments required thereunder or appropriate to perfect the security interest created thereby, provided that any Excluded Subsidiary that ceases to be an Excluded Subsidiary shall only be required to become a party to the Security Documents if no Default or Event of Default would result therefrom, (C) deliver (or cause the appropriate Person to deliver) to the Administrative Agent all stock certificates and other instruments constituting Collateral thereunder free and clear of all adverse claims, accompanied by undated stock powers or other instruments of transfer executed in blank (and take such other steps as may be requested by the Administrative Agent to perfect the Administrative Agent's first priority Lien in such Collateral consisting of Equity Securities in compliance with any applicable laws of jurisdictions outside of the United States), (D) cause each document (including each Uniform Commercial Code financing statement and each filing with respect to intellectual property owned by each new Subsidiary) required by law or requested by the Administrative Agent to be filed, registered or recorded in order to create in favor of the Administrative Agent, for the benefit of the Lender Parties, a valid, legal and perfected first-priority security interest in and lien on the Collateral subject to the Security Documents to be so filed, registered or recorded and evidence thereof delivered to the Administrative Agent, (E) deliver (or cause the appropriate Person to deliver) the Organizational Documents, certificates, resolutions and other documents that would have been required of such Subsidiary under clause (a) of Schedule 3.01 if such Subsidiary had been a Borrower on the Third Restatement Effective Date and (F) deliver an opinion of counsel in form and substance satisfactory to the Administrative Agent with respect to each

new Guarantor, the pledge of the Equity Securities of each Subsidiary, and the other matters set forth in this Section 5.01(i).

(j) Appraisals.

(i) During the existence of an Event of Default, the Borrowers agree that the Administrative Agent may, at the expense of the Borrowers no more than twice in any fiscal year, commission an appraisal of any property (A) to which any Loan Party holds legal title and (B) which is encumbered by any Security Document.

(ii) Upon the written request of any Lender acting pursuant to any Requirement of Law, the Borrowers agree that the Administrative Agent may, at the expense of the Borrowers no more than twice in any fiscal year, commission an appraisal of any property (A) to which any Loan Party holds legal title and (B) which is encumbered by any Security Document.

(k) Additional Collateral. If at any time from and after the Third Restatement Effective Date any Loan Party acquires any fee interest in real property with a value in excess of \$2,500,000, such Loan Party shall deliver to the Administrative Agent, at its own expense, promptly all documentation and information in form and substance reasonably satisfactory to the Administrative Agent (including any appraisals, surveys, environmental reports and environmental indemnities) to assist the Administrative Agent in obtaining deeds of trust or mortgages on such additional real property and ALTA policies of title insurance, with such endorsements as the Administrative Agent may reasonably require, issued by a company and in form and substance satisfactory to the Administrative Agent, in an amount equal to the principal amount of the Total Available Commitment at such time plus the outstanding amount of any Term Loans, insuring the Administrative Agent's Lien on such additional real property Collateral to be of first priority, subject only to such exceptions as the Administrative Agent shall approve in its discretion, with all costs thereof to be paid by such Loan Party.

(l) Post-Completion Date Requirements. If requested by the Administrative Agent, each applicable Loan Party shall deliver each of the following items to the Administrative Agent not later than 60 days after the Administrative Agent's request therefor:

(i) AIA Form G704 (Certificate of Substantial Completion) or other document satisfactory to the Administrative Agent executed by each Architect, engineer (if any), General Contractor and the applicable Loan Party;

(ii) a notice of completion in recordable form and otherwise in form and substance satisfactory to the Administrative Agent, executed by the applicable Loan Party and, upon request of the Administrative Agent, the applicable Loan Party shall record such notice of completion in the official records of Gilpin County, Colorado;

(iii) a copy of “as-built” plans and specifications of the Expansion Project, showing the final specifications of the entire Expansion Project;

(iv) AIA Form G706 (Contractor’s Affidavit of Payments of Debts) executed by each General Contractor and AIA Form G706A (Contractor’s Affidavit of Release of Liens) executed by each General Contractor;

(v) an officer’s certificate of the applicable Loan Party certifying that the completion of the construction relating to the Expansion Project has occurred and that the Expansion Project is in compliance with each Construction Contract and the Plans and Specifications;

(vi) evidence of the lien free completion of the Expansion Project or that the statutory lien filing period has expired; and

(vii) such other assurances (including title insurance endorsements), certificates, documents or consents related to the Expansion Project as the Administrative Agent may reasonably require, in form and substance reasonably satisfactory to the Administrative Agent.

(m) Compliance with Pedestrian Crossing Air Space License. The Borrowers shall fully perform and comply with or cause to be performed and complied with all of the respective material covenants, material terms and material conditions imposed or assumed by it as licensee under the Pedestrian Crossing Air Space License. The Borrowers shall not, and shall not agree to, enter into any material amendment or modification of or terminate the Pedestrian Crossing Air Space License without the prior written consent of the Required Lenders.

(n) Compliance with Adjacent Driveway Lease. The Borrowers shall fully perform and comply with or cause to be performed and complied with all of the respective material covenants, material terms and material conditions imposed or assumed by it as lessee under the Adjacent Driveway Lease. The Borrowers shall not, and shall not agree to, enter into any material amendment or modification of or terminate the Adjacent Driveway Lease without the prior written consent of Required Lenders. In this regard it is understood that “material” amendment or modification shall include, without limitation, any modification to the Term as set forth in Article 1, increase of Rent, as set forth in Article 2, the provisions concerning “Use of Property” as set forth in Section 4.2 and “Option to Purchase” in Article 7 of the Adjacent Driveway Lease.

(o) Compliance with CC Skybridge Documentation. Borrowers shall fully perform and comply with or cause to be performed and complied with all of the respective material covenants, material terms and material conditions imposed or assumed by it under the CC Skybridge Documentation. The Borrowers shall not, and shall not agree to, enter into any material amendment or modification of or terminate any of the CC Skybridge Documentation without the prior written consent of the Required Lenders.

(p) Post-Closing. Within 30 days after the Third Restatement Effective Date (as such period may be extended by the Administrative Agent in its reasonable discretion),

the Borrower shall deliver to the Administrative Agent the following, in each case in form and substance reasonably satisfactory to the Administrative Agent and, if applicable, duly executed by each party thereto:

- (i) Atlantis - BLILP Estoppel;
- (ii) Atlantis Leasehold Deed of Trust;
- (iii) An ALTA extended coverage Lender's policy of title insurance insuring the validity and priority of the Atlantis Leasehold Deed of Trust, in such form as the Administrative Agent may require, issued by a title insurer acceptable to the Administrative Agent immediately following the recordation of the Atlantis Leasehold Deed of Trust; and
- (iv) A copy of an implemented Soil and Groundwater Management Plan for the management of areas of soil and groundwater impacts identified during grading and construction activities of the Expansion Project, which plan shall specify measures that will be implemented for work stoppage, soil testing, excavation and/or disposal, contamination control and worker health and safety protection.

5.02. Negative Covenants. So long as any Loan or L/C Obligation remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of any loan commitment hereunder remains in force, the Borrowers will comply, and will cause compliance by the other Loan Parties, with the following negative covenants, unless the Required Lenders shall otherwise consent in writing:

(a) Indebtedness. None of the Loan Parties shall create, incur, assume or permit to exist any Indebtedness or engage in any off-balance sheet finance transaction or other similar transaction except for the following ("Permitted Indebtedness"):

- (i) Indebtedness of the Loan Parties under the Loan Documents and any documents related to Lender Bank Products;
- (ii) Indebtedness of the Loan Parties under Rate Contracts permitted under Section 5.02(1);
- (iii) Indebtedness that is evidenced by a Permitted Lien;
- (iv) Unsecured Indebtedness, not in excess of \$10,000,000 at any time outstanding, that is not subject to financial and other covenants and events of default more onerous or restrictive on the Loan Parties than the terms and provisions of this Credit Agreement;
- (v) Indebtedness owing to any other Loan Parties; provided that the Investment constituting such Indebtedness is permitted by Section 5.02(e)(ii);

(vi) Guaranty Obligations of any Loan Party in respect of Permitted Indebtedness of any other Loan Party;

(vii) purchase money Indebtedness and Capital Lease obligations in an aggregate principal amount not to exceed \$7,500,000 at any one time outstanding; and

(viii) unsecured trade payables incurred in the ordinary course of business less than one hundred twenty (120) days past due, provided that such trade payables, if any, are being contested in good faith by the applicable Loan Party by appropriate proceedings and for which such Loan Party has maintained adequate reserve for the payment thereof.

(b) Liens. No Loan Party shall create, incur, assume or permit to exist any Lien or Negative Pledge on or with respect to any of its assets or property of any character, whether now owned or hereafter acquired, except for the following ("Permitted Liens"):

(i) Liens in favor of the Administrative Agent or any other Lender Party securing the Obligations and Negative Pledges under the Loan Documents;

(ii) Liens listed in Schedule 5.02(b) and existing on the date of this Agreement and any replacement Liens (covering the same or a lesser scope of property);

(iii) Liens for Taxes or other Governmental Charges not at the time delinquent or thereafter payable without penalty or being contested in good faith by appropriate proceedings and have not proceeded to judgment; provided that adequate reserves for the payment thereof have been established in accordance with GAAP and no property of any Loan Party is subject to impending risk of loss or forfeiture by reason of nonpayment of the obligations secured by such Liens;

(iv) statutory Liens, possessory liens of carriers, warehousemen, materialmen, mechanic's liens and landlord liens, arising in the ordinary course of business with respect to obligations which are not delinquent or are being contested in good faith by appropriate proceedings, provided that, if delinquent, adequate reserves have been set aside with respect thereto in accordance with GAAP and, by reason of nonpayment, no property of any Loan Party is subject to a material impending risk of loss or forfeiture;

(v) Deposits under workers' compensation, unemployment insurance and social security laws or to secure the performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, or to secure statutory obligations of surety, appeal or customs bonds or to secure indemnity, performance or other similar bonds in the ordinary course of business;

(vi) Purchase money Liens and associated Negative Pledges incurred with respect to property acquired using the proceeds of Indebtedness and Capital Leases permitted under Section 5.02(a)(vii);

(vii) Liens incurred in connection with the extension, renewal or refinancing of the Indebtedness secured by the Liens described in clause (ii) or (vi) above; provided that any extension, renewal or replacement Lien (A) is limited to the property covered by the existing Lien and (B) secures Indebtedness which is no greater in amount and has material terms no less favorable to the Lenders than the Indebtedness secured by the existing Lien;

(viii) leases, operating leases or subleases granted to others (in the ordinary course of business consistent with past practices) not interfering in any material respect with the ordinary conduct of the business or operations of any Loan Party;

(ix) easements, rights-of-way, restrictions, minor defects, encroachments or irregularities in title and other similar charges or encumbrances (A) not interfering in any material respect with the ordinary conduct of the business of any Loan Party or (B) granted to any Governmental Authority or public utility providing services to the real property of the Loan Parties;

(x) deposits in the ordinary course of business to secure liabilities to insurance carriers, lessor, utilities and other service providers;

(xi) bankers liens and rights of setoff with respect to customary depository arrangements entered into in the ordinary course of business;

(xii) Liens on the real property subject to any of the Real Property Security Documents not securing Indebtedness for borrowed money and identified in the ALTA title policy received by the Administrative Agent (in form and substance reasonably satisfactory to the Administrative Agent) relating to such real property; and

(xiii) Liens arising by reason of security for surety or appeal bonds in the ordinary course of business of any Loan Party;

provided, however, that the foregoing exceptions shall not permit any Lien on any Equity Securities issued by any Loan Party except for Liens in favor of the Administrative Agent securing the Obligations (or any guaranty thereof).

(c) Asset Dispositions. No Loan Party shall, directly or indirectly, sell, lease, convey, transfer or otherwise dispose (including, without limitation, via any sale and leaseback transaction) of any of its assets or property, whether now owned or hereafter acquired, except for the following:

(i) Sales by the Loan Parties of inventory in the ordinary course of their businesses;

(ii) Sales by the Loan Parties of damaged, worn-out, obsolete or unnecessary equipment in the ordinary course of their businesses for not less than fair market value;

(iii) Sales or other dispositions by any Loan Party (other than any sale or other disposition of substantially all the assets of such Loan Party, whether in a single transaction or in a series of transactions) so long as the Net Proceeds of such sale or disposition are applied to prepayment of the Obligations in the amounts and to the extent required by Section 2.06(c)(iii);

(iv) Sales by the Loan Parties of the Equity Securities of Excluded Subsidiaries;

(v) Sales or other dispositions of assets and property by a Borrower to any Guarantor (other than Parent) or by any Guarantor to a Borrower or another Guarantor (other than Parent); provided that the terms of any such sales or other dispositions by or to such Borrower or any such Guarantor are terms which are no less favorable to such Borrower or any such Guarantor than would prevail in the market for similar transactions between unaffiliated parties dealing at arm's length;

(vi) Sales, transfers or other dispositions of assets or property by a Borrower to another Borrower; and

(vii) transfers permitted by Section 5.02(b), Section 5.02(d), Section 5.02(e) and Section 5.02(f).

(d) Mergers, Acquisitions, Etc. No Loan Party shall reorganize, recapitalize or consolidate with or merge into any other Person or permit any other Person to merge into it, acquire any Person as a new Subsidiary or acquire all or substantially all of the assets, or any identifiable business unit or division, of any other Person, except the Borrowers and the other Loan Parties may merge with each other; provided that (1) no Default shall have occurred and be continuing or would result after giving effect to any such merger and (2) in any such merger involving a Borrower and another Loan Party that is not a Borrower, such Borrower is the surviving Person.

(e) Investments. None of the Loan Parties shall make any Investment except for Investments in the following:

(i) Investments by the Loan Parties in deposit accounts, cash and Cash Equivalents; provided that such Investments are subject to a Control Agreement (other than Investments in Pari-mutuel Accounts in the ordinary course of business);

(ii) Investments by the Loan Parties in each other (including such Investments set forth on Schedule 5.02(e)); provided that any Investments made by a Borrower or a Guarantor constituting Indebtedness of another Loan Party that are evidenced by one or more original demand promissory notes in favor of one or more of the Borrowers and the Guarantors shall be subject to a first priority perfected security interest in favor of the Administrative Agent and in the Administrative Agent's possession;

(iii) Investments consisting of loans to employees, officers and directors in the ordinary course of business in an aggregate amount not exceeding \$1,000,000 at any one time outstanding;

(iv) Investments permitted by Section 5.02(d) or Section 5.02(f);

(v) Investments received in connection with the settlement of a bona fide dispute with another Person after making reasonable efforts to collect cash in respect thereof;

(vi) Investments made by the Loan Parties in Excluded Subsidiaries in an aggregate amount up to \$5,000,000 as to all Excluded Subsidiaries during the term of this Agreement, provided that no additional Investments may be made in any Excluded Subsidiary when an Event of Default has occurred and is continuing; provided, further that to the extent the Loan Parties receive Cash from any Excluded Subsidiary, the amount of such Cash shall be credited towards any Investments made under this clause (vi) so that the amount of Investments outstanding in Excluded Subsidiaries from time to time shall be the aggregate amounts invested less the aggregate amounts received by the Loan Parties in Cash from Excluded Subsidiaries; and

(vii) Notwithstanding the limitations set forth in clause (vi) above, if the Total Leverage Ratio set forth in the Compliance Certificate most recently delivered pursuant to Section 5.01(a)(iii) was less than or equal to 1.75: 1.00, the limitations set forth in clause (vi) above shall be suspended until the Total Leverage Ratio exceeds 1.75:1.00 (as set forth in a subsequent Compliance Certificate delivered pursuant to Section 5.01(a)(iii)). During any period during which the limitations set forth in clause (vi) above are suspended, Investments in Excluded Subsidiaries may be made without limitation so long as no Default or Event of Default has occurred and remains continuing and so long as at least thirty (30) calendar days prior to the funding of each proposed Investment a Responsible Officer of the Borrowers certifies in writing that each such Investment will not result in a violation of the Fixed Charge Coverage Ratio (x) at the end of the fiscal quarter during which such Investment is made and (y) either (1) as of the end of the next ensuing fiscal quarter, or (2) as of the end of each fiscal quarter remaining during the fiscal year during which such Investment is made, whichever period is longer from the date of such Investment.

