

IN THE SUPREME COURT OF THE STATE OF NEVADA

<p>ARCHON CORPORATION, PAUL W. LOWDEN, and SUZANNE LOWDEN,</p> <p>Petitioner,</p> <p>vs.</p> <p>THE EIGHTH JUDICIAL DISTRICT COURT FOR THE STATE OF NEVADA, IN AND FOR THE COUNTY OF CLARK; AND THE HONORABLE JOE HARDY, DISTRICT COURT JUDGE</p> <p>Respondents.</p> <p><i>and</i></p> <p>STEPHEN HABERKORN, an individual,</p> <p>Real Parties in Interest,</p>	<p>Supreme Court No. 71802</p> <p>State Court Case No. A-16-732619-B</p> <p>Electronically Filed Jan 13 2017 01:41 p.m. Elizabeth A. Brown Clerk of Supreme Court</p>
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**PETITIONER'S SUPPLEMENTAL APPENDIX TO PETITION FOR
WRIT OF PROHIBITION OR MANDAMUS**
[PA162-PA330]

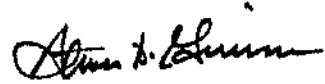
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CHRONOLOGICAL INDEX

Document	Date	Bates Range
Archon Corporation, et al.'s Motion to Dismiss Complaint	04/06/2016	PA162-PA305
Transcript of Proceedings Regarding Archon Corporation, et al.'s Motion to Dismiss	06/22/2016	PA306-PA330

ALPHABETICAL INDEX

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CLERK OF THE COURT

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18 **DISTRICT COURT**
19 **CLARK COUNTY, NEVADA**

20 STEPHEN HABERKORN, an individual,
21
22 Plaintiff,

CASE NO. A-16-732619-B
DEPT. XXIX

23 vs.

24 ARCHON CORPORATION, a Nevada
25 corporation; PAUL W. LOWDEN, an
26 individual; and SUZANNE LOWDEN, an
27 individual; UNKNOWN DOE DIRECTORS
28 OF ARCHON CORPORATION; DOES 1
through 10; and ROE ENTITIES 1 through 10,
inclusive

Defendants.

MOTION TO DISMISS COMPLAINT

Defendants Archon Corporation ("Archon"), Paul W. Lowden, and Suzanne Lowden (collectively, "Defendants"), by and through their attorneys of record, Dickinson Wright PLLC, respectfully move this Court to dismiss the Complaint filed by Stephen Haberkorn ("Plaintiff"). This Motion is made pursuant to NRCP 12(b)(5) and is supported by the

1 attached memorandum of points and authorities, the pleadings and papers on file herein, and
2 any other material this Court may choose to consider.

3 DATED this 6th day of April, 2016.

4 DICKINSON WRIGHT PLLC

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Dated this 6th day of April, 2016.

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3 of 23

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. INTRODUCTION**

3 On August 31, 2007, Archon redeemed a class of equity securities designated as
4 Exchangeable Redeemable Preferred Stock ("EPS"). Now, more than **eight** years after the
5 date of redemption, Plaintiff has initiated this action to challenge the redemption price paid by
6 Archon. Indeed, every claim in Plaintiff's Complaint is based entirely on the faulty premise
7 that Archon failed to redeem its EPS because it miscalculated the redemption price in 2007.
8 Given the amount of time that has passed since Archon redeemed its EPS, each of the claims
9 in Plaintiff's Complaint is barred by the statute of limitations and must be dismissed in its
10 entirety.

11 The contractual relationship between Archon and holders of EPS was governed by,
12 among other documents, the 1993 Certificate of Designation of Exchangeable Redeemable
13 Preferred Stock (the "Certificate"). The Certificate is a public record that was filed with the
14 Nevada Secretary of State on or about September 30, 1993. On July 31, 2007, Archon gave
15 notice that it would redeem the outstanding EPS on August 31, 2007, at the redemption price
16 of \$5.241 per share. The redemption subsequently occurred on August 31, 2007.

17 Plaintiff alleges that the redemption price calculated by Archon was incorrect and that
18 the correct redemption price should have been \$8.69 per share. Plaintiff further alleges that
19 because of this alleged miscalculation in the redemption price, the EPS was not validly
20 redeemed and remains outstanding to this date. Based on this premise, Plaintiff challenges
21 various corporate actions that were taken by Archon following the August 31, 2007, date of
22 redemption. Based on the premise that Archon miscalculated the redemption price in 2007,
23 Plaintiff's Complaint asserts nine claims for relief and seeks damages, injunctive relief, and
24 declaratory relief.

25 Because this action (and the factual basis for each of the claims for relief) is
26 fundamentally based on Archon's alleged error in 2007, Plaintiff's claims for relief
27 necessarily accrued in 2007 and are barred by the applicable statutes of limitation. At the time
28 of redemption, Plaintiff knew or should have known of all the facts giving rise to his claim

1 that the redemption was invalid. However, Plaintiff failed to timely file suit to challenge the
2 validity of Archon's redemption and cannot now do so more than eight years after the
3 redemption occurred. Therefore, Defendants respectfully request that this action be dismissed
4 in its entirety.

5 II. FACTUAL BACKGROUND¹

6 A. The Parties

7 Archon, formerly known as Sahara Gaming Corporation, is a Nevada corporation with
8 its principal place of business in Clark County, Nevada. (Compl. ¶¶ 2, 12.) Archon's primary
9 business operations are conducted through a wholly-owned subsidiary corporation, Pioneer
10 Hotel Inc., which operates the Pioneer Hotel & Gambling Hall in Laughlin, Nevada. Paul W.
11 Lowden is a director and the President of Archon. Id. ¶ 4. Suzanne Lowden is a director, the
12 Secretary, and Treasurer of Archon. Id. ¶ 6.

13 Plaintiff Stephen Haberkorn is an individual that claims to have been the beneficial
14 owner of 2,254 shares of Archon's Exchangeable Redeemable Preferred Stock ("EPS") prior
15 to the time it was redeemed on August 31, 2007. See id. ¶¶ 1, 16, 17. Mr. Haberkorn further
16 claims to be the beneficial owner of 40,000 shares of Archon's common stock. Id. ¶ 16.

17 B. Archon's EPS

18 In 1993, Archon adopted a resolution creating nine million shares of EPS. Id. ¶ 12.
19 The rights of the holders of Archon's EPS, including dividends, redemption and voting rights
20 are described in, among other documents, the 1993 Certificate of Designation of
21 Exchangeable Redeemable Preferred Stock (the "Certificate"). Id. ¶ 13 and Exhibit 1 to the
22 Complaint. Pursuant to the Certificate, the shares had no maturity date or mandatory
23 redemption date. (Certificate, Exhibit 1 to Complaint.) The Certificate provided that dividends
24 were to be "fully cumulative," meaning that dividends accrued in years they were not declared
25 and paid. Id. § 2(a).

26 ¹ This Motion to Dismiss assumes the truth of the allegations set forth in Plaintiff's Complaint. See Buzz Stew,
27 LLC v. City of N. Las Vegas, 124 Nev. 224, 228, 181 P.3d 670, 672 (2008). However, Defendants vigorously
28 dispute numerous facts alleged in the Complaint and will present evidence to rebut such facts in the event this
action is not dismissed in its entirety.

1 On July 31, 2007, Archon gave notice that it would redeem the outstanding EPS on
2 August 31, 2007. Id. ¶ 17. The Redemption Price was equal to the Liquidation Preference,
3 which resulted in a redemption price of \$5.241 per share. Id. ¶ 18 and Exhibit 1 to the
4 Complaint.

5 **C. Certain EPS Holders File Lawsuits Challenging the Redemption Price**

6 Shortly following the redemption of the EPS, certain holders of EPS filed lawsuits
7 against Archon in the United States District Court for the District of Nevada, alleging that
8 Archon miscalculated the Redemption Price. Id. ¶¶ 25-30. On August 27, 2007, a Complaint
9 was filed against Archon by a group of hedge funds, D.E. Shaw Laminar Portfolios, L.L.C. et
10 al., case number 2:07-cv-01146-PMP-(LRL) ("D.E. Shaw"). Id. ¶ 25. Another hedge fund,
11 Leeward Capital, L.P., subsequently filed suit on January 2, 2008, case number 2:08-cv-
12 00007-PMP-(LRL) ("Leeward").

13 The United States District Court ultimately granted summary judgment in favor of the
14 plaintiffs in D.E. Shaw and Leeward, determining that the redemption price should have been
15 \$8.69 per share. Id. ¶ 27. This determination was affirmed by the Ninth Circuit Court of
16 Appeals on September 19, 2012. Id. ¶ 28. Thereafter, Archon paid the judgment. Id. ¶ 29.
17 However, Archon did not make any payments to EPS shareholders who did not file suit or
18 obtain a legally binding judgment. Id. ¶ 29.