(f) Distributions, Redemptions, Etc. No Loan Party shall reorganize, recapitalize or make any Distributions or set apart any sum for any such purpose except as follows:

(i) Any Subsidiary of a Borrower may pay dividends on its Equity Securities to a Borrower or any intervening Subsidiary;

(ii) So long as no Default or Event of Default has occurred and remains continuing or would result therefrom, Parent may make Distributions, including

repurchase of its Equity Securities, in an aggregate amount up to \$5,000,000 in any fiscal year, so long as after giving effect to each such proposed Distribution the Borrowers would have been in compliance with the Fixed Charge Coverage Ratio on a pro forma basis as of the last day of the most recently ended fiscal quarter if such proposed Distribution had been made during such fiscal quarter;

(iii) Notwithstanding the limitation set forth in clause (ii) above, in the event that Parent funds less than \$5,000,000 in Distributions during any fiscal year (such unfunded amounts being herein collectively referenced as the “Distribution Carryover”), Parent may thereafter fund in addition to the maximum cumulative aggregate permitted in clause (ii) above, an additional amount of up to the amount of the Distribution Carryover outstanding as of the date of such additional Distribution, so long as at least thirty (30) calendar days prior to the funding of such Distribution a Responsible Officer of the Borrowers certifies to the Administrative Agent in writing that such Distribution will not result in a violation of the Fixed Charge Coverage Ratio at the end of the fiscal quarter during which such Distribution is made nor as of the end of each fiscal quarter remaining during the fiscal year during which such Distribution is made; and

(iv) Notwithstanding the limitations set forth in clauses (ii) and (iii) above, if the Total Leverage Ratio set forth in the Compliance Certificate most recently delivered pursuant to Section 5.01(a)(iii) was less than or equal to 1.75: 1.00, the limitations set forth in clauses (ii) and (iii) above shall be suspended until the Total Leverage Ratio exceeds 1.75:1.00 (as set forth in a subsequent Compliance Certificate delivered pursuant to Section 5.01(a)(iii)). During any period during which the limitations set forth in clauses (ii) and (iii) above are suspended, Distributions, including repurchase of Equity Securities of Parent, may be made without limitation so long as no Default or Event of Default has occurred and remains continuing and so long as at least thirty (30) calendar days prior to the funding of each proposed Distribution a Responsible Officer of the Borrowers certifies in writing that each such Distribution will not result in a violation of the Fixed Charge Coverage Ratio (x) at the end of the fiscal quarter during which such Distribution is made and (y) either (1) as of the end of the next ensuing fiscal quarter, or (2) as of the end of each fiscal quarter remaining during the fiscal year during which such Distribution is made, whichever period is longer from the date of such Distribution.

(g) Change in Business. No Loan Party shall engage, either directly or indirectly through Affiliates, in any business different from the business of the Borrowers as of the Third Restatement Effective Date.

(h) Payments of Indebtedness, Etc. No Loan Party shall prepay, redeem, purchase, defease, acquire or otherwise satisfy (or offer to redeem, purchase, acquire or otherwise satisfy) in any manner prior to the scheduled payment thereof any Indebtedness or lease obligations of any Loan Party (other than the Obligations); or make any payment or deposit any monies, securities or other property with any trustee or other Person that has the effect of providing for the satisfaction (or assurance of any satisfaction) of any

Indebtedness of any Loan Party prior to the date when due or otherwise to provide for the defeasance of any such Indebtedness.

(i) ERISA.

(i) No Loan Party or any ERISA Affiliate shall (A) adopt or institute any Pension Plan; (B) take any action which will result in the partial or complete withdrawal, within the meanings of Sections 4203 and 4205 of ERISA, from a Multiemployer Plan; (C) engage or permit any Person to engage in any transaction prohibited by Section 406 of ERISA or Section 4975 of the Code involving any Pension Plan or Multiemployer Plan which would subject a Loan Party or any ERISA Affiliate to any tax, penalty or other liability including a liability to indemnify; (D) incur or allow to exist any accumulated funding deficiency (within the meaning of Section 412 of the Code or Section 302 of ERISA); (E) fail to make full payment when due of all amounts due as contributions to any Pension Plan or Multiemployer Plan; (F) fail to comply with the requirements of Section 4980B of the Code or Part 6 of Title I(B) of ERISA; or (G) adopt any amendment to any Pension Plan which would require the posting of security pursuant to Section 401(a)(29) of the Code, where singly or cumulatively, the above could have a Material Adverse Effect.

(ii) No Loan Party shall (A) engage in any transaction prohibited by any Governmental Rule applicable to any Foreign Plan; (B) fail to make full payment when due of all amounts due as contributions to any Foreign Plan; or (C) otherwise fail to comply with the requirements of any Governmental Rule applicable to any Foreign Plan, where singly or cumulatively, the above could have a Material Adverse Effect.

(j) Transactions With Affiliates. No Loan Party shall enter into or permit to exist any Contractual Obligation with any Affiliate (other than any other Loan Party) or engage in any other transaction with any Affiliate (other than any other Loan Party) except upon terms at least as favorable to such Loan Party as an arms-length transaction with unaffiliated Persons.

(k) Accounting Changes. No Loan Party shall change (i) its fiscal year (currently January through December) or (ii) its accounting practices except as required by GAAP.

(l) Rate Contracts. No Loan Party shall enter into any Rate Contract, except (i) Rate Contracts entered into to hedge or mitigate risks to which such Loan Party has actual exposure (other than those in respect of Equity Securities of any Loan Party), and (ii) Rate Contracts entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of a Loan Party.

(m) Amendment of Material Documents. No Loan Party shall agree to amend, modify, supplement or replace any Material Document or any document executed and

delivered in connection therewith, in each case in a manner which could reasonably be expected to materially adversely affect any interests of the Administrative Agent and the Lenders.

(n) Restrictive Agreements. No Loan Party shall agree to any restriction or limitation (other than as set forth in this Agreement or the other Loan Documents) on the making of Distributions or the transferring of assets from any Loan Party to another Loan Party.

(o) Joint Ventures; Non-Wholly-Owned Subsidiaries. No Loan Party shall enter into or maintain any interest in any Joint Venture or own any Non-Wholly-Owned Subsidiaries other than Excluded Subsidiaries.

(p) Accounts. No Loan Party shall fail to execute and deliver to the Administrative Agent control agreements in form and substance reasonably acceptable to the Administrative Agent with respect to each account of the Loan Parties opened following the Third Restatement Effective Date (other than any Pari-mutuel Accounts) with any bank, savings association, financial institution, securities intermediary or similar financial intermediary in which cash or other property will be deposited within 30 days after opening such account.

(q) Construction of the Expansion Project. No Loan Party shall:

(i) Permit any amendments to, modifications of or deviations from the Plans and Specifications that will increase the cost of constructing the Expansion Project or delay the completion thereof other than any individual change order with respect to the Expansion Project of \$500,000 or less, so long as the aggregate amount of all change orders for the Expansion Project (including the change order at issue) does not exceed \$5,000,000, provided that each of the foregoing amounts shall be calculated net of line item budget adjustments.

(ii) Without the prior written consent of the Administrative Agent, purchase or contract for any materials, equipment, furnishings, fixtures or articles of personal property to be placed or installed on the Expansion Project under any security agreement or other agreement where the seller reserves or purports to reserve title or the right of removal or repossession (except for such reservations as may arise solely by operation of any applicable Requirements of Law, or that are permitted by Section 5.02(a)(vii)), or the right to consider such materials personal property after their incorporation in the work of construction.

(iii) Fail to promptly pay prior to delinquency (subject to applicable and customary retentions) or otherwise discharge all lawful claims and Liens for labor done and materials and services furnished in connection with the construction of the Expansion Project, except for claims contested in good faith by appropriate proceedings and without prejudice to the construction timetable, provided that any such claims are covered by such payment bonds or title insurance policy

endorsements as provided in Section 3.03(e) or as may be reasonably requested by the Administrative Agent from time to time.

(iv) Fail to properly obtain, comply with and keep in effect all legally required material permits, licenses and approvals which are customarily required to be obtained from Governmental Authorities in order to construct and occupy the Expansion Project as of the then current stage of construction, and deliver copies of all such permits, licenses and approvals to the Administrative Agent promptly following a written request therefor.

(v) Fail to promptly notify the Administrative Agent if the Loan Parties take title to any construction materials for the Expansion Project that are not located on the Expansion Project or will not be delivered to the Expansion Project site within thirty days after the date upon which title thereto has been transferred a Loan Party (describing such construction materials, the purchase price therefor and the location thereof) if the value of such construction materials, when taken with all other construction materials not located at the Expansion Project at such time, exceeds \$1,000,000 in the aggregate or, if requested by the Administrative Agent, fail to provide to the Administrative Agent the written acknowledgement of the Person having custody of such construction materials of the existence of the Administrative Agent's Lien on such construction materials and the right of the Administrative Agent to have access to and to remove such construction materials when an Event of Default has occurred and remains continuing.

(vi) Upon a determination that the Expansion Project is Out-Of-Balance, fail to within five (5) Business Days prepay the Revolving Loans in an amount sufficient to eliminate the Out-Of-Balance condition;

(vii) Fail to cause the construction and equipping of the Expansion Project to be (A) commenced on or prior to March 31, 2017, (B) prosecuted with diligence and continuity so as to cause the date on which the Expansion Project and all material amenities associated therewith are substantially completed and open for business to the public to occur on or before September 30, 2019 or (C) completed substantially in accordance with the Plans and Specifications and timetables provided to the Administrative Agent and the Lenders on or prior to the Third Restatement Effective Date after giving effect to any changes permitted under clause (i) above.

(viii) Fail to cause the Expansion Project to be constructed in a good and workmanlike manner in accordance with the Plans and Specifications and the Construction Budget in all material respects, and in compliance with all applicable laws, rules, permits, requirements and regulations of any Governmental Authority in all respects.

(ix) Upon written demand from the Administrative Agent (upon instructions of the Required Lenders), at the Borrower's sole cost and expense (and not from the Loan proceeds), fail to correct any material departure from the Plans

and Specifications not theretofore approved in writing by the Administrative Agent, and it is expressly understood and agreed that the advancement by the Lenders of any Loan proceeds shall not constitute a waiver of the Lenders' right to require compliance with this covenant with respect to any such material departures from the Plans and Specifications not theretofore approved by the Administrative Agent in writing.

(x) Cause, permit or allow any deviations from the Construction Budget, or deviations from the Plans and Specifications which result in a material deviation from the Construction Budget, except for change orders permitted under Section 5.02(q)(i).

(xi) Fail to cause the Expansion Project to be completed free and clear of liens or material claims for material supplied or for labor or services performed in connection with the construction of the Expansion Project or otherwise, except for contested claims as provided in Section 5.02(q)(iii).

(r) Sales and Leaseback. No Loan Party shall engage in any Sale and Leaseback transaction with respect to any of its property of any character, whether now owned or hereafter acquired.

(s) Foreign Subsidiaries. No Loan Party shall form or acquire a Subsidiary which is organized in a jurisdiction other than the United States or any state thereof.

(t) Village Shopping Center. Other than with respect to the Adjacent Driveway Lease, no Loan Party shall enter into any other leases, licenses, rental or other arrangements for the use or occupancy of all or any portion of the Village Shopping Center which use or occupancy is or is planned or projected to be or become an integral part of the operation at the Atlantis Real Property and/or the Atlantis Casino Resort Spa, without the prior written consent of the Required Lenders.

5.03. Financial Covenants. So long as any Loan or L/C Obligation remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of any loan commitment hereunder remains in force, the Borrowers will comply, and will cause compliance, with the following financial covenants, unless the Required Lenders shall otherwise consent in writing:

(a) Total Leverage Ratio. The Borrowers shall not permit the Total Leverage Ratio at any time to be greater than the ratio set forth opposite the applicable period below:

Period	Maximum Total Leverage Ratio
Third Restatement Effective Date through and including the last day of the fourth (4th) full quarter ending after the Construction Start Date	3.50:1.00
The first day of the fifth (5th) full quarter ending after the Construction Start Date through and including the Amortization Commencement Date	4.75:1.00
The first (1 st) day of the first (1 st) fiscal quarter ending after the Amortization Commencement Date and thereafter	3.50:1.00

(b) Fixed Charge Coverage Ratio. The Borrowers shall not permit the Fixed Charge Coverage Ratio as of the last day of any fiscal quarter to be less than 1.15:1.00.

(c) Minimum EBITDA. The Borrowers shall not permit, as of the last day of any fiscal quarter, EBITDA for the four consecutive fiscal quarter period ending thereon to be less than (i) \$35,000,000 from the Third Restatement Date through the last day of the first full quarter ending after the Completion Date and (ii) \$45,000,000 thereafter.

ARTICLE VI. EVENTS OF DEFAULT.

6.01. Events of Default. The occurrence or existence of any one or more of the following shall constitute an “Event of Default” hereunder:

(a) Non-Payment. Any Loan Party shall (i) fail to pay when due any principal of any Loan or any L/C Obligation (including any amount due in respect thereof under the Guaranty) or (ii) fail to pay within three (3) days after the same becomes due, any interest, fees or other amounts payable under the terms of this Agreement or any of the other Loan Documents (including, to the extent not included in clause (i), the Guaranty); or

(b) Specific Defaults. Any Loan Party shall fail to observe or perform any covenant, obligation, condition or agreement set forth in Section 5.01(a)(i)-(iv), Section 5.01(f), Section 5.01(g)(i) or (ii), Section 5.01(i), Section 5.01(l), Section 5.02 or Section 5.03; or

(c) Other Defaults. Any default shall occur under the Guaranty or any Security Document and such default shall continue beyond any period of grace provided with respect thereto, if any; or any Loan Party shall fail to observe or perform any other covenant, obligation, condition or agreement contained in this Agreement or any other Loan Document and such failure shall continue for thirty (30) days after the date the Borrowers receive written notice from the Administrative Agent of such failure or any Loan Party shall fail to observe or perform any covenant, obligation, condition or agreement in any Lender Rate Contract or documentation for any Lender Bank Product and such failure shall continue beyond any period of grace provided with respect thereto; or

(d) Representations and Warranties. Any representation, warranty, certificate, information or other statement (financial or otherwise) made or furnished by or on behalf of any Loan Party to the Administrative Agent or any Lender in or in connection with this

Agreement or any of the other Loan Documents, or as an inducement to the Administrative Agent or any Lender to enter into this Agreement, shall be false, incorrect, incomplete or misleading in any material respect (or if such representation, warranty, certificate, information or other statement (financial or otherwise) is qualified by materiality, in any respect) when made or furnished; or

(e) Cross-Default. (i) Any Loan Party shall fail to make any payment on account of any Indebtedness or Contingent Obligation of such Person (other than the Obligations) when due (whether at scheduled maturity, by required prepayment, upon acceleration or otherwise) and such failure shall continue beyond any period of grace provided with respect thereto, if the amount of such Indebtedness or Contingent Obligation exceeds \$3,000,000 or the effect of such failure is to cause, or permit the holder or holders thereof to cause, Indebtedness and/or Contingent Obligations of any Loan Party (other than the Obligations) in an aggregate amount exceeding \$3,000,000 to become redeemable, due, liquidated or otherwise payable (whether at scheduled maturity, by required prepayment, upon acceleration or otherwise) and/or to be secured by cash collateral or (ii) any Loan Party shall otherwise fail to observe or perform any agreement, term or condition contained in any agreement or instrument relating to any Indebtedness or Contingent Obligation of such Person (other than the Obligations), or any other event shall occur or condition shall exist, if the effect of such failure, event or condition is to cause, or permit the holder or holders thereof to cause, Indebtedness and/or Contingent Obligations of any Loan Party (other than the Obligations) in an aggregate amount exceeding \$3,000,000 to become redeemable, due, liquidated or otherwise payable (whether at scheduled maturity, by required prepayment, upon acceleration or otherwise) and/or to be secured by cash collateral; or

(f) Insolvency; Voluntary Proceedings. Any Loan Party shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) be unable, or admit in writing its inability, to pay its debts generally as they mature, (iii) make a general assignment for the benefit of its or any of its creditors, (iv) be dissolved or liquidated in full or in part, (v) become insolvent (as such term may be defined or interpreted under any applicable statute), or (vi) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or, in each case, any analogous procedure or step is taken in any jurisdiction; or

(g) Involuntary Proceedings. Proceedings for the appointment of a receiver, trustee, liquidator or custodian of any Loan Party or of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to any Loan Party or the debts thereof under any bankruptcy, insolvency or other similar law now or hereafter in effect shall be commenced and an order for relief entered or such proceeding shall not be dismissed or discharged within thirty (30) days of commencement, or, in each case, any analogous procedure or step is taken in any jurisdiction; or

(h) Judgments; Governmental Assessments. (i) One or more judgments, orders, decrees, arbitration awards requiring any Loan Party to pay an aggregate amount of \$4,000,000 or more (exclusive of amounts covered by insurance issued by an insurer not an Affiliate of the Borrowers and otherwise satisfying the requirements set forth in Section 5.01(d)) shall be rendered against any Loan Party in connection with any single or related series of transactions, incidents or circumstances and the same shall not be satisfied, vacated or stayed for a period of ninety (90) consecutive days; provided that if one or more judgments, orders, decrees, arbitration awards or assessments requiring any Loan Party to pay an aggregate amount of \$10,000,000 or more (exclusive of amounts covered by insurance issued by an insurer not an Affiliate of the Borrowers and otherwise satisfying the requirements set forth in Section 5.01(d)) shall be rendered against any Loan Party in connection with any single or related series of transactions, incidents or circumstances such circumstance shall be an Event of Default whether or not the same has been satisfied, vacated or stayed; (ii) any judgment, writ, assessment, warrant of attachment, Tax lien or execution or similar process shall be issued or levied against a part of the property of any Loan Party with an aggregate value in excess of \$4,000,000 and the same shall not be released, stayed, vacated or otherwise dismissed within ninety (90) days after issue or levy; or (iii) any other judgments, orders, decrees, arbitration awards, writs, assessments, warrants of attachment, tax liens, executions or similar processes which, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect are rendered, issued or levied; or

(i) Loan Documents. Any Loan Document or any material term thereof shall cease to be, or be asserted by any Loan Party not to be, a legal, valid and binding obligation of such Loan Party enforceable in accordance with its terms or shall otherwise cease to be in full force and effect; or

(j) Security Documents. Any Lien on any property with a fair market value in excess of \$50,000 (other than any property that is sold or otherwise disposed of in accordance with Section 5.02(c)) intended to be created by any Security Document shall at any time be invalidated, subordinated or otherwise cease to be in full force and effect, for whatever reason, or any security interest purported to be created by any Security Document shall cease to be, or shall be asserted by any Loan Party not to be, a valid, first priority (except as expressly otherwise provided in this Agreement or such Security Document) perfected Lien in the Collateral covered thereby, or any Loan Party shall issue, create or permit to be outstanding any Equity Securities which shall not be subject to a first priority perfected Lien under the Security Documents (other than Equity Securities not required to be pledged under the Loan Documents); or

(k) ERISA. Any Reportable Event which the Administrative Agent reasonably believes in good faith constitutes grounds for the termination of any Pension Plan by the PBGC or for the appointment of a trustee by the PBGC to administer any Pension Plan shall occur and be continuing for a period of thirty (30) days or more after notice thereof is provided to the Borrowers by the Administrative Agent, or any Pension Plan shall be terminated within the meaning of Title IV of ERISA or a trustee shall be appointed by the PBGC to administer any Pension Plan; or

(l) Change of Control. Any Change of Control shall occur; or

(m) Involuntary Dissolution or Split Up. Any order, judgment or decree shall be entered against a Loan Party decreeing its involuntary dissolution or split up and such order shall remain undischarged and unstayed for a period in excess of sixty (60) days; or

(n) Other Default. The occurrence of an Event of Default (as such term is or may hereafter be specifically defined in any other Loan Document) under any other Loan Document and continues for thirty (30) days after receipt of written notice from the Administrative Agent of such Event of Default; or

(o) Guarantors. Any Guarantor shall repudiate or purport to revoke the Guaranty; or

(p) Sanctioned Person. Any Loan Party shall become a Sanctioned Person; or

(q) Unfunded Pension Liabilities. The aggregate amount of Unfunded Pension Liabilities of the Loan Parties shall exceed \$1,000,000; or

(r) Gaming Operations. The loss of or failure to obtain any operating licenses or other material licenses or permits or the occurrence of any event or circumstance which in any such case results in the failure to have any material portion of either the Atlantis Casino Resort Spa or the Monarch Casino Black Hawk, open to conduct gaming activities for any reason for more than fifteen (15) consecutive days (or more than sixty (60) days if during such period the Borrowers are entitled to the proceeds of business interruption insurance sufficient in amount to cover at least 80% of the anticipated loss associated with such failure to have such material portion open to conduct gaming activities) or which results in the prohibition by any Gaming Board of the conduct gaming activities at either the Atlantis Casino Resort Spa or the Monarch Casino Black Hawk, for a period in excess of two (2) consecutive days; or

(s) Governmental Action. Any Governmental Authority with jurisdiction over the Expansion Project or the real property underlying the Expansion Project orders or requires that construction of the Expansion Project be stopped, in whole or in any material part, or any approval, license or permit required for the completion of the Expansion Project is withdrawn or suspended, and the order, requirement, withdrawal or suspension remains in effect for a period of fourteen (14) consecutive days; or

(t) Cessation of Construction. Construction of the Expansion Project is abandoned or halted prior to completion for any period of fourteen (14) consecutive days for any reason other than force majeure; or

(u) Uninsured Loss. The occurrence of any uninsured loss with respect to any property of any Loan Party in excess of \$2,500,000.

6.02. Remedies. At any time after the occurrence and during the continuance of any Event of Default (other than an Event of Default referred to in Section 6.01(f) or Section 6.01(g)), the Administrative Agent may or shall, upon instructions from the Required Lenders, by written notice

to the Borrowers, (a) terminate the Revolving Loan Commitments, any obligation of the L/C Issuer to make L/C Credit Extensions and the obligations of the Lenders to make Loans, and/or (b) declare all or a portion of the outstanding Obligations (other than in connection with Lender Rate Contracts or Lender Bank Products) payable by the Borrowers to be immediately due and payable and require that the Borrowers Cash Collateralize the Obligations in an amount equal to the Minimum Collateral Amount, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Notes to the contrary notwithstanding . Upon the occurrence or existence of any Event of Default described in Section 6.01(f) or Section 6.01(g), immediately and without notice, (1) the Revolving Loan Commitments, any obligation of the L/C Issuer to make L/C Credit Extensions and the obligations of the Lenders to make Loans shall automatically terminate, (2) the obligation of the Borrowers to Cash Collateralize the Obligations in an amount equal to the Minimum Collateral Amount shall automatically become effective, which amounts shall be immediately pledged and delivered to the Administrative Agent as security for the Obligations and (3) all outstanding Obligations (other than any obligations in connection with Lender Rate Contracts or Lender Bank Products) payable by the Borrowers hereunder shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Notes to the contrary notwithstanding. In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default, the Administrative Agent may exercise any other right, power or remedy available to it under any of the Loan Documents or otherwise by law, either by suit in equity or by action at law, or both. Notwithstanding anything to the contrary in the Loan Documents, all Cash Collateral pledged by the Borrower as contemplated by Section 2.02 and Section 2.16(c)(iii), shall first be applied to reimburse the L/C Issuer in respect of any amounts that a Lender has failed to fund under Section 2.02(c), then to the remaining L/C Obligations and then to the remaining Obligations in the manner set forth below.

The proceeds of any sale, disposition or other realization upon all or any part of the Collateral (subject to the prior sentence with respect to Cash Collateral) and any payment under the Guaranty shall be distributed by the Administrative Agent in the following order of priorities:

First, to the Administrative Agent in an amount sufficient to pay in full the costs and expenses of the Administrative Agent in connection with such sale, disposition or other realization (including all fees, costs, expenses, liabilities and advances incurred or made by the Administrative Agent in connection therewith, including, without limitation, attorneys' fees and costs) and any and all other unpaid and unreimbursed liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, fees, expenses or disbursements of the Administrative Agent;

Second, *pari passu* and ratably, to the Lenders in an amount sufficient to pay fees, expenses and indemnities of the Lenders under the Loan Documents;

Third, to the Lenders and Lender Rate Contract Counterparties in an amount equal to accrued interest then due and payable on the Obligations (including any net scheduled payments in respect of Lender Rate Contracts

but excluding any obligations in respect of Lender Bank Products and excluding the Termination Value of any Lender Rate Contracts);

Fourth, *pari passu* and ratably, to (i) the Lenders in an amount equal to the principal amount of the outstanding Loans and L/C Borrowings and to Cash Collateralize the remaining L/C Obligations on a pro rata basis in accordance with the then outstanding principal amount of the Loans and L/C Obligations (with the portion allocated to the Revolving Loans, Swing Line Loans and L/C Obligations to be applied first to repay the Swing Line Loans in full, second to repay the Revolving Loans in full and then to Cash Collateralize the Obligations in an amount equal to the then Effective Amount of all L/C Obligations) and (ii) to the Lender Rate Contract Counterparties in an amount equal to Obligations owed in connection with any Lender Rate Contract the terms of which comply with the Credit Agreement (which amount, for the avoidance of doubt, shall include the Termination Value);

Fifth, to the Lender Parties in an amount equal to any other Obligations which are then unpaid (including any amount owed to Lender Bank Product Providers for Obligations related to Lender Bank Products); and

Finally, upon payment in full of all of the Obligations, to the persons legally entitled thereto.

No application of payments will cure any Event of Default, or prevent acceleration, or continued acceleration, of amounts payable under the Loan Documents, or prevent the exercise, or continued exercise, of rights or remedies of the Administrative Agent and the Lenders hereunder or thereunder or at law or in equity.

ARTICLE VII. ADMINISTRATIVE AGENT AND RELATIONS AMONG LENDERS.

7.01. Appointment, Powers and Immunities.

(a) Each Lender (on its own behalf or on behalf of any Affiliate of such Lender that is party to a Lender Rate Contract or providing Lender Bank Products) hereby appoints and authorizes the Administrative Agent to act as its agent hereunder and under the other Loan Documents with such powers as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Each Lender (on its own behalf and on behalf of any Affiliate of such Lender that is party to a Lender Rate Contract or providing Lender Bank Products) hereby authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers as are set forth herein or therein, together with such other powers as are reasonably incidental thereto. For the avoidance of doubt, notwithstanding anything to the contrary herein or the other Loan Documents, the Administrative Agent is acting as administrative agent for the Lenders only and the Administrative Agent is not acting as

administrative agent for any other Lender Parties; the Lender Parties (other than the Lenders) that are receiving the benefit of the Collateral are receiving such benefit as an accommodation from the Administrative Agent in its capacity as collateral agent for such Lender Parties and the Administrative Agent shall have no liability whatsoever to such Lender Parties. The Syndication Agent, the Documentation Agent, the Sole Bookrunner and the Joint Lead Arrangers shall not have any duties or responsibilities or any liabilities under this Agreement or any other Loan Documents and any amendments, consents, waivers or any other actions taken in connection with this Agreement or the other Loan Documents shall not require the consent of the Syndication Agent, the Documentation Agent, the Sole Bookrunner or, except to the extent expressly set forth in Section 8.04(g), any Joint Lead Arranger, in such capacity. The Administrative Agent shall not have any duties or responsibilities except those expressly set forth in this Agreement or in any other Loan Document, be a trustee for any Lender (or any Affiliate of such Lender that is party to a Lender Rate Contract or providing Lender Bank Products) or have any fiduciary duty to any Lender (or any Affiliate of such Lender that is party to a Lender Rate Contract or providing Lender Bank Products). Notwithstanding anything to the contrary contained herein the Administrative Agent shall not be required to take any action which is contrary to this Agreement or any other Loan Document or any applicable Governmental Rules. Neither the Administrative Agent nor any Lender shall be responsible to any other Lender for any recitals, statements, representations or warranties made by any Loan Party contained in this Agreement or in any other Loan Document, for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure by any Loan Party to perform its obligations hereunder or thereunder. The Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible to any Lender for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither the Administrative Agent nor any of its directors, officers, employees, agents or advisors shall be responsible to any Lender for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith, except to the extent determined by a final, non-appealable judgment of a court of competent jurisdiction to have arisen from its or their own gross negligence or willful misconduct. Except as otherwise provided under this Agreement, the Administrative Agent shall take such action with respect to the Loan Documents as shall be directed by the Required Lenders or in the absence of such direction, such action as the Administrative Agent in good faith deems advisable under the circumstances. Without limiting the foregoing, the Administrative Agent and its directors, officers, agents, employees and attorneys may approve of, grant consents and otherwise make decisions with respect to matters related to the construction or consummation of any portion of the Expansion Project (unless otherwise instructed by the Required Lenders), and shall not be liable for any such action taken or not taken by it in good faith.

(b) Any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent pursuant to Section 7.01(a) for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted under the Security Documents, or for exercising any rights and remedies thereunder and hereunder at the direction of the Administrative Agent, shall be entitled to the benefits of all provisions of this Article VII, Section 8.02 and Section 8.03 as if set forth in full herein with respect thereto.

(c) The L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith until such time (and except for so long) as the Administrative Agent may agree at the request of the Required Lenders to act for the L/C Issuer with respect thereto; provided, however, that the L/C Issuer shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Article VII with respect to any acts taken or omissions suffered by the L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and the application and agreements for letters of credit pertaining to the Letters of Credit as fully as if the term “Administrative Agent” as used in this Article VII included the L/C Issuer with respect to such acts or omissions, and (ii) as additionally provided herein with respect to the L/C Issuer.

7.02. Reliance by the Administrative Agent. The Administrative Agent, the L/C Issuer and the Swing Line Lender shall be entitled to rely upon any certificate, notice or other document (including any cable, telegram, facsimile or telex) believed by it in good faith to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons (including any certificate, notice or other document from a Loan Party that a sale, transfer, or other disposition of Collateral is permitted by Section 5.02(c)), and upon advice and statements of legal counsel, independent accountants and other experts selected by the Administrative Agent with reasonable care. As to any other matters not expressly provided for by this Agreement, the Administrative Agent shall not be required to take any action or exercise any discretion, but shall be required to act or to refrain from acting upon instructions of the Required Lenders and shall in all cases be fully protected by the Lenders in acting, or in refraining from acting, hereunder or under any other Loan Document in accordance with the instructions of the Required Lenders (or all Lenders if required by Section 8.04), and such instructions of the Required Lenders (or all the Lenders as the case may be) and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders.