19 **D. Archon's Corporate Actions Following Redemption of the EPS**

20 Plaintiff's Complaint contains several allegations regarding Archon's corporate
21 actions following the redemption of Archon's EPS, including the following:

- 22 • During the quarter ended June 30, 2008, Archon offered to purchase up to 600,000
23 shares of its common stock at a price of \$40.00 per share. Id. at 20. A total of 62,604
24 shares were tendered in response to the offer and purchased by Archon. Id.
- 25 • In December 2008 and June 2010, Paul Lowden and Suzanne Lowden approved
26 Archon's adoption of plans for Archon to make period ongoing open market purchases
27

1 of up to five percent of its common stock. Id. ¶ 21. Archon ultimately purchased a total
2 of 225,000 shares on November 3, 2010. Id.

- 3 • In March of 2011, Archon implemented a 1 for 250 reverse stock split. Id. ¶ 22. As a
4 result of this split, stockholders who had fewer than 250 shares were paid the market
5 value of their shares of stock as of the close of trading on February 15, 2011. Id. ¶ 23.
6 A forward split of 250 for 1 then restored the remaining stockholders to their pre-
7 reverse-split holdings. Id. ¶ 22. This corporate action was intended to reduce the
8 number of shareholders of record below three hundred, which in turn would eliminate
9 Archon's obligation to file certain periodic financial reports with the Securities and
10 Exchange Commission ("SEC"). Id.
- 11 • On March 31, 2011, Archon filed a Form 15 with the SEC, which resulted in the
12 termination of Archon's registration with the SEC and suspended Archon's duty to file
13 periodic financial reports with the SEC. Id. ¶ 24.

14 **E. Plaintiff's Claims for Relief**

15 Based on the above allegations, Plaintiff filed this action on February 29, 2016.
16 Plaintiff's Complaint includes the following claims for relief: (1) declaratory relief; (2) breach
17 of contract; (3) breach of fiduciary duty – unequal treatment of preferred stockholders; (4)
18 breach of fiduciary duty – nondisclosure of material information; (5) breach of fiduciary duty
19 – wrongful deregistration; (6) nondisclosure; (7) unjust enrichment; (8) accounting; and (9)
20 injunctive relief.

21 **III. LEGAL STANDARD**

22 NRCP 12(b)(5) permits Defendants to file a motion to dismiss for failure to state a
23 claim upon which relief can be granted. "To survive dismissal, a complaint must contain some
24 'set of facts, which, if true, would entitle [the plaintiff] to relief.'" In re Amerco Derivative
25 Litig., 127 Nev. Adv. Op. 17, 252 P.3d 681, 692 (2011) (quoting Buzz Stew, LLC v. City of N.
26 Las Vegas, 124 Nev. 224, 228, 181 P.3d 670, 672 (2008)). In considering a Rule 12(b)(5)
27 motion, the court must accept all of the plaintiff's factual allegations as true and draw all
28

1 reasonable inferences in the plaintiff's favor. Id. However, the court is not required to accept
2 legal conclusions cast in the form of factual allegations. *Lacano Investments, LLC v. Balash*,
3 765 F.3d 1068, 1071 (9th Cir. 2014) (citing *Doe v. Holy See*, 557 F.3d 1066, 1073 (9th Cir.
4 2009)).

5 IV. DISCUSSION

6 A. All of Plaintiff's Claims are Barred by the Applicable Statute of Limitations

7 Plaintiff's Complaint should be dismissed in its entirety as each of the nine claims for
8 relief was filed outside of the applicable statute of limitations. Assuming the truth of every
9 allegation in Plaintiff's Complaint, Plaintiff knew or reasonably should have known of any
10 claims against Defendants no later than August 31, 2007, the date the EPS was redeemed.
11 Indeed, every claim made by Plaintiff in this case is fundamentally based on the assumption
12 that Archon did not validly redeem its EPS on August 31, 2007.

13 "When the defense of the statute of limitations appears from the complaint itself, a
14 motion to dismiss is proper." *Kellar v. Snowden*, 87 Nev. 488, 491, 489 P.2d 90, 92 (1971)
15 (citing *Manville v. Manville*, 79 Nev. 487, 387 P.2d 661 (1963)); *In re Amerco Derivative*
16 *Litig.*, 127 Nev. Adv. Op. 17, 252 P.3d 681, 703 (2011) (citing *Shupe & Yost, Inc. v. Fallon*
17 *Nat'l Bank*, 109 Nev. 99, 100, 847 P.2d 720, 720 (1993)). "In determining whether a statute of
18 limitations has run against an action, the time must be computed from the day the cause of
19 action accrued. A cause of action 'accrues' when a suit may be maintained thereon." *State ex*
20 *rel. Dep't of Transp. v. Pub. Employees' Ret. Sys. of Nevada*, 120 Nev. 19, 21-22, 83 P.3d
21 815, 817 (2004).