7.03. Defaults. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default unless the Administrative Agent has received a written notice from a Lender or the Borrowers, referring to this Agreement, describing such Default and stating that such notice is a “Notice of Default”. If the Administrative Agent receives such a notice of the occurrence of a Default, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default as shall be reasonably directed by the Required Lenders; provided, however, that until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interest of the Lenders. Notwithstanding anything in the contrary contained herein, the order and manner in which the Lenders’ rights and remedies are to be exercised (including, without limitation, the enforcement by any Lender of its Note) shall be determined by the Required Lenders in their sole discretion.

7.04. Indemnification. Without limiting the Obligations of the Borrowers hereunder, each Lender agrees to indemnify the Administrative Agent, ratably in accordance with its Revolving Proportionate Share of all Obligations and Revolving Loan Commitments, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may at any time be imposed on, incurred

by or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or the enforcement of any of the terms hereof or thereof; provided, however, that no Lender shall be liable for any of the foregoing to the extent determined by a final, non-appealable judgment of a court of competent jurisdiction to have arisen from the Administrative Agent's gross negligence or willful misconduct. The Administrative Agent shall be fully justified in refusing to take or in continuing to take any action hereunder unless it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The obligations of each Lender under this Section 7.04 shall survive the payment and performance of the Obligations, the termination of this Agreement and any Lender ceasing to be a party to this Agreement (with respect to events which occurred prior to the time such Lender ceased to be a Lender hereunder).

7.05. Non-Reliance. Each Lender represents that it has, independently and without reliance on the Administrative Agent, or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of the business, prospects, management, financial condition and affairs of the Loan Parties and its own decision to enter into this Agreement and agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own appraisals and decisions in taking or not taking action under this Agreement. Neither the Administrative Agent nor any of its affiliates nor any of their respective directors, officers, employees, agents or advisors shall (a) be required to keep any Lender informed as to the performance or observance by any Loan Party of the obligations under this Agreement or any other document referred to or provided for herein or to make inquiry of, or to inspect the properties or books of any Loan Party; (b) have any duty or responsibility to disclose to or otherwise provide any Lender, and shall not be liable for the failure to disclose or otherwise provide any Lender, with any credit or other information concerning any Loan Party which may come into the possession of the Administrative Agent or that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity, except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Administrative Agent hereunder or any other Loan Document; or (c) be responsible to any Lender for (i) any recital, statement, representation or warranty made by any Loan Party or any officer, employee or agent of any Loan Party in this Agreement or in any of the other Loan Documents, (ii) the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any Loan Document, (iii) the value or sufficiency of the Collateral or the validity or perfection of any of the liens or security interests intended to be created by the Loan Documents, or (iv) any failure by any Loan Party to perform its obligations under this Agreement or any other Loan Document.

7.06. Resignation of the Administrative Agent. The Administrative Agent may resign at any time by giving thirty (30) days prior written notice thereof to the Borrowers and the Lenders. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent, which successor Administrative Agent, if not a Lender, shall be reasonably acceptable to the Borrowers; provided, however, that the Borrowers shall have no right to approve a successor Administrative Agent if a Default has occurred and is continuing. Upon the acceptance of any appointment as the Administrative Agent hereunder by a successor Administrative Agent,

such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from the duties and obligations thereafter arising hereunder; provided that the retiring Administrative Agent shall be discharged from the duties and obligations arising hereunder from and after the end of such thirty (30) day period even if no successor has been appointed. If no such successor has been appointed, the Required Lenders shall act as the Administrative Agent hereunder and under the other Loan Documents. After any retiring Administrative Agent's resignation hereunder as the Administrative Agent, the provisions of this Article VII shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent. The successor Administrative Agent (or if there is no successor, one of the Lenders appointed by the Required Lenders that accepts such appointment) shall also simultaneously replace the then existing Administrative Agent and the then existing Administrative Agent shall be fully released as "L/C Issuer" and "Swing Line Lender" hereunder pursuant to documentation in form and substance reasonably satisfactory to the then existing Administrative Agent.

7.07. Collateral Matters.

(a) The Administrative Agent is hereby authorized by each Lender (on its own behalf or on behalf of any Affiliate of such Lender that is party to a Lender Rate Contract or providing Lender Bank Products), without the necessity of any notice to or further consent from any Lender (on its own behalf or on behalf of any Affiliate of such Lender that is party to a Lender Rate Contract or providing Lender Bank Products), and without the obligation to take any such action, to take any action with respect to any Collateral or any Security Document which may from time to time be necessary to perfect and maintain perfected the Liens of the Security Documents.

(b) Each of the Lenders (on its own behalf or on behalf of any Affiliate of such Lender that is party to a Lender Rate Contract or providing Lender Bank Products) irrevocably authorize the Administrative Agent, at its option and in its discretion, to release (and to execute and deliver such documents, instruments and agreements as the Administrative Agent may deem necessary to release) any Lien granted to or held by the Administrative Agent upon any Collateral (i) upon termination of the Revolving Loan Commitments and the full Cash Collateralization of the then outstanding L/C Obligations (in an amount equal to the Minimum Collateral Amount) and the payment in full of all Loans and all other Obligations payable under this Agreement and under the other Loan Documents (other than Obligations in respect of Lender Rate Contracts and Lender Bank Products except to the extent the Administrative Agent has received prior written notice from the applicable Lender Party of any such Lender Rate Contract or the existence of such Obligations in respect of Lender Bank Products); (ii) constituting property of the Loan Parties which is sold, transferred or otherwise disposed of in connection with any transaction not prohibited by this Agreement or the Loan Documents; (iii) constituting property leased to the Loan Parties under an operating lease which has expired or been terminated in a transaction not prohibited by this Agreement or the Loan Documents or which will concurrently expire and which has not been and is not intended by the Loan Parties to be, renewed or extended; (iv) consisting of an instrument, if the Indebtedness evidenced thereby has been paid in full; or (v) if approved or consented to by those of the

Lenders required by Section 8.04. Upon request by the Administrative Agent, the Lenders will (and will cause their Affiliates that are party to Lender Rate Contracts or that have extended Lender Bank Products to) confirm in writing the Administrative Agent's authority to release particular types or items of Collateral pursuant to this Section 7.07.

7.08. Performance of Conditions. For the purpose of determining fulfillment by the Borrowers and the other Loan Parties of conditions precedent specified in Sections 3.01, 3.02 and 3.03 only, each Lender shall be deemed to have consented to, and approved or accepted, or to be satisfied with each document or other matter sent by the Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required under Article III to be consented to, or approved by or acceptable or satisfactory to, that Lender, unless an officer of the Administrative Agent who is responsible for the transactions contemplated by the Loan Documents shall have received written notice from that Lender prior to the making of the requested Loan or the issuance of the requested Letter of Credit specifying its objection thereto and either (i) such objection shall not have been withdrawn by written notice to the Administrative Agent or (ii) in the case of any condition to the making of a Loan, that Lender shall not have made available to the Administrative Agent that Lender's Revolving Proportionate Share of such Loan or Letter of Credit.

7.09. The Administrative Agent in its Individual Capacity; Other Relationships. The Administrative Agent and its affiliates may make loans to, issue letters of credit for the account of, accept deposits from and generally engage in any kind of banking or other business with any Loan Party and its Affiliates as though the Administrative Agent were not the Administrative Agent, L/C Issuer or Swing Line Lender hereunder. With respect to Loans, if any, made by the Administrative Agent in its capacity as a Lender, the Administrative Agent in its capacity as a Lender shall have the same rights and powers under this Agreement and the other Loan Documents as any other Lender and may exercise the same as though it were not the Administrative Agent, L/C Issuer or Swing Line Lender, and the terms "Lender" or "Lenders" shall include the Administrative Agent in its capacity as a Lender. The Administrative Agent shall not be deemed to hold a fiduciary, trust or other special relationship with any Lender and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent.

7.10. Collateral Matters/Lender Rate Contracts/Lender Bank Products. Each Lender on its own behalf on behalf of its Affiliates understands and agrees that (a) counterparties to Lender Rate Contracts and providers of Lender Bank Products will have the benefits of the Collateral as set forth in the Loan Documents and (b) if the Obligations (excluding Obligations in respect of Lender Rate Contracts and Lender Bank Products except to the extent the Administrative Agent has received prior written notice from the applicable Lender Party of any such Lender Rate Contract or the existence of such Obligations in respect of Lender Bank Products) are repaid as described in Section 7.07, the Collateral will be released as described in Section 7.07 and such Lender and its Affiliates will no longer have the benefits of the Collateral.

7.11. Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to the Borrowers, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise

and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders, the L/C Issuer and the Administrative Agent under Sections 2.02(i), 2.02(j), 2.05, 8.02 and 8.03) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.05, 8.02 and 8.03.

7.12. Application of Gaming Laws.

(a) This Agreement, the Security Agreement and the other Loan Documents are subject to Gaming Laws and approval, if so required, of the applicable Gaming Board. Without limiting the foregoing, each of the Administrative Agent and the Lender Parties acknowledges that (i) it is subject to being called forward by the Gaming Board in their discretion, for licensing or a finding of suitability or to file or provide other information, and (ii) all rights, remedies and powers in or under this Agreement and the other Loan Documents, including with respect to the Collateral (including Equity Securities), may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of the Gaming Laws and only to the extent that required approvals are obtained from the requisite Gaming Boards.

(b) Each of the Administrative Agent and the Lender Parties agrees to cooperate with all Gaming Boards in connection with the provision of such documents or other information as may be requested by such Gaming Boards relating to the Loan Parties or to the Loan Documents. The Borrowers hereby consent to any such disclosure by the Administrative Agent and the Lender Parties to any Gaming Board and releases such parties from any liability for any such disclosure.

(c) If during the existence of an Event of Default hereunder or under any of the other Loan Documents it shall become necessary, or in the opinion of the Required Lenders advisable, for an agent, supervisor, receiver or other representative of the Administrative Agent and the Lender Parties to become licensed under any Governmental Rule as a

condition to receiving the benefit of any Collateral encumbered by the Security Documents or other Loan Documents or to otherwise enforce the rights of the Administrative Agent and the Lenders under the Loan Documents, the Borrowers hereby agree to assist the Administrative Agent and the Lender Parties and any such agent, supervisor, receiver or other representative obtain licenses and to execute such further documents as may be required in connection therewith.

ARTICLE VIII. MISCELLANEOUS.

8.01. Notices.

(a) Except as otherwise provided herein, all notices, requests, demands, consents, instructions or other communications to or upon the Borrowers, any Lender or the Administrative Agent under this Agreement or the other Loan Documents shall be in writing and faxed, mailed, e-mailed or delivered, if to the Borrowers or to the Administrative Agent, the L/C Issuer or the Swing Line Lender, at its respective facsimile number, e-mail address or address set forth below or, if to any Lender, at the e-mail address, address or facsimile number specified for such Lender in Part B of Schedule I (or to such other facsimile number or address for any party as indicated in any notice given by that party to the other parties). All such notices and communications shall be effective (i) when sent by an overnight courier service of recognized standing, on the second Business Day following the deposit with such service; (ii) when mailed, first-class postage prepaid and addressed as aforesaid through the United States Postal Service, upon receipt; (iii) when delivered by hand, upon delivery; and (iv) when sent by facsimile transmission or e-mail, upon confirmation of receipt; provided, however, that any notice delivered to the Administrative Agent, the L/C Issuer or the Swing Line Lender under Article II shall not be effective until actually received by such Person.

The Administrative Agent,
the L/C Issuer and the
Swing Line Lender:

For Notices of Borrowing, Notices of Conversion and
Notices of Interest Period Selection:

Wells Fargo Bank, National Association
1525 W. W.T. Harris Blvd
MAC D1109-019
Charlotte, NC 28262
Attention: Agency Services
Fax No. (704) 715-0017
E-mail. agencyservices.requests@wellsfargo.com

For all other notices:

Wells Fargo Bank, National Association
5340 Kietzke Lane, Suite 201
Reno, Nevada 89511
Attention: Candace Borrego

Tel. No. (775) 689-6131
Fax No. (775) 689-6026
E-mail. Candace.Borrego@wellsfargo.com

The Borrowers: c/o Golden Road Motor Inn, Inc.
3800 South Virginia Street
Reno, NV 89502
Attention: John Farahi
Tel. No. (775) 825-4700
Fax No. (775) 332-9171
E-mail. jfarahi@monarchcasino.com

and

Attention: Karl Brokmann
Tel. No. (775) 824-4406
Fax No. (775) 332-9500
E-mail. kbrokmann@monarchcasino.com

Each Notice of Borrowing, Notice of Conversion and Notice of Interest Period Selection shall be given by the Borrowers to the Administrative Agent's office located at the address referred to above during the Administrative Agent's normal business hours; provided, however, that any such notice received by the Administrative Agent after 11:00 a.m. on any Business Day shall be deemed received by the Administrative Agent on the next Business Day. In any case where this Agreement authorizes notices, requests, demands or other communications by the Borrowers to the Administrative Agent or any Lender to be made by telephone, facsimile or e-mail, the Administrative Agent or any Lender may conclusively presume that anyone purporting to be a person designated in any incumbency certificate or other similar document received by the Administrative Agent or a Lender is such a person.

(b) The Borrowers agree that the Administrative Agent may make any material delivered by the Borrowers to the Administrative Agent, as well as any amendments, waivers, consents, and other written information, documents, instruments and other materials relating to the Borrowers or any other Loan Party, or any other materials or matters relating to this Agreement, the other Loan Documents or any of the transactions contemplated hereby (collectively, the "Communications") available to the Lenders by posting such notices on an electronic delivery system (which may be provided by the Administrative Agent, an Affiliate of the Administrative Agent, or any Person that is not an Affiliate of the Administrative Agent), such as IntraLinks, The Debt Exchange, Inc., SyndTrak Online or a substantially similar electronic system (the "Platform"). The Borrowers acknowledge that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) neither the Administrative Agent nor any of its Affiliates warrants the accuracy, completeness, timeliness, sufficiency, or sequencing of the Communications posted on the Platform. The Administrative Agent and its Affiliates expressly disclaim with respect to the Platform any liability for errors in transmission, incorrect or incomplete downloading, delays in posting

or delivery, or problems accessing the Communications posted on the Platform and any liability for any losses, costs, expenses or liabilities that may be suffered or incurred in connection with the Platform except for liability determined by a final, non-appealable judgment of a court of competent jurisdiction to be due to the Administrative Agent's gross negligence or willful misconduct. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Administrative Agent or any of its Affiliates in connection with the Platform. Each Lender agrees that notice to it (as provided in the next sentence) (a "Notice") specifying that any Communication has been posted to the Platform shall for purposes of this Agreement constitute effective delivery to such Lender of such information, documents or other materials comprising such Communication. Each Lender agrees (i) to notify, on or before the date such Lender becomes a party to this Agreement, the Administrative Agent in writing of such Lender's e-mail address to which a Notice may be sent (and from time to time thereafter to ensure that the Administrative Agent has on record an effective e-mail address for such Lender) and (ii) that any Notice may be sent to such e-mail address.

(c) Golden Road, MGI and Black Hawk each hereby appoints and constitutes Parent (the "Borrower Representative") as its agent to (i) receive statements on account and all other notices from the Administrative Agent, the Lenders and the L/C Issuer and the Swing Line Lender and (ii) execute and deliver notices, statements and certificates to the Administrative Agent, the Lenders and the L/C Issuer and the Swing Line Lender, in each case, with respect to the Obligations or otherwise under or in connection with this Agreement and the other Loan Documents. Any notice, election, representation, warranty, agreement or undertaking by or on behalf of Golden Road, MGI or Black Hawk by the Borrower Representative shall be deemed for all purposes to have been made by Golden Road, MGI or Black Hawk, as the case may be, and shall be binding upon and enforceable against Golden Road, MGI or Black Hawk (as applicable) to the same extent as if made directly by Golden Road, MGI or Black Hawk (as applicable). Any notice or certificate required or permitted hereunder to be delivered by any or all of the Borrowers (or their Responsible Officers or Senior Officers) may be delivered by the Borrower Representative (or its Responsible Officers or Senior Officers) on behalf of any or all of the Borrowers, as the case may be. The Borrowers may replace the Borrower Representative with a different Borrower from time to time upon prior written notice to the Administrative Agent.

8.02. Expenses. The Borrowers shall pay on demand, whether or not any Credit Event occurs hereunder, (a) all reasonable fees and expenses, including reasonable syndication expenses, travel expenses, attorneys', consultants' and experts' fees and expenses incurred by the Administrative Agent and WFS in connection with the syndication of the facilities provided hereunder, due diligence, the preparation, negotiation, execution and delivery of, and the exercise of its duties under, this Agreement and the other Loan Documents, and the preparation, negotiation, execution and delivery of amendments, waivers, consents, modifications and supplements related to the Loan Documents, (b) all reasonable fees and expenses of the Administrative Agent and WFS in connection with the use of any Platform and the hiring and use of any Construction Consultant and (c) subject to Section 8.19, all fees and expenses, including reasonable attorneys' fees and expenses, incurred by the Administrative Agent and the Lenders in

the enforcement of any of the Obligations or in preserving any of the Administrative Agent's or the Lenders' rights and remedies (including, without limitation, all such fees and expenses incurred in connection with any "workout" or restructuring affecting the Loan Documents or the Obligations or any bankruptcy or similar proceeding involving any Loan Party). The obligations of the Borrowers under this Section 8.02 shall survive the payment and performance of the Obligations and the termination of this Agreement.

8.03. Indemnification. To the fullest extent permitted by law, and in addition to any other indemnity set forth in the Loan Documents, the Borrowers agree to (a) protect, indemnify, defend and hold harmless the Administrative Agent, the L/C Issuer, the Swing Line Lender, WFS, the Lenders and their Affiliates and their respective directors, officers, employees, attorneys, agents, trustees and advisors (collectively, "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, judgments, costs, disbursements, claims or expenses of any kind or nature and from any suits, claims or demands (including in respect of or for attorneys' fees and other expenses) arising on account of or in connection with any matter or thing or action or failure to act by Indemnitees, or any of them, arising out of or relating to (i) the Loan Documents or any transaction contemplated thereby or related thereto, including the making of any Loans, the funding of any Unreimbursed Amounts and any use by the Borrowers of any proceeds of the Loans or the Letters of Credit, (ii) any Environmental Damages, (iii) any claims for brokerage fees or commissions in connection with the Loan Documents or any transaction contemplated thereby or in connection with the Borrowers' failure to conclude any other financing, and to reimburse each Indemnitee on demand for all reasonable legal and other expenses incurred in connection with investigating or defending any of the foregoing, (iv) the use of any Platform or (v) any and all excise, sales or other similar taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by the Security Documents, including any penalties, claims or other losses resulting from any delay in paying such excise, sales or other similar taxes and (b) reimburse each Indemnitee for all reasonable legal fees and other expenses in connection with such Indemnitee's investigation or defense of any of the foregoing; provided, however, that nothing contained in this Section 8.03 shall obligate the Borrowers to protect, indemnify, defend or hold harmless any Indemnitee against any such liabilities, obligations, losses, damages, penalties, judgments, costs, disbursements, claims or expenses to the extent determined by a final, non-appealable judgment of a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of such Indemnitee or a breach of such Indemnitee's obligations under this Agreement. In the case of any investigation, litigation or proceeding to which the indemnity set forth in this Section 8.03 applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by a Borrower, the holders of a Borrower's Equity Securities, any creditor of a Borrower or an Indemnitee and whether not an Indemnitee is otherwise a party thereto. Upon receiving knowledge of any suit, claim or demand asserted by a third party that the Administrative Agent, WFS or any Lender believes is covered by this indemnity, the Administrative Agent or such Lender shall give the Borrowers notice of the matter; provided that the failure of the Administrative Agent, WFS or such Lender to so notify the Borrowers shall not relieve the Borrowers from their obligations under this Section 8.03 or result in any liability of the Administrative Agent, WFS or the Lenders. In connection with any such suit, claim or demand, the Administrative Agent, WFS or such Lender may select its own counsel or request that the Borrowers defend such suit, claim or demand, with legal counsel satisfactory to the Administrative Agent, WFS or such Lender as the case may be, at the Borrowers' sole cost and expense; provided, however, that the

Administrative Agent, WFS or such Lender shall not be required to so notify the Borrowers and the Administrative Agent or such Lender shall have the right to defend, at the Borrowers' sole cost and expense, any such matter that is in connection with a formal proceeding instituted by any Governmental Authority having authority to regulate or oversee any aspect of the Administrative Agent's, WFS's or such Lender's business or that of its Affiliates. The Administrative Agent or such Lender may also require the Borrowers to defend the matter. Notwithstanding the foregoing provisions, the Indemnitees will be entitled to employ counsel separate from counsel for the Borrowers and for any other party in such action if any such Indemnitee reasonably determines that a conflict of interest or other reasonable basis exists which makes representation by counsel chosen by the Borrowers not advisable, all at the Borrowers' expense. In the event an Indemnitee (or any of its officers, directors or employees) appears as a witness in any action or proceeding brought against the Borrowers in which an Indemnitee is not named as a defendant, the Borrowers agree to reimburse such Indemnitee for all out-of-pocket expenses incurred by it (including fees and expenses of counsel) in connection with its appearing as a witness. Any failure or delay of the Administrative Agent, WFS or any Lender to notify the Borrowers of any such suit, claim or demand shall not relieve the Borrowers of their obligations under this Section 8.03. No Indemnitee referred to above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and non-appealable judgment of a court of competent jurisdiction. The Borrowers shall not, without the prior written consent of each Indemnitee affected thereby (which consent will not be unreasonably withheld), settle any threatened or pending claim or action that would give rise to the right of any Indemnitee to claim indemnification hereunder unless such settlement (x) includes a full and unconditional release of all liabilities arising out of such claim or action against such Indemnitee and (y) does not include any statement as to or an admission of fault, culpability or failure to act by or on behalf of any Indemnitee. The Borrowers agrees that no Indemnitee shall have any liability (whether direct or indirect, in contract or tort, or otherwise) to the Borrowers or their Affiliates or to their respective equity holders or creditors arising out of, related to or in connection with any aspect of the transactions contemplated hereby, except to the extent such liability is determined in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Indemnitee's own gross negligence or willful misconduct. The obligations of the Borrowers under this Section 8.03 shall survive the payment and performance of the Obligations and the termination of this Agreement. The obligations of the Loan Parties with respect to Environmental Damages are (1) separate and distinct from the Obligations described within the Real Property Security Documents and the Liens and security interests created in the Real Property Security Documents, and (2) may be enforced against the Loan Parties without regard to the existence of the Real Property Security Documents and independently of any action with respect to the Real Property Security Documents.

8.04. Waivers; Amendments. Any term, covenant, agreement or condition of this Agreement or any other Loan Document may be amended or waived, and any consent under this Agreement or any other Loan Document may be given, if such amendment, waiver or consent is in writing and is signed by the Borrowers and the Required Lenders (or the Administrative Agent

on behalf of the Required Lenders with the written approval of the Required Lenders); provided, however, that:

(a) Any amendment, waiver or consent which would (i) amend the definition of “Required Lenders”, or modify in any other manner the number or percentage of the Lenders required to make any determinations or to waive any rights under, or to modify any provision of, this Agreement (other than “Required Lenders”), (ii) increase the Total Revolving Loan Commitment (except as contemplated by Section 2.01(b)) or amend Section 2.01(a)(ii), (iii) extend the Maturity Date, (iv) reduce the principal of or interest on any Loan or L/C Borrowing or any fees or other amounts payable for the account of the Lenders hereunder (it being understood that a waiver of a mandatory prepayment under Section 2.06(c) shall only require the consent of the Required Lenders), (v) extend any date fixed for any payment of the principal of or interest on any Loans or any fees or other amounts payable for the account of the Lenders or extend any Term Loan Installment Date, (vi) amend this Section 8.04 or Section 2.10, or (vii) increase the dollar amounts in Section 2.01(b), must be in writing and signed or approved in writing by all of the Lenders directly affected thereby.

(b) Any amendment, waiver or consent which releases any Loan Party or all or substantially all of the Collateral must be in writing and signed or approved in writing by all Lenders, except that (i) any such release in connection with a sale or other disposition of Collateral authorized by Section 5.02(c) may be executed by the Administrative Agent and shall not require the approval of any Lenders, Lender Bank Product Providers or Lender Rate Contract Counterparties and (ii) any amendment, waiver or consent which modifies the terms of Section 5.02(c) (including any modification relating to the prepayment of proceeds from any such sale or other disposition) shall require the consent of the Required Lenders;

(c) Any amendment, waiver or consent which increases or decreases the Proportionate Share of any Lender must be in writing and signed by such Lender (other than any such document that implements the provisions of Section 2.01(b));

(d) Any amendment, waiver or consent which affects the rights or duties of the Swing Line Lender under this Agreement must be in writing and signed by the Swing Line Lender;

(e) Any amendment, waiver or consent which affects the rights or duties of the L/C Issuer under this Agreement or any Letter of Credit Application relating to any Letter of Credit issued or to be issued by it must be in writing and signed by the L/C Issuer;

(f) Any amendment, waiver or consent which affects the rights or obligations of the Administrative Agent must be in writing and signed by the Administrative Agent;

(g) Any amendment, waiver or consent which affects the rights or obligations of WFS under Section 8.02 must be in writing and signed by WFS, and any amendment, waiver or consent which affects the rights of a Joint Lead Arranger under Section 8.03 must be in writing and signed by such Joint Lead Arranger;

(h) Any amendment, waiver or consent which would amend the application of proceeds set forth in Section 6.02 must be in writing and signed or approved in writing by all Lenders and, to the extent not included therein, all Lender Parties that are Lender Rate Contract Counterparties that have provided the Administrative Agent with prior written notice of their status as such; and

(i) Section 5.03 may be amended by a written amendment signed by the Borrowers and the Administrative Agent as set forth in Section 2.01(b).

No failure or delay by the Administrative Agent or any Lender in exercising any right under this Agreement or any other Loan Document shall operate as a waiver thereof or of any other right hereunder or thereunder nor shall any single or partial exercise of any such right preclude any other further exercise thereof or of any other right hereunder or thereunder. Unless otherwise specified in such waiver or consent, a waiver or consent given hereunder shall be effective only in the specific instance and for the specific purpose for which given. The Lenders may condition the giving or making of any amendment, waiver or consent of any term, covenant, agreement or condition of this Agreement or any other Loan Document on payment of a fee by the Borrowers (which may be payable only to the Lenders that consent to such matters within specified periods).

In addition, notwithstanding the foregoing, (x) the Fee Letter may only be amended, modified or changed, or rights or privileges thereunder waived, only by the parties thereto in accordance with the respective provisions thereof and (y) each Lender Rate Contract and agreement with respect to Lender Bank Products may only be amended, modified or changed, or rights or privileges thereunder waived, only by the parties thereto in accordance with the respective provisions thereof.

Notwithstanding anything to the contrary herein, any Defaulting Lender shall not have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the (i) any Proportionate Share of such Defaulting Lender may not be increased, (ii) the applicable maturity date of any Loans of such Defaulting Lender, as applicable, may not be extended, and (iii) principal and interest owing to such Defaulting Lender may not be reduced, in each case without the consent of such Defaulting Lender. This paragraph is referred to as the "Defaulting Lender Amendment Paragraph."

Any amendment, modification, supplement, termination, waiver or consent pursuant to this Section 8.04 shall apply equally to, and shall be binding upon, each of the Administrative Agent, and the Lenders.

Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Borrowers or either of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 6.02 for the benefit of all the Lenders; provided, however, that the foregoing shall not prohibit (a) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) the L/C Issuer from exercising the rights and remedies that inure to its benefit (solely in its capacity as L/C Issuer) hereunder and under the other Loan Documents or (c) any Lender from exercising setoff rights in accordance

with Section 8.06 (subject to the terms of Section 2.10); and provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 6.02 and (ii) in addition to the matters set forth in clauses (b) and (c) of the preceding proviso and subject to Section 2.10, any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

Notwithstanding the foregoing, if the Administrative Agent and the Borrowers shall have jointly identified an obvious error, or any error or omission of a purely technical nature, in the Loan Documents, then the Administrative Agent and the Borrowers shall be permitted to amend such provision without further action or consent of any other party if the same is not objected to in writing by the Required Lenders to the Administrative Agent within five (5) Business Days following receipt of notice thereof.

8.05. Successors and Assigns.

(a) Binding Effect. This Agreement and the other Loan Documents shall be binding upon and inure to the benefit of the Borrowers, the Lenders, the Administrative Agent, all future holders of the Notes and their respective successors and permitted assigns, except that no Loan Party may assign or transfer any of its rights or obligations under any Loan Document (except in connection with a merger or consolidation permitted by Section 5.02(d)) without the prior written consent of the Administrative Agent and each Lender. Any purported assignment or transfer by a Loan Party in violation of the foregoing shall be null and void.

(b) Participations. Any Lender may, without notice to or consent of the Borrowers, at any time sell to one or more banks or other financial institutions ("Participants") participating interests in all or a portion of any Loan owing to such Lender, any Note held by such Lender, any Revolving Loan Commitment of such Lender or any other interest of such Lender under this Agreement and the other Loan Documents (including for purposes of this subsection (b), participations in L/C Obligations and in Swing Line Loans); provided that notwithstanding the foregoing, no Participant shall be a Loan Party or an Affiliate of a Loan Party. In the event of any such sale by a Lender of participating interests, such Lender's obligations under this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of its Notes for all purposes under this Agreement and the Borrowers and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which any such sale is effected may require the selling Lender to obtain the consent of the Participant in order for such Lender to agree in writing to any amendment, waiver or consent of a type specified in Section 8.04(a)(i), (iv), (v) or (vii) or Section 8.04(b) but may not otherwise require the selling Lender to obtain the consent of such Participant to any other amendment, waiver or consent hereunder. The Borrowers agree that if amounts outstanding under this Agreement and the other Loan Documents are not paid when due (whether upon acceleration or otherwise), each Participant shall, to the fullest extent permitted by law, be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement and any other Loan

Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement or any other Loan Documents; provided, however, that (i) no Participant shall exercise any rights under this sentence without the consent of the Administrative Agent, (ii) no Participant shall have any rights under this sentence which are greater than those of the selling Lender and (iii) such rights of setoff shall be subject to the obligation of such Participant to share the payment so obtained with all of the Lenders as provided in Section 2.10(b).