22 In this case, dismissal is appropriate because no facts need to be determined or
23 assessed beyond the allegations in the Complaint to conclude that the claims are barred by
24 their respective statutes of limitations. Indeed, the allegations in Plaintiff's Complaint
25 establish that all of Plaintiff's claims are premised upon Archon's alleged wrongdoing in
26 2007. Each claim for relief is discussed in turn below.

27 ///

28 ///

1 **1. Plaintiff's Claim for Breach of Contract**

2 Plaintiff's second claim for relief is for breach of contract.² This claim is based
3 entirely on Plaintiff's allegation that Archon incorrectly calculated the proper redemption
4 price for the EPS at the time of redemption, August 31, 2007. (Compl. ¶¶ 44-55.) As such, the
5 claim is plainly barred by the six-year statute of limitations set forth in NRS 11.190(1)(b).

6 Plaintiff alleges that Archon breached the Certificate in several ways. First, Plaintiff
7 alleges that Archon breached the Certificate by not calculating the Liquidation Preference³ in
8 the manner required by the Certificate. Id. ¶ 44-45. This breach allegedly occurred when
9 Archon issued its Notice of Redemption on July 21, 2007. Id. ¶¶ 17, 46-48. The Notice of
10 Redemption stated the EPS would be redeemed at the price of \$5.241 per share instead of
11 \$8.69 per share. Id. ¶ 46-48. As a result of Archon's alleged breach, Plaintiff contends that
12 Archon's EPS remains outstanding and continues to accrue dividends. Id. ¶ 49.

13 Second, starting from the erroneous premise that Archon's EPS remains outstanding,
14 Plaintiff alleges that Archon also breached Section 2(b)(ii) of the Certificate. Id. ¶¶ 51-53.
15 Section 2(b)(ii) of the Certificate provides as follows:

16 Before (1) any dividend or other distribution (other than in Common Stock or
17 other Junior Stock) shall be declared or paid or set aside for payment upon the
18 Common Stock or any other Junior Stock or (2) any Common Stock or any
19 other Junior Stock is redeemed, purchased or otherwise acquired by the
20 Company for any consideration (or any moneys are paid to or made available
21 for a sinking fund for the redemption of any shares of any such stock) except
22 by conversion into or exchange for Common Stock or any other Junior Stock,
23 (A) full cash dividends on the Exchangeable Preferred Stock must be declared
24 and paid or funds paid over to the dividend disbursing agent of the Company
25 for payment.

26 Id. ¶ 50; (Exhibit 1 to the Complaint.)

27 Plaintiff alleges that this section was breached as a result of the following actions: (1)
28 Archon's June 2008 purchase of 62,604 shares of its common stock; (2) Archon's November
3, 2010, purchase of 225,000 shares of its common stock; and (3) Archon's March 2011

² Plaintiff's first claim seeking declaratory relief will be addressed at the end of this motion.

³ Pursuant to Section 3(a) of the Certificate, the redemption price is equal to the Liquidation Preference. (Exhibit 1 to the Complaint.) The Liquidation Preference is defined in Section 7(a) of the Certificate. Id.

1 payments to Archon's stockholders who held fewer than 250 shares of Archon's common
2 stock before the reverse stock split. Id. ¶¶ 51-53. These events allegedly constituted breaches
3 of Section 2(b)(ii) of the Certificate because Archon did not declare and pay full cash
4 dividends on the EPS, which Plaintiff claims was still outstanding after the date of
5 redemption. Id.

6 Plaintiff's allegations demonstrate on their face that the claim is time barred.
7 Plaintiff's entire breach of contract claim is premised on the allegation that Archon
8 miscalculated the Liquidation Preference as set forth in the Certificate when it gave notice that
9 the EPS would be redeemed on August 31, 2007. The Liquidation Preference is determined by
10 the language of the Certificate, which is a public record that was filed with the Nevada
11 Secretary of State on or about September 30, 1993. Id. ¶ 13. Thus, at the time the EPS was
12 redeemed on August 31, 2007, all information needed by Plaintiff to calculate the correct
13 redemption price was available to Plaintiff.