The Borrowers agree that each Participant shall be entitled to the benefits of Section 2.11 and Section 2.12 (subject to the requirements and limitations therein, including the requirements under Section 2.12 (it being understood that the documentation required under Section 2.12(g) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (c) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Section 2.15 as if it were an assignee under paragraph (c) of this Section; and (B) shall not be entitled to receive any greater payment under Section 2.11 or Section 2.12, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change of Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrowers' request and expense, to use reasonable efforts to cooperate with the Borrowers to effectuate the provisions of Section 2.15 with respect to any Participant. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrowers, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(c) Assignments. Any Lender may, at any time, sell and assign to any Lender or any Eligible Assignee (individually, an "Assignee Lender") all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including for purposes of this subsection (c), participations in L/C Obligations and in Swing Line Loans) (such a sale and assignment to be referred to herein as an "Assignment") pursuant to an assignment agreement in substantially the form of Exhibit G (an "Assignment Agreement"), executed by each Assignee Lender and such assignor Lender (an "Assignor Lender") and delivered to the Administrative Agent for its acceptance and recording in the Register; provided, however, that:

(i) Each Assignee Lender that shall become a Revolving Lender shall provide, as a condition to the effectiveness of such assignment, appropriate assurances and indemnities (which may include letters of credit) to the L/C Issuer and the Swing Line Lender as each may require with respect to any continuing obligation to purchase participation interests in any L/C Obligations or any Swing Line Loans then outstanding;

(ii) Without the written consent of the Administrative Agent and, if no Event of Default has occurred and is continuing, the Borrowers (which consent of the Administrative Agent and the Borrowers shall not be unreasonably withheld or delayed), no Lender may make any Assignment to any Assignee Lender which is not, immediately prior to such Assignment, a Lender hereunder, provided that the Borrowers shall be deemed to have consented to any such Assignment unless it shall object thereto by written notice to the Administrative Agent within five (5) Business Days after having received notice thereof;

(iii) Without the written consent of (1) the Administrative Agent, (2) if such Assignment would result in the Assignee Lender becoming a Revolving Lender, the L/C Issuer and the Swing Line Lender, and (3) if no Event of Default has occurred and is continuing, the Borrowers (which consent shall not be unreasonably withheld or delayed), no Lender may make any Assignment to any Assignee Lender (I) that is less than Five Million Dollars (\$5,000,000) in the aggregate or (II) if, after giving effect to such Assignment, the Revolving Loan Commitment or Loans of such Lender or such Assignee Lender would be less than Five Million Dollars (\$5,000,000) (except that, in each case, a Lender may make an Assignment which reduces its Revolving Loan Commitment or Loans to zero without the written consent of the Borrowers and the Administrative Agent except to the extent such written consent is required by clause (ii) above and clause (iv) below); and

(iv) Without the written consent of the Administrative Agent and, if no Default has occurred and is continuing, the Borrowers (which consent of the Administrative Agent and the Borrowers shall not be unreasonably withheld or delayed), no Lender may make any Assignment which does not assign and delegate an equal pro rata interest in such Lender's Revolving Loans, Revolving Loan Commitment and Term Loans and all other rights, duties and obligations of such Lender under this Agreement and the other Loan Documents.

Upon such execution, delivery, acceptance and recording of each Assignment Agreement, from and after the Assignment Effective Date determined pursuant to such Assignment Agreement, (A) each Assignee Lender thereunder shall be a Lender hereunder with a Revolving Loan Commitment and Loans as set forth on Attachment 1 to such Assignment Agreement and shall have the rights, duties and obligations of such a Lender under this Agreement and the other Loan Documents, and (B) the Assignor Lender thereunder shall be a Lender with a Revolving Loan Commitment and Loans as set forth on Attachment 1 to such Assignment Agreement or, if the Revolving Loan Commitment and Loans of the Assignor Lender have been reduced to \$0, the Assignor Lender shall cease to be a Lender and to have any obligation to make any Loan; provided,

however, that any such Assignor Lender which ceases to be a Lender shall continue to be entitled to the benefits of any provision of this Agreement which by its terms survives the termination of this Agreement; provided further, that except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. Each Assignment Agreement shall be deemed to amend Schedule I to the extent, and only to the extent, necessary to reflect the addition of each Assignee Lender, the deletion of each Assignor Lender which reduces its Revolving Loan Commitment and Loans to \$0 and the resulting adjustment of Revolving Loan Commitment and Loans arising from the purchase by each Assignee Lender of all or a portion of the rights and obligations of an Assignor Lender under this Agreement and the other Loan Documents. On or prior to the Assignment Effective Date determined pursuant to each Assignment Agreement, the Borrowers, at their own expense, shall execute and deliver to the Administrative Agent, in exchange for the surrendered Note(s) of the Assignor Lender thereunder, new Note(s) to each Assignee Lender thereunder that requests such a note (with each new Note to be in an amount equal to the Revolving Loan Commitment or Term Loan, as applicable, assumed by such Assignee Lender) and, if the Assignor Lender is continuing as a Lender hereunder, new Note(s) to the Assignor Lender if so requested by such Assignor Lender (with each new Note to be in an amount equal to the Revolving Loan Commitment and Term Loan, as applicable, retained by it). Each such new Note shall be dated the Third Restatement Effective Date or other date acceptable to such Lender, and each such new Note shall otherwise be in the form of the Note replaced thereby. The Notes surrendered by the Assignor Lender shall be returned by the Administrative Agent to the Borrowers marked "Replaced".

Notwithstanding anything to the contrary contained herein, if at any time Wells Fargo assigns all of its Revolving Loan Commitment and Loans pursuant to subsection (c) above, Wells Fargo may, (i) upon 30 days' notice to the Borrowers and the Lenders, resign as L/C Issuer and/or (ii) upon five Business Days' notice to the Borrowers, terminate the Swing Line. In the event of any such resignation as L/C Issuer or termination of the Swing Line, the Borrowers shall be entitled to appoint from among the Lenders a successor L/C Issuer or Swing Line Lender hereunder; provided, however, that no failure by the Borrowers to appoint any such successor shall affect the resignation of Wells Fargo as L/C Issuer or the termination of the Swing Line, as the case may be. Wells Fargo shall retain all the rights and obligations of the L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as L/C Issuer and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund participations in Unreimbursed Amounts pursuant to Section 2.02(c)). If Wells Fargo terminates the Swing Line, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such termination, including the right to require the Lenders to make Base Rate Loans or fund participations in outstanding Swing Line Loans pursuant to Section 2.03(c).

In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrowers and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded

by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, WFS, the L/C Issuer, the Swing Line Lender or any Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full pro rata share of all Loans and participations in Letters of Credit and Swing Line Loans in accordance with its Revolving Proportionate Share. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under Governmental Rules without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

(d) Register. The Borrowers hereby designate the Administrative Agent (the “Agent”), and the Agent agrees, to serve as the Borrowers’ agent, solely for purposes of this Section 8.05(d), to maintain a register at its address referred to in Section 8.01 (the “Register”) on which it will record the Revolving Loan Commitments from time to time of each of the Lenders, the Loans made by, and Letters of Credit of, each of the Lenders and each repayment in respect of the principal amount of the Loans and Letters of Credit of each Lender. Failure to make any such recordation, or any error in such recordation shall not affect the Borrowers’ obligations in respect of such Loans or Letters of Credit. With respect to any Lender, the transfer of the Revolving Loan Commitment of such Lender and the rights to the principal of, and interest on, any Loan or Letter of Credit made pursuant to such Revolving Loan Commitment shall not be effective until such transfer is recorded on the Register maintained by the Agent, such recordation not to be unreasonably delayed. The ownership of such Revolving Loan Commitment, Loans and Letters of Credit prior to such recordation and all amounts owing to the transferor with respect to such Revolving Loan Commitment, Loans and Letters of Credit shall remain owing to the transferor. In addition, the Administrative Agent shall maintain on the Register information regarding the designation and revocation of designation, of any Lender as a Defaulting Lender. The registration of an assignment or transfer of all or part of any Revolving Loan Commitment, Loan or Letter of Credit shall be recorded by the Agent on the Register only upon the acceptance by the Agent of a properly executed and delivered Assignment Agreement pursuant to Section 8.05(c). Coincident with the delivery of such an Assignment Agreement to the Agent for acceptance and registration of assignment or transfer of all or part of a Loan, or as soon thereafter as practicable, the assigning or transferor Lender shall surrender the Note evidencing such Loan, and thereupon one or more new Notes in the same aggregate principal amount shall be issued to assigning or transferor Lender. The Borrowers agree to indemnify the Agent from and against any and all losses, claims, damages and liabilities of whatsoever nature which may be imposed on, asserted against or incurred by the Agent in performing its duties under this Section 8.05(d); and the Borrower hereby designates the Administrative Agent, and the Administrative Agent agrees, to serve as the Borrower’s agent, solely for purposes of this Section 8.05(d), to maintain the Participant Register.

(e) Registration. Upon its receipt of an Assignment Agreement executed by an Assignor Lender and an Assignee Lender (and, to the extent required by Section 8.05(c), by the Borrowers and the Administrative Agent) together with payment to the Administrative Agent by Assignor Lender of a registration and processing fee of \$3,500,

the Administrative Agent shall (i) promptly accept such Assignment Agreement and (ii) on the Assignment Effective Date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Lenders and the Borrowers. The Administrative Agent may, from time to time at its election, prepare and deliver to the Lenders and the Borrowers a revised Schedule I reflecting the names, addresses and respective Revolving Loan Commitment or Loans of all Lenders then parties hereto (and in any event Schedule I shall be deemed amended to reflect any assignment consummated pursuant to the terms of this Agreement or upon any Lender becoming a party to this Agreement by any other means (including pursuant to a joinder as contemplated by Section 2.01(b)).

(f) Confidentiality. Subject to Section 8.10, the Administrative Agent and the Lenders may disclose the Loan Documents and any financial or other information relating to the Loan Parties to each other or to any potential Participant or Assignee Lender.

(g) Pledges to Federal Reserve Banks; Other Pledges of Notes. Notwithstanding any other provision of this Agreement, any Lender may at any time assign all or a portion of its rights under this Agreement and the other Loan Documents to a Federal Reserve Bank. No such assignment shall relieve the assigning Lender from its obligations under this Agreement and the other Loan Documents. In the case of any Lender that is a Fund, such Lender may (i) assign or pledge all or any portion of the Loans held by it (and Notes evidencing such Loans) to the trustee under any indenture to which such Lender is a party in support of its obligations to the trustee for the benefit of the applicable trust beneficiaries, or (ii) pledge all or any portion of the Loans held by it (and Notes evidencing such Loans) to its lenders for collateral security purpose; provided, however, no such pledgee under clause (i) or (ii) shall become a Lender hereunder (by foreclosure, transfer in lieu of foreclosure or otherwise) unless and until it complies with the assignment provisions of this Agreement to become a Lender hereunder and has received all consents required hereunder.

(h) True Sale. All participations in the Obligations or any portion thereof, whether pursuant to provisions hereof or otherwise, are intended to be “true sales” for purposes of financial reporting in accordance with Statement of Financial Accounting Standards No. 140. Accordingly, the L/C Issuer or any Lender that sells or is deemed to have sold a participation in the Obligations (including any participations in Letters of Credit and/or Loans, any participations described in clause (b) above and any participations under Section 2.10(b)) (each a “Participation Seller”) hereby agrees that if such Participation Seller receives any payment in respect of the Obligations to which such participation relates through the exercise of setoff by such Participation Seller against the Borrowers or any other obligor, then such Participation Seller agrees to promptly pay to the participating party in such participation such participant’s pro rata share of such setoff (after giving effect to any sharing with the Lenders under Section 2.10(b) hereof).

(i) Additional Forms. If required by applicable Governmental Rules or otherwise deemed prudent by the Administrative Agent, the Borrowers and each Lender shall prepare, execute and deliver a completed Form U-1 (or Form G-3, as applicable) for

each Lender (and, if applicable, for each Participant, in which case the applicable Lender shall cause its Participant to satisfy the requirements of this Section).

8.06. Setoff; Security Interest.

(a) Setoffs By Lenders. In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, with the prior consent of the Administrative Agent but without prior notice to or consent of the Borrowers, any such notice and consent being expressly waived by the Borrowers to the extent permitted by applicable Governmental Rules, upon the occurrence and during the continuance of an Event of Default, to set-off and apply against the Obligations any amount owing from such Lender to the Borrowers; provided, however, that in the event that any Defaulting Lender shall exercise any such right of set-off, (i) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.16 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders, and (ii) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of set-off. The aforesaid right of set-off may be exercised by such Lender or its Affiliates against the Borrowers or against any trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver or execution, judgment or attachment creditor of the Borrowers or against anyone else claiming through or against the Borrowers or such trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor, notwithstanding the fact that such right of set-off may not have been exercised by such Lender at any prior time. Each Lender agrees promptly to notify the Borrowers after any such set-off and application made by such Lender; provided, that the failure to give such notice shall not affect the validity of such set-off and application.

(b) Security Interest. As security for the Obligations, the Borrowers hereby grant to the Administrative Agent and each Lender, for the benefit of the Administrative Agent and the Lenders, a continuing security interest in any and all deposit accounts or moneys of the Borrowers now or hereafter maintained with such Lender. Each Lender shall have all of the rights of a secured party with respect to such security interest.

8.07. No Third Party Rights. Nothing expressed in or to be implied from this Agreement is intended to give, or shall be construed to give, any Person, other than the parties hereto and their permitted successors and assigns hereunder, any benefit or legal or equitable right, remedy or claim under or by virtue of this Agreement or under or by virtue of any provision herein.

8.08. Partial Invalidity. If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law or any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Agreement nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

8.09. Jury Trial. EACH OF THE BORROWERS, THE LENDERS AND THE ADMINISTRATIVE AGENT, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE GOVERNMENTAL RULES, HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY AS TO ANY ISSUE RELATING HERETO IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT.

8.10. Confidentiality. None of the Administrative Agent, any Joint Lead Arranger or any Lender shall disclose to any Person any Confidential Information, except that the Administrative Agent, any Joint Lead Arranger and any Lender may disclose any such information (a) to its own directors, officers, employees, auditors, counsel and other advisors and to its Affiliates; (b) to the Administrative Agent, any Joint Lead Arranger or any other Lender; (c) which is otherwise known or available to the public or which is otherwise known to the receiving party prior to the time such Confidential Information was delivered to the Administrative Agent, any Joint Lead Arranger or any Lender; (d) if required or appropriate in any report, statement or testimony submitted to any Governmental Authority having or claiming to have jurisdiction over the Administrative Agent, such Joint Lead Arranger or such Lender (including as required in connection with pledges and assignments permitted under Section 8.05(g)); (e) if required in response to any summons or subpoena; (f) in connection with any enforcement by the Administrative Agent, the Joint Lead Arrangers or the Lenders of their rights under this Agreement or the other Loan Documents or any litigation among the parties relating to the Loan Documents or the transactions contemplated thereby; (g) to comply with any Requirement of Law applicable to the Administrative Agent, such Joint Lead Arranger or such Lender; (h) to any Assignee Lender or Participant or any prospective Assignee Lender or Participant; provided that such Assignee Lender or Participant or prospective Assignee Lender or Participant agrees to be bound by the provisions of (or provisions substantially similar to) this Section 8.10; (i) the Title Company or (j) otherwise with the prior consent of such Loan Party; provided, however, that any disclosure made in violation of this Agreement shall not affect the obligations of the Loan Parties under this Agreement and the other Loan Documents. In addition, the Administrative Agent and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry and service providers to the Administrative Agent and the Lenders in connection with the administration of this Agreement and the other Loan Documents. Nothing in this Section 8.10 shall limit the use of any Platform as described in Section 8.01(b).