14 Furthermore, Plaintiff alleges that other shareholders filed suit on August 27, 2007,
15 and January 2, 2008, to challenge the price paid by Archon at the time of redemption. Id. ¶¶
16 25-26. And, in fact, Archon publicly disclosed these lawsuits in filings with the SEC. (Sept.
17 30, 2007, Form 10-K at 9, **Exhibit 1**.)⁴ Given that this information was publicly available in
18 multiple locations, Plaintiff knew or should have known of the facts giving rise to the
19 Complaint; if the facts giving rise to the cause of action are matters of public record, then the
20 public record provides notice sufficient to start the statute of limitations. See generally 6th St.
21 Investors, LLC v. Hanmi Bank, No. B255435, 2015 WL 1570261, at *3 (Cal. Ct. App. Apr. 6,
22 2015). Thus, Plaintiff's entire breach of contract claim accrued no later than August 31, 2007,
23 when Archon redeemed the EPS for the allegedly deficient redemption price.

24
25 ⁴ Defendants respectfully request that this Court take judicial notice of the facts contained in Archon's Form 10-
26 K for the fiscal year ended September 30, 2007, filed with the SEC, which was obtained from the SEC EDGAR
27 database (<http://edgar.sec.gov>) (last visited April 6, 2016) and attached hereto as **Exhibit 1**. This Court "may
28 take judicial notice of facts generally known or capable of verification from a reliable source," and "facts that are
[c]apable of accurate and ready determination by resort to sources whose accuracy cannot reasonably be
questioned, so that the fact is not subject to reasonable dispute." Mack v. Estate of Mack, 125 Nev. 80, 91, 206
P.3d 98, 106 (2009). Because the SEC is a reliable source and the filing is publicly available, judicial notice is
appropriate.

1 Finally, it is beyond dispute that Plaintiff should have known of his claims when the
2 U.S. District Court ruled in favor of the D.E. Shaw plaintiffs in August of 2008, stating in a
3 published order that Archon's calculation of the redemption price was incorrect. See D.E.
4 Shaw, 570 F. Supp. 2d at 1267-70; see also D.E. Shaw Laminar Portfolios, LLC v. Archon
5 Corp., 755 F. Supp. 2d 1122, 1127 (D. Nev. 2010). As of this date, Plaintiff indisputably
6 knew or should have known of the factual basis for his claims as one Court had determined
7 Archon did not correctly calculate the redemption price. Thus, at the very latest, the statute of
8 limitations on Plaintiff's claim would have commenced to run in August 2008.

9 Plaintiff's claim cannot be saved by allegations that Archon subsequently breached
10 Section 2(b)(ii) of the Certificate. Plaintiff's breach of contract claim in this regard is based
11 entirely on the premise that Archon had not already redeemed the EPS. However, if Plaintiff
12 had wished to challenge the validity of Archon's redemption of its EPS, he would have had to
13 file suit years ago as set forth above. Plaintiff failed to timely challenge the validity of
14 Archon's redemption and, as such, he cannot now claim that the redemption was invalid or
15 that Archon's subsequent actions were invalid on the basis that the EPS was not redeemed. In
16 short, the uncontroverted facts in the Complaint irrefutably lead to the conclusion that
17 Plaintiff's claims are untimely as a matter of law.

18 **2. Plaintiff's Claim for Breach of Fiduciary Duty Based on the Alleged**
19 **Unequal Treatment of Preferred Shareholders**

20 Plaintiff's third claim for relief alleges that the individual defendants breached their
21 fiduciary duty to treat all holders of EPS equally by causing Archon to pay the unpaid balance
22 of the redemption price to the plaintiffs in D.E. Shaw and Leeward, while not paying Plaintiff.
23 (Compl. ¶¶ 58-59.) This claim is plainly barred by the statute of limitations.

24 As a threshold matter, Plaintiff's claim that preferred shareholders were treated
25 unequally is belied by the factual allegations in the Complaint. The Complaint acknowledges
26 that all shareholders were paid in accordance with Archon's Notice of Redemption and
27 received \$5.241 per share. Id. ¶¶ 17-18. Subsequent to redemption, the plaintiffs in D.E. Shaw
28 and Leeward obtained final **Judgments** that were affirmed by the Ninth Circuit Court of

1 Appeals. Id. ¶¶ 27-30. The plaintiffs in D.E. Shaw and Leeward were then paid the **judgments**
2 that were awarded in those cases. Id. ¶ 30. A final judgment is a binding and enforceable legal
3 obligation to pay the amount of the judgment. *Franchise Tax Bd. of California v. U.S. Postal*
4 *Serv.*, 467 U.S. 512, 523, 104 S. Ct. 2549, 2556 (1984). There is no allegation, nor could there
5 be, that the Plaintiff in this case also received a **judgment** and was not paid pursuant to that
6 judgment. Instead, Plaintiff merely held a possible claim for relief that was never timely
7 pursued and to which Archon has viable defenses. Thus, based on the allegations in the
8 Complaint, Plaintiff was not treated differently than other preferred shareholders as Plaintiff
9 did not obtain a judgment. Plaintiff's claim fails for this reason alone.