8.11. Counterparts. This Agreement may be executed in any number of identical counterparts, any set of which signed by all the parties hereto shall be deemed to constitute a complete, executed original for all purposes. Transmission by facsimile, “pdf” or similar electronic copy of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart. Any party hereto may request an original counterpart of any party delivering such electronic counterpart.

8.12. Consent to Jurisdiction. Each of the parties to this Agreement irrevocably submits to the non-exclusive jurisdiction of the courts of the State of Nevada and the courts of the United States located in Nevada and agrees that any legal action, suit or proceeding arising out of or relating to this Agreement or any of the other Loan Documents may be brought against such party in any such courts. In addition, the Borrowers irrevocably submit to the non-exclusive jurisdiction of the courts of any State (each a “Real Property State”) where any real property described in any

Real Property Security Agreement is located and the courts of the United States located in any such Real Property State and agrees that any legal action, suit or proceeding arising out of or relating to any Real Property Security Agreement related to real property located in a Real Property State may be brought against such party in any such courts in such Real Property State. Final judgment against any party in any such action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the judgment, or in any other manner provided by law. Nothing in this Section 8.12 shall affect the right of any party to commence legal proceedings or otherwise sue any other party in any other appropriate jurisdiction, or concurrently in more than one jurisdiction, or to serve process, pleadings and other papers upon any other party in any manner authorized by the laws of any such jurisdiction. The Borrowers agree that process served either personally or by registered mail shall, to the extent permitted by law, constitutes adequate service of process in any such suit. Each of the parties to this Agreement irrevocably waives to the fullest extent permitted by applicable Governmental Rules (a) any objection which it may have now or in the future to the laying of the venue of any such action, suit or proceeding in any court referred to in the first sentence above; (b) any claim that any such action, suit or proceeding has been brought in an inconvenient forum; (c) its right of removal of any matter commenced by any other party in the courts of the State of Nevada or any Real Property State or to any court of the United States; (d) any immunity which it or its assets may have in respect of its obligations under this Agreement or any other Loan Document from any suit, execution, attachment (whether provisional or final, in aid of execution, before judgment or otherwise) or other legal process; and (e) any right it may have to require the moving party in any suit, action or proceeding brought in any of the courts referred to above arising out of or in connection with this Agreement or any other Loan Document to post security for the costs of any party or to post a bond or to take similar action.

8.13. Relationship of Parties. The relationship between the Borrowers, on the one hand, and the Lenders and the Administrative Agent, on the other, is, and at all times shall remain, solely that of borrowers and lenders. Neither the Lenders nor the Administrative Agent shall under any circumstances be construed to be partners or joint venturers of the Borrowers or any of their Affiliates; nor shall the Lenders nor the Administrative Agent under any circumstances be deemed to be in a relationship of confidence or trust or a fiduciary relationship with the Borrowers or any of their Affiliates, or to owe any fiduciary duty to the Borrowers or any of their Affiliates. The Lenders and the Administrative Agent do not undertake or assume any responsibility or duty to the Borrowers or any of their Affiliates to select, review, inspect, supervise, pass judgment upon or otherwise inform the Borrowers or any of their Affiliates of any matter in connection with its or their property, any security held by the Administrative Agent or any Lender or the operations of the Borrowers or any of their Affiliates. The Borrowers and each of their Affiliates shall rely entirely on their own judgment with respect to such matters, and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by any Lender or the Administrative Agent in connection with such matters is solely for the protection of the Lenders and the Administrative Agent and neither the Borrowers nor any of their Affiliates is entitled to rely thereon.

8.14. Time. Time is of the essence as to each term or provision of this Agreement and each of the other Loan Documents.

8.15. Waiver of Punitive Damages. Notwithstanding anything to the contrary contained in this Agreement, the Borrowers hereby agree that they shall not seek from the Lenders or the Administrative Agent punitive damages under any theory of liability.

8.16. USA PATRIOT Act. Each Lender hereby notifies the Borrowers that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Borrowers, which information includes the name and address of the Borrowers and other information that will allow such Lender to identify the Borrowers in accordance with the Patriot Act.

8.17. Waivers and Agreements of Borrowers. While not intended by the parties hereto, if it is determined that any Borrower is a surety of another Borrower:

(a) Without limiting the provisions of Section 1.13, the covenants, agreements and obligations of each Borrower set forth herein are joint and several and shall be primary obligations of such Borrower, and such obligations shall be absolute, unconditional and irrevocable, and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected by, any circumstance or condition whatsoever, foreseeable or unforeseeable.

(b) Each Borrower hereby waives (i) any right of redemption with respect to the Collateral after the sale hereunder, and all rights, if any, of marshalling of the Collateral or other collateral or security for the Obligations and (ii) any right (except as shall be required by applicable statute and cannot be waived) to require the Administrative Agent or any Lender to (A) proceed against the other Borrowers or any other Person, (B) proceed against or exhaust any other collateral or security for any of the Obligations or (C) pursue any remedy in the Administrative Agent's or any Lender's power whatsoever. Each Borrower hereby waives any defense based on or arising out of any defense of the other Borrowers or any other Person other than payment in full of the Obligations, including, without limitation, any defense based on or arising out of the disability of the other Borrowers or any other Person, or the enforceability of the Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the other Borrowers other than payment in full of the Obligations. The Administrative Agent may, at its election, foreclose on any security held by the Administrative Agent by one or more judicial or non-judicial sales, whether or not every aspect of any such sale is commercially reasonable (to the extent such sale is permitted by applicable law), or exercise any other right or remedy the Administrative Agent may have against the other Borrowers or any other Person, or any security, without affecting or impairing in any way the liability of any Borrower hereunder except to the extent the Obligations have been paid in full. Each Borrower waives all rights and defenses arising out of an election of remedies by the Administrative Agent, even though that election of remedies, such as nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed such Borrower's rights of subrogation and reimbursement against the other Borrowers.

8.18. Clarification. Notwithstanding anything to the contrary, the parties hereto understand and agree that Wells Fargo is acting in various capacities under this Agreement and the other Loan Documents and therefore shall be permitted to fulfill its roles and manage its various duties

hereunder in such manner as Wells Fargo sees fit and, for the avoidance of doubt, in lieu of sending notices to itself when acting in different capacities Wells Fargo may keep internal records regarding all such communications, notices and actions related to this Agreement and the other Loan Documents in accordance with its past practice.

8.19. Costs to Prevailing Party. If any action or arbitration proceeding is brought by any party against any other party under this Credit Agreement or any of the Loan Documents, the prevailing party shall be entitled to recover such costs and attorney's fees as the court or the arbitrator in such action or proceeding may adjudge as appropriate.

8.20. Notes. Each of the lenders party to the Existing Credit Agreement hereby agrees to return its Revolving Loan Note (as defined in the Existing Credit Agreement) marked "cancelled" to the Borrowers after receipt by such lender of its Revolving Loan Note under this Agreement. The Swing Line Lender hereby agrees to return its Swing Loan Note (as defined in the Existing Credit Agreement) marked "cancelled" to the Borrowers after receipt by the Swing Line Lender of its Swing Loan Note under this Agreement.

[The first signature page follows]

IN WITNESS WHEREOF, the Borrowers, the Lenders, the Administrative Agent, the L/C Issuer and the Swing Line Lender have caused this Agreement to be executed as of the day and year first above written.

BORROWERS:

**MONARCH CASINO & RESORT, INC.,
a Nevada corporation**

By: _____
Name:
Title:

**GOLDEN ROAD MOTOR INN, INC.,
a Nevada corporation**

By: _____
Name:
Title:

**MONARCH GROWTH INC.,
a Nevada corporation**

By: _____
Name:
Title:

**MONARCH BLACK HAWK, INC.,
a Colorado corporation**

By: _____
Name:
Title:

[Signature Page to Third Amended and Restated Credit Agreement – Monarch 2016]

**ADMINISTRATIVE AGENT, L/C ISSUER
AND SWING LINE LENDER:**

**WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Administrative Agent,
L/C Issuer and Swing Line Lender**

By: _____
Name: Candace Borrego
Title: Director

THE LENDERS:

**WELLS FARGO BANK, NATIONAL
ASSOCIATION**

By: _____
Name: Candace Borrego
Title: Director

[Signature Page to Third Amended and Restated Credit Agreement – Monarch 2016]

SCHEDULE I

THE LENDERS

Part A

<u>LENDER</u>	<u>REVOLVING LOAN COMMITMENT</u>	<u>REVOLVING PROPORTIONATE SHARE</u>
Wells Fargo Bank, National Association	\$75,000,000	30.0%
Bank of America N.A.	\$75,000,000	30.0%
U.S. Bank National Association	\$50,000,000	20.0%
ZB, N.A. dba Nevada State Bank	\$35,000,000	14.0%
Mutual of Omaha Bank	\$15,000,000	6.0%
 TOTAL	 \$250,000,000	 100%

WELLS FARGO BANK, NATIONAL ASSOCIATION

as a Lender

Notices:

Wells Fargo Bank, National Association
5340 Kietzke Lane, Suite 201
Reno, Nevada 89511
Attention: Candace Borrego
Tel. No. (775) 689-6131
Fax No. (775) 689-6026
E-mail. Candace.Borrego@wellsfargo.com

Domestic and Foreign Lending Office:

Wells Fargo Bank, National Association
1525 W. W.T. Harris Blvd
MAC D1109-019
Charlotte, NC 28262
Attention: Agency Services
Fax No. (704) 715-0017
E-mail. agencyservices.requests@wellsfargo.com

BANK OF AMERICA N.A.

as a Lender

Notices:

Bank of America N.A.
401 S. Virginia Street, 2nd Floor
Reno, Nevada 89501-2196
Attention: Donald Schulke
Tel. No. (775) 325-9012
Fax No. (312) 453-5958
E-mail. donald.d.schulke@baml.com

Domestic and Foreign Lending Office:

Bank of America N.A.
2001 Clayton Rd. Bldg. B
Concord, California 94520
Attention: GV Kumar
Tel. No. (415) 436-3683 ext. 64672
Fax No. (312) 453-4144
E-mail. Gv.kumar@bankofamerica.com

U.S. BANK, NATIONAL ASSOCIATION

as a Lender

Notices:

U.S. Bank, National Association
One East Liberty, Suite 111
Reno, Nevada 89501
Attention: Bridget de Arrieta
Tel. No. (775) 688-3510
Fax No. (775) 688-3572
E-mail. Bridget.dearrieta@usbank.com

Domestic and Foreign Lending Office:

U.S. Bank, National Association
555 SW Oak, PD-OR-P7LS
Portland, Oregon 97208
Attention: CLS Syndication Services
Tel. No.: (920) 237-7601
Fax No.: (866) 721-7062

ZB, N.A. DBA NEVADA STATE BANK

as a Lender

Notices:

ZB, N.A. dba Nevada State Bank
1 West Liberty Street, 2nd Floor
Reno, NV 89505
Attention: Jamie Gazza
Tel. No. (775) 688-7966
Fax No. (775) 688-6960
E-mail. jamie.gazza@nsbank.com

Domestic and Foreign Lending Office:

ZB, N.A. dba Nevada State Bank
2460 S 3270 W
West Valley, UT 84119
Attention: Carson Kocherhans
Tel. No. (801) 844-4891
Fax No. (855) 376-0478
E-mail. CLOZB-Parts@zionsbancorp.com

MUTUAL OF OMAHA BANK

as a Lender

Notices:

Mutual of Omaha Bank
8945 W. Russell Road, Suite 300
Las Vegas, Nevada 89148
Attention: Mei Ling Chua
Tel. No. (702) 492-5802
Fax No. (402) 633-6382
E-mail. Meling.chua@mutualofomahabank.com

Domestic and Foreign Lending Office:

Mutual of Omaha Bank
8945 W. Russell Road, Suite 300
Las Vegas, Nevada 89148
Attention: Laura Linton
Tel. No. (702) 492-5803
Fax No. (402) 633-6382
E-mail. Laura.linton@mutualofomahabank.com

SCHEDULE 3.01

Conditions Precedent to Closing

The Third Restatement Effective Date is subject to: (i) in the case of all conditions listed below which can be satisfied by the delivery of documentation or other items by the Borrowers, receipt by the Administrative Agent of such documentation or other items, each in form and substance reasonably satisfactory to the Administrative Agent and each Lender and with sufficient copies for the Administrative Agent (and, where expressly indicated, each Lender) and (ii) in the case of all other conditions listed below, the Administrative Agent's determination that such conditions have been reasonably satisfied or waived.

(a) Principal Loan Documents.

(i) This Agreement, duly executed by the Borrowers, each Lender and the Administrative Agent;

(ii) A new or amended and restated Revolving Loan Note payable to each Revolving Lender, each duly executed by the Borrowers;

(iii) An amended and restated Swing Loan Note payable to the Swing Line Lender in the principal amount of the Swing Line Sublimit, duly executed by the Borrowers; and

(iv) The Security Agreement in form and substance satisfactory to the Administrative Agent, duly executed by the Borrowers, together with, to the extent not previously delivered to the Administrative Agent, (A) the Pledged Intercompany Notes, if any, (B) the original certificates (if any) representing all of the outstanding Equity Securities each Subsidiary that is pledged to the Administrative Agent pursuant to the Security Agreement, together with undated stock or membership powers duly executed by the appropriate Loan Party, as applicable, in blank and attached thereto; and (C) all other collateral listed on Schedule I of the Security Agreement.

(b) Borrowers' Organizational Documents.

(i) The certificate of incorporation or articles of organization of each Borrower, certified as of a recent date prior to the Third Restatement Effective Date by the Secretary of State (or comparable official) of such Borrower's state of incorporation;

(ii) A certificate of the Secretary or an Assistant Secretary of each Borrower, dated the Third Restatement Effective Date, certifying that (A) attached thereto is a true and correct copy of the bylaws of such Borrower as in effect on the Third Restatement Effective Date; (B) attached thereto are true and correct copies of resolutions duly adopted by the board of directors or other governing body of such Borrower and continuing in effect, which authorize the execution, delivery and performance by such Borrower of this Agreement and the other Loan

Documents executed or to be executed by such Borrower and the consummation of the transactions contemplated hereby and thereby; (C) there are no proceedings for the dissolution or liquidation of such Borrower; and (D) the incumbency, signatures and authority of the officers of such Borrower authorized to execute, deliver and perform this Agreement, the other Loan Documents and all other documents, instruments or agreements related thereto executed or to be executed by such Borrower; and

(iii) Certificates of good standing (or comparable certificates) for each Borrower, certified as of a recent date prior to the Third Restatement Effective Date by the Secretary of State (or comparable official) of Delaware and each state in which such Borrower is qualified to do business.

(c) Financial Statements, Financial Condition, Etc.

(i) A copy of the audited Financial Statements of Parent and its Subsidiaries for fiscal years 2013 through 2015 (prepared on a consolidated basis), each with an unqualified opinion from an independent accounting firm acceptable to the Administrative Agent and the Lenders;

(ii) A copy of the unaudited Financial Statements of Parent and its Subsidiaries for the fiscal year to date ended as of March 31, 2016 (prepared on a consolidated basis), certified by the chief financial officer or vice president of finance of the Borrowers to present fairly the financial condition, results of operations and other information reflected therein and to have been prepared in accordance with GAAP (subject to normal year-end audit adjustments);

(iii) A copy of (and the Administrative Agent's and Required Lenders' satisfactory review of) the projected financial statements of Parent and its Subsidiaries by fiscal year for each of the fiscal years through the Maturity Date (which shall be quarterly for the fiscal years ending December 31, 2016 and December 31, 2017 and annually thereafter), together with narrative assumptions, including, in each case, projected balance sheets, statements of income and retained earnings and statements of cash flow of Parent and its Subsidiaries, all in reasonable detail and reflecting the Borrowers' compliance with each of the covenants set forth in Section 5.03 of this Agreement, all prepared by a financial officer of the Borrowers; and

(iv) Such other financial, business and other information regarding the Borrowers or any other Loan Party as the Administrative Agent, the L/C Issuer, the Swing Line Lender or any Lender may request.

(d) Collateral Documents; Real Property Documents.

(i) Evidence that upon the filing of appropriate financing statements the Administrative Agent will have a valid, perfected first priority Lien on all Collateral as to which a security interest can be perfected by filing a financing statement, subject to Permitted Liens;

(ii) Uniform Commercial Code search certificates from the jurisdictions in which Uniform Commercial Code financing statements are to be filed pursuant to subsection (d)(i) above reflecting no other financing statements or filings which evidence Liens of other Persons in the Collateral which are prior to the Liens granted to the Administrative Agent in this Agreement, the Security Documents and the other Loan Documents, except for any such prior Liens which are expressly permitted by this Agreement to be prior;

(iii) Amendments to or amended and restated Control Agreement or new Control Agreements with each bank and securities intermediary at which a Borrower maintains a deposit account (other than Pari-mutuel Accounts) or securities account, to the extent any such accounts are not subject to Control Agreements;

(iv) The Borrowers shall have complied with FIRREA and all other legal requirements for the making of the loan and all of the Administrative Agent's policies in respect of real estate construction loans (including, without limitation, receipt of results of flood zone report (and confirmation of such receipt) and maintenance of necessary flood insurance in amounts and where required under applicable law);

(v) The Administrative Agent shall have received a Phase I environmental assessment and such other environmental report reasonably requested by the Administrative Agent regarding the real property by an environmental engineering firm acceptable to the Administrative Agent showing no environmental conditions in violation of Environmental Laws or liabilities under Environmental Laws, either of which could reasonably be expected to have a Material Adverse Effect;

(vi) Appropriate documents for filing with the United States Patent and Trademark Office, the United States Copyright Office and all other filings necessary to perfect the security interests granted to the Administrative Agent by the Security Documents, all appropriately completed and duly executed by the applicable Loan Party and, where appropriate, notarized;

(vii) With regard to real property owned by the Borrowers and located in Colorado, an irrevocable commitment to issue modification endorsements to the existing ALTA extended coverage Lender's policies of title insurance insuring the continuing validity and priority of the Black Hawk Deed of Trust and MGI Deed of Trust for the benefit of Administrative Agent as modified by the modifications to the Real Property Security Documents, in such form as the Administrative Agent may require, issued by a title insurer acceptable to the Administrative Agent immediately following the recordation of the modifications of the Real Property Security Documents;

(viii) With regard to real property owned by Borrowers and located in Nevada (in any event excluding the Atlantis - BLILP Lease), an irrevocable commitment to issue a dated endorsement of the existing ALTA extended coverage Lender's policy of title insurance insuring the validity and priority of the Atlantis Deed of Trust for the benefit of Administrative Agent as modified by the modifications to the Real Property Security Documents, in such form as the Administrative Agent may require, issued by a title insurer acceptable to the Administrative Agent immediately following the recordation of such Real Property Security Document;

(ix) an amendment to each Real Property Security Document or an amended and restated version of a Real Property Security Document, as applicable, duly executed and in recordable form for all appropriate jurisdictions, as applicable;

(x) an amendment and reaffirmation to each Environmental Indemnity Agreement;

(xi) Such other documents, instruments and agreements as the Administrative Agent may request to establish and perfect the Liens granted to the Administrative Agent or any Lender in this Agreement, the Security Documents and the other Loan Documents; and

(xii) Such other evidence as the Administrative Agent may request to establish that the Liens granted to the Administrative Agent or any Lender Party in this Agreement, the Security Documents and the other Loan Documents are or upon the proper filings shall be perfected and prior to the Liens of other Persons in the Collateral, except for any such Liens which are expressly permitted by this Agreement to be prior.

(e) Opinion. A favorable written opinions from counsel for the Loan Parties dated the Third Restatement Effective Date, addressed to the Administrative Agent for the benefit of the Administrative Agent and the Lenders, covering such legal matters as the Administrative Agent may request and otherwise in form and substance satisfactory to the Administrative Agent.

(f) Other Items.

(i) A duly completed and timely delivered Notice of Loan Borrowing for Revolving Loans;

(ii) A duly completed Notice of Account Designation;

(iii) The capital and ownership structure (including operating agreements, company agreements, articles of incorporation and by-laws), stockholders agreements and management of the Loan Parties shall be reasonably satisfactory to Administrative Agent, WFS and Lenders;

(iv) Certificates of insurance, loss payable endorsements naming the Administrative Agent as loss payee and the Administrative Agent and the Lenders as additional insured, as required by Section 5.01(d) of this Agreement and an insurance analysis and review from a consultant acceptable to the Administrative Agent;

(v) There shall not exist any pending or threatened action, suit, investigation or proceeding, which, if adversely determined, could materially and adversely affect the Loan Parties, any transaction contemplated hereby or the ability of any Loan Party to perform its obligations under the Loan Documents or the ability of the Lenders to exercise their rights thereunder;

(vi) There shall not exist (A) any order, decree, judgment, ruling or injunction which restrains any part of the consummation of the transactions contemplated under this Agreement in the manner contemplated by the Loan Documents (or any documents executed in connection therewith); or (B) any litigation pending or threatened against any Loan Party as of the Third Restatement Effective Date which could have a Material Adverse Effect;

(vii) Copies of all Rate Contracts to which a Borrower or any Loan Party is a party;

(viii) A certificate of the chief financial officer or vice president of finance of the Borrowers, addressed to the Administrative Agent and dated the Third Restatement Effective Date, certifying that:

(A) The representations and warranties set forth in Article IV and in the other Loan Documents are true and correct in all material respects as of such date (except to the extent that such representation and warranty is qualified by materiality, in which case such representation and warranty must be true in all respects) as if made on such date (except for representations and warranties expressly made as of a specified date, which shall be true and correct in all material respects (except to the extent that such representation and warranty is qualified by materiality, in which case such representation and warranty must be true in all respects) as of such date);

(B) No Default has occurred and is continuing as of such date;

(C) Each Loan Party has obtained all Governmental Authorizations and all consents of other Persons, in each case that are necessary or advisable to have been obtained prior to the Third Restatement Effective Date in connection with the transactions herein and the continued operation of the business conducted by the Loan Parties in substantially the same manner as conducted prior to the Third Restatement Effective Date. Each such Governmental Authorization or consent is in full force and effect, except in a case where the failure to obtain or maintain a Governmental

Authorization or consent, either individually or in the aggregate, could not have a Material Adverse Effect. All applicable waiting periods have expired without any action being taken or threatened by any competent authority that would restrain, prevent or otherwise impose adverse conditions on the transactions contemplated by the Loan Documents. No action, request for stay, petition for review or rehearing, reconsideration, or appeal with respect to any of the foregoing is pending, and the time for any applicable Governmental Authority to take action to set aside its consent on its own motion, if any, has expired; and

(D) No temporary restraining order, preliminary or permanent injunction or other order preventing the Borrowers, the Administrative Agent or any Lender Party from entering into this Agreement or the other Loan Documents or consummating the transactions contemplated hereby or thereby shall have been issued by any court of competent jurisdiction or other Governmental Authority having authority over any such Person and remains in effect, and no applicable Governmental Rules shall be enacted or deemed applicable to the Loan Documents by a Governmental Authority having authority over any such Person that makes the closing of the Loan Documents or any extensions of credit thereunder illegal;

(ix) To the extent not included in clause (b) or (c) above, a certified copy of each of the Material Documents of the Borrowers that have been executed prior to the Third Restatement Effective Date (including all exhibits, appendices, schedules, annexes and attachments thereto and amendments and assignments thereof);

(x) Each Loan Party has provided the documentation and other information to the Lenders that is required by regulatory authorities under applicable “know your customer” and anti-money-laundering rules and regulations, including, without limitation, the Patriot Act;

(xi) All fees and expenses payable to the Administrative Agent and the Lenders on or prior to the Third Restatement Effective Date (including all fees payable to the Administrative Agent pursuant to the Fee Letter);

(xii) All fees and expenses of counsel to the Administrative Agent invoiced through the Third Restatement Effective Date; and

(xiii) Such other evidence as the Administrative Agent or any Lender may request to establish the accuracy and completeness of the representations and warranties and the compliance with the terms and conditions contained in this Agreement and the other Loan Document.

SCHEDULE 3.03

Conditions Precedent to Construction Loans

(a) The Administrative Agent shall have received evidence that any material inspection required by any Governmental Authority to have been completed prior to the date of such Construction Loan has been completed to the satisfaction of such Governmental Authority or such inspection completion date is extended.

(b) The initial General Contractor shall be reasonably satisfactory to the Construction Consultant and the Administrative Agent, and if there has been any change in the identity of the General Contractor, any new General Contractor shall be reasonably satisfactory to the Construction Consultant and the Administrative Agent.

(c) Prior to the initial Construction Loan, the Administrative Agent shall have completed its costing analysis with respect to the Expansion Project in form and substance reasonably satisfactory to the Administrative Agent and, in connection with the foregoing, the Construction Consultant and the Administrative Agent shall have received true and correct copies of (i) two (2) sets of the Plans and Specifications for the construction of the Expansion Project, certified as complete by the architect that prepared them, together with evidence of all necessary or appropriate approvals of governmental agencies or private parties, (ii) construction schedule, soils report and ALTA survey for the Expansion Project, (iii) the Construction Contract and all documentation setting forth the overall guaranteed maximum price for the Expansion Project, (iv) all architectural and design contracts and construction contracts for the construction of the Expansion Project, as well as all material engineering and other analyses prepared and material construction contracts entered into with respect thereto, (v) the Construction Budget (including contingency amount), the form, substance and scope of which shall be acceptable to the Administrative Agent (in consultation with the Construction Consultant) and (vi) if requested by the Administrative Agent, updated projections (including projected balance sheets, statements of income and statements of cash flow of Parent and its Subsidiaries and projected Capital Expenditures and quarterly projections of the Borrowers' compliance with each of the covenants set forth in Section 5.03 of this Agreement). All the documents and other items described in this clause (c) must be in form and substance reasonably acceptable to the Administrative Agent (in consultation with the Construction Consultant).

(d) The Construction Consultant and the Administrative Agent shall have received the following, in form and substance satisfactory to the Administrative Agent and the Construction Consultant:

(i) any change orders with respect to the Expansion Project, and if there have been any changes to the previously delivered versions of the Plans and Specifications, Construction Budget, construction schedule or the Construction Contract which are not reflected in such change orders or any previously delivered change orders, such revised Plans and Specifications, revised Construction Budget, revised schedule or revised Construction Contract, as applicable;

(ii) if applicable, a copy of the General Contractor's application for payment to the applicable Loan Party, and confirmed by the Construction Consultant and, if required by the Administrative Agent or the Title Company, signed by the applicable Loan Party, on AIA Forms G702 and G703/G703A or other forms acceptable to the Administrative Agent and/or the Title Company as applicable;

(iii) copies of conditional lien waivers from the General Contractor for any lienable work and materials for which such Loan will be used and unconditional lien waivers from the General Contractor for any lienable work and materials relating to a prior Loan (to the extent not already delivered to the Administrative Agent, the Construction Consultant and the Title Company); and

(iv) copies of any invoices in excess of \$50,000 (and a list of invoices for less than \$50,000) for amounts to be paid with the proceeds of such Loan (other than payments made pursuant to the Construction Contract).

(e) The Administrative Agent shall have received an endorsement to the ALTA extended coverage Lender's policies of title insurance (i) generally increasing the liability amount of such policies to the Total Revolving Loan Commitment and with unqualified coverage for mechanics lien claims that is limited only as to liability amount to the aggregate Construction Loan to the sum of all prior Construction Loan proceeds disbursed plus proceeds being disbursed pursuant to the Notice of Loan Borrowing for the requested Construction Loan, (ii) bringing down the date of such policies, including any endorsements thereto, to the date of such Construction Loan with no additional exceptions to title, and (iii) modifying the description of the insured Real Property Security Documents to include all prior modifications and amendments and restatements thereof; provided that the following exceptions and qualifications are permitted (x) those mechanics liens for which the Title Company has issued an endorsement in form and substance reasonably acceptable to the Administrative Agent insuring that the Administrative Agent's Lien shall be paramount to such mechanics lien and covering losses resulting from such mechanics lien subject to the terms of the relevant title policy, (y) those mechanics liens for which the Administrative Agent has received evidence that such mechanics lien has been bonded in accordance with applicable law, such evidence to be in form and substance reasonably acceptable to the Administrative Agent and (z) those approved by the Administrative Agent in its sole and absolute discretion.

(f) The total project costs (inclusive of pre-opening expenses, capitalized interest and financing fees and any contingency amount) for the Expansion Project shall not actually exceed or be projected to exceed (as determined by the Administrative Agent, in consultation with the Construction Consultant) \$235,000,000.

(g) If not previously delivered, the Administrative Agent shall have received an Assignment of Architect's Agreement and Assignment of Construction Contract executed and delivered by each applicable party in form and substance satisfactory to the Administrative Agent;

(h) Such other assurances, certificates, lien waivers, documents or consents related to the construction of the Expansion Project (including a lender's disbursement budget summarizing each Loan request) as the Administrative Agent may reasonably require.

(i) With respect to the final Construction Loan only, the Administrative Agent shall have received (i) the final certificate of occupancy (or its local equivalent), in form and substance satisfactory to the Administrative Agent and (ii) evidence satisfactory to the Administrative Agent that the Expansion Project has been constructed prior to September 30, 2019 and in accordance with the Plans and Specifications in all material respects.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-200102, 333-179158, 333-179159, 333-144254, 333-144253, 333-144252, 333-85412, 333-85418, and 333-85420) pertaining to the 2014 Equity Incentive Plan, Directors' Stock Option Plan, Executive Long-Term Stock Incentive Plan, and Employee Stock Option Plan of Monarch Casino & Resort, Inc. of our reports dated March 14, 2017, with respect to the consolidated financial statements and schedule of Monarch Casino & Resort, Inc. and subsidiaries, and the effectiveness of internal control over financial reporting of Monarch Casino & Resort, Inc. and subsidiaries, included in this Annual Report (Form 10-K) for the year ended December 31, 2016.

/s/ Ernst & Young LLP

Las Vegas, Nevada
March 14, 2017

Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John Farahi, Chief Executive Officer of Monarch Casino & Resort, Inc., certify that:

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

Date: March 14, 2017

By: /s/ John Farahi

John Farahi

Chief Executive Officer

**Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Edwin S. Koenig, Chief Accounting Officer of Monarch Casino & Resort, Inc., certify that:

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

Date: March 14, 2017

By: /s/ Edwin S. Koenig
Edwin S. Koenig
Chief Accounting Officer

Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, John Farahi, Chief Executive Officer of Monarch Casino & Resort, Inc. (the "Company"), hereby certify, that, to my knowledge:

- 1.The Annual Report on Form 10-K for the year ended December 31, 2016 (the "Report") of the Company fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- 2.The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ JOHN FARAH

John Farahi
Chief Executive Officer
March 14, 2017

Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Edwin S. Koenig, Chief Accounting Officer of Monarch Casino & Resort, Inc. (the "Company"), hereby certify, that, to my knowledge:

- 1.The Annual Report on Form 10-K for the year ended December 31, 2016 (the "Report") of the Company fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- 2.The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ EDWIN S. KOENIG

Edwin S. Koenig
Chief Accounting Officer
March 14, 2017