10 Moreover, even assuming arguendo that Plaintiff was treated unequally, his third
11 claim is barred by the statute of limitations. A claim for relief based on alleged breaches of
12 fiduciary duty must be brought within three years. NRS 11.190(3)(d) (providing a limitations
13 period of three years for "an action for relief on the ground of fraud or mistake, but the cause
14 of action in such a case shall be deemed to accrue upon the discovery by the aggrieved party
15 of the facts constituting the fraud or mistake."); *In re Amerco Derivative Litig.*, 127 Nev. at
16 ___, 252 P.3d at 703 ("A breach of fiduciary duty is analogous to fraud, and thus, Nevada
17 applies the three-year statute of limitation set forth in NRS 11.190(3)(d).").

18 Defendants request this Court to take judicial notice of the proceedings in D.E. Shaw
19 and Leeward, which are public records and incorporated by reference in the Complaint. See
20 *Breliant v. preferred Equities Corp.*, 109 Nev. 842, 858 P.2d 1258 (1993). Section 47.130 of
21 the Nevada Revised Statutes permits this Court to take judicial notice of facts that are
22 "[c]apable of accurate and ready determination by resort to sources whose accuracy cannot
23 reasonably be questioned. . . so that the fact is not subject to reasonable dispute." NRS 47.130.
24 Facts contained in related court actions are the proper subject of judicial notice. *Opoka v.*
25 *Immigration & Naturalization Services*, 94 F.3d 392 (7th Cir. 1996); see also *Stockmeier v.*
26 *Nevada Department of Corrections Psychological Review Panel*, 124 Nev. 313, 183 P.3d 133
27 (Nev. 2008).

1 The proceedings in D.E. Shaw and Leeward demonstrate that Plaintiff knew or should
2 have known that the D.E. Shaw and Leeward Judgments were paid pursuant to Writs of
3 Execution on October 16, 2012 and January 4, 2013, respectively. (D.E. Shaw Writ of
4 Execution, **Exhibit 2**; Leeward Writ of Execution, **Exhibit 3**.) Thus, as of October 15, 2012,
5 and no later than January 4, 2013, Plaintiff was on notice that the D.E. Shaw and Leeward
6 Plaintiffs were being paid for the judgments obtained in those cases. As a result, Plaintiff was
7 obligated to file suit based on this alleged breach of fiduciary duty no later than October 14,
8 2015, or January 3, 2016. However, this action was not initiated until February 29, 2016, and
9 is plainly barred by the statute of limitations.

10 **3. Plaintiff's Claims based on the Alleged Nondisclosure of Material**
11 **Information**

12 Plaintiff's fourth claim for relief alleges that the individual defendants breached their
13 fiduciary duty to shareholders by failing to notify shareholders of the correct redemption price
14 after the D.E. Shaw and Leeward decisions were affirmed by the Ninth Circuit on September
15 19, 2012. See (Compl. ¶¶ 67-68.) Similarly, Plaintiff's sixth claim for relief for non-disclosure
16 alleges that the same non-disclosure occurred with intent to defraud Plaintiff. See *id.* ¶¶ 84,
17 91. However, under any applicable triggering date, Plaintiff's claims are barred by the three-
18 year statute of limitations set forth in NRS 11.190(3)(d).

19 Defendants respectfully request that this Court take judicial notice of the facts
20 contained in Archon's Form 10-Q for the quarterly period ended December 31, 2010, which
21 was obtained from the SEC EDGAR database (<http://edgar.sec.gov>) (last visited April 6,
22 2016) and attached hereto as **Exhibit 4**. See *Mack v. Estate of Mack*, 125 Nev. at 91, 206 P.3d
23 at 106. Because the SEC is a reliable source and the filing is publicly available, judicial notice
24 is appropriate.

25 Archon's Form 10-Q for the quarterly period ended December 31, 2010, disclosed the
26 fact that the District Court in D.E. Shaw and Leeward entered summary judgment against
27 Archon on December 22, 2010. (**Exhibit 4**, at 35-36.) The December 31, 2010, Form 10-Q
28 further disclosed the fact that the Court determined that the proper redemption price should

1 have been \$8.69 per share. Id. Thus, contrary to Plaintiff's allegations, it cannot be disputed
2 that this information was disclosed to Plaintiff. At a minimum, Plaintiff knew or should have
3 known of the facts regarding Archon's alleged miscalculation of the redemption price no later
4 than the time the Form 10-Q was filed on February 18, 2011. As such, any claim that Archon
5 failed to disclose this information to EPS holders needed to be filed on or before February 17,
6 2014.

7 Nevertheless, even ignoring the public disclosure in Archon's Form 10-Q, Plaintiff
8 alleges that the Ninth Circuit affirmed the District Court's ruling on September 19, 2012.
9 Thus, given that the Ninth Circuit's decision is a matter of public record, by Plaintiff's own
10 admission, the statute of limitations on Plaintiff's claims based on alleged non-disclosure
11 could not have accrued any later than September 19, 2012. As such, Plaintiff would have been
12 obligated to file suit on or before September 18, 2015. Because the Complaint was not filed
13 until February 29, 2016, the fourth claim for relief and the sixth claim for relief are barred by
14 the statute of limitations.

15 **4. Plaintiff's Claim for Breach of Fiduciary Duty Based on the Alleged**
16 **Wrongful Deregistration of Archon's Common Stock**

17 Plaintiff next alleges that the individual defendants breached their fiduciary duty to
18 Plaintiff by causing Archon to de-register the company's common stock with the SEC. This
19 claim is plainly barred by the three-year statute of limitations set forth in NRS 11.190(3)(d).

20 Prior to March of 2011, Archon's common stock was publicly traded and registered
21 under the Securities Exchange Act of 1934. (Compl. ¶ 73.) Plaintiff alleges that on March 31,
22 2011, Archon announced it would de-register its common stock. Id. ¶ 74. On that date,
23 "Archon filed a Form 15 with the SEC which resulted in the termination of Archon's
24 registration with the SEC and suspended Archon's duty to file periodic financial reports with
25 the SEC." (Compl. ¶ 24.) According to Plaintiff, the de-registration diminished the value of
26 Archon's common stock to shareholders such as the Plaintiff. Id. ¶ 74.

27 Plaintiff alleges that on March 23, 2011, Archon conducted a reverse stock split,
28 followed by a forward stock split, to reduce the number of shareholders to less than three

1 hundred so that Archon would qualify for de-registration. Id. ¶ 76. However, Plaintiff claims
2 that Archon's EPS remained outstanding due to the alleged miscalculation of the redemption
3 price and, as such, the de-registration with the SEC was invalid because the number of
4 shareholders exceeded three hundred.⁵ Id. ¶ 77.

5 Accepting Plaintiff's allegations as true, as Defendants must for purposes of this
6 Motion only, any viable claim for breach of fiduciary duty based on wrongful de-registration
7 is plainly barred by the three-year statute of limitations. See NRS 11.190(3)(d). Plaintiff
8 admits that Archon filed a Form 15 with the SEC on March 31, 2011, to de-register its
9 common stock. Id. ¶ 24. The Form 15 filing is a public record available from the SEC
10 EDGAR database (<http://edgar.sec.gov>) (last visited April 6, 2016). Based on Plaintiff's
11 allegations, any claim based on the alleged wrongful de-registration accrued no later than
12 March 31, 2014. Therefore, Plaintiff was required to file suit on or before March 31, 2014.
13 Because Plaintiff filed this action on February 29, 2016, the fifth claim for relief is untimely
14 and must be dismissed.

15 **5. Plaintiff's Claim for Unjust Enrichment**

16 Plaintiff's seventh claim for relief is unjust enrichment. Plaintiff alleges that once the
17 Ninth Circuit affirmed the judgments in D.E. Shaw and Leeward, there was no basis for
18 Archon to retain the balance of the unpaid redemption price. (Compl. ¶ 96.) Thus, Plaintiff
19 alleges that Archon has unjustly retained money belonging to Plaintiff and other EPS holders.
20 Id. ¶ 97. Plaintiff's claim is barred by the four-year statute of limitations set forth in NRS
21 11.190(2)(c).

22 Plaintiff's claim for unjust enrichment necessarily accrued no later than the date of
23 redemption of the EPS, August 31, 2007, because at that time all of the facts necessary for the
24 claim were known or should have been known. Indeed, assuming arguendo that Archon was
25

26 ⁵ Notably, Plaintiff's claim fails as a matter of law. The requirement for de-registration requires that the number
27 of shareholders in a **particular class** of securities be less than three hundred persons. 17 C.F.R. § 240.12h-3(b).
28 Thus, even if Archon's EPS remained outstanding, the number of preferred shareholders has no bearing on
whether the number of common shareholders is less than three hundred. See id. Plaintiff's claim should be
dismissed for this reason alone.

1 unjustly enriched by the miscalculation of the redemption price, that event necessarily
2 occurred at the time of redemption. As discussed above, Plaintiff knew or should have known
3 that Archon miscalculated the redemption price at the time the redemption occurred. Thus,
4 any claim for unjust enrichment is plainly untimely.

5 In an attempt to save this untimely claim, Plaintiff relies upon the Ninth Circuit's
6 Order affirming the District Court's decisions in D.E. Shaw and Leeward as the date this
7 claim accrued. See (Compl. ¶ 96.) However, the date the District Court was affirmed by the
8 Ninth Circuit is wholly irrelevant for purposes of the statute of limitations analysis. In federal
9 court, a district court's judgment is final and enforceable fourteen days after it is entered. Fed.
10 R. Civ. P. 62(a). The filing of an appeal "does not by itself suspend the operation or execution
11 of a district-court judgment or order during the pendency of the appeal." 16A Fed. Prac. &
12 Proc. Juris. § 3954 (4th ed.); see also *Deering Milliken, Inc. v. F.T.C.*, 647 F.2d 1124, 1129
13 (D.C. Cir. 1978) ("Unless a stay is granted either by the court rendering the judgment or by
14 the court to which the appeal is taken, the judgment remains operative."). Thus, even if
15 Plaintiff had a tenable argument that he did not know of the facts constituting his claim at the
16 time of redemption, at the latest, Plaintiff knew or should have known of his claim for unjust
17 enrichment at the time the District Court granted summary judgment in favor of the plaintiffs
18 in D.E. Shaw and Leeward.

19 By Plaintiff's logic, if the D.E. Shaw and Leeward actions had not been commenced,
20 Plaintiff would never be able to assert an unjust enrichment claim against Archon because,
21 according to Plaintiff, the only possible triggering event for an unjust enrichment claim is a
22 final judgment in another action (to which Plaintiff was not a party). Thus, had D.E Shaw and
23 Leeward never commenced their own actions, Plaintiff would apparently be forever in limbo,
24 unable to bring an unjust enrichment claim. This nonsensical position defies logic and is
25 contrary to the law.

26 Plaintiff cannot cherry-pick factual predicates for his alleged injury to manipulate the
27 statute of limitations. See generally *Wallace v. Kato*, 549 U.S. 384, 391 (2007) ("[T]he tort
28 cause of action accrues, and the statute of limitations commences to run, when the wrongful

1 act or omission results in damages. The cause of action accrues even though the full extent of
2 the injury is not then known or predictable. . . . Were it otherwise, the statute would begin to
3 run only after a plaintiff became satisfied that he had been harmed enough, placing the
4 supposed statute of repose in the sole hands of the party seeking relief.”); *Stark v. Dynascan*
5 *Corp.*, No. 89 C 0616, 1989 WL 64727, at *3 (N.D. Ill. June 6, 1989) *aff’d*, 902 F.2d 549 (7th
6 Cir. 1990) (“[A]llowing plaintiffs to manipulate limitations periods by picking and choosing
7 between different methods of prosecuting the same claim would inject substantial uncertainty
8 into the judicial system and frustrate the goal of encouraging the prompt resolution of
9 disputes.”). In this case, Plaintiff is relying upon an irrelevant date in an attempt to argue
10 around the statute of limitations bar to this claim.

11 Based on the facts alleged in the Complaint, Plaintiff knew or should have known that
12 Archon was unjustly enriched no later than August 31, 2007, the date of redemption. At that
13 time, all the facts required to calculate the redemption price were available to Plaintiff.
14 Because Plaintiff did not file this action until 2016, the claim is barred by the statute of
15 limitations and must be dismissed.

16 **6. Plaintiff’s Claim for an Accounting**

17 Plaintiff’s eighth claim for relief seeks an accounting. Plaintiff alleges that he is
18 entitled to an accounting based on the alleged breaches of contract, breaches of fiduciary duty,
19 nondisclosure, and unjust enrichment. (Compl. ¶ 101.) Plaintiff’s Complaint fails to establish
20 any legal basis for such a claim. Indeed, because all of Plaintiff’s claims for relief are time
21 barred, Plaintiff’s request for the remedy of an accounting must also be dismissed.

22 An accounting is an equitable remedy which allows the court to determine the extent
23 of damages resulting from a misallocation of funds when there is a fiduciary relationship
24 between the parties. See NRS 78; *In re Maxim Integrated Products, Inc., Deriv. Lit.*, 574 F.
25 Supp. 2d 1046, 1067 (N.D. Cal. 2008) (citing *Carlson v. Hallinan*, 925 A.2d 506, 538 n.211–
26 12 (Del. Ch. 2006)). “A request for a legal accounting must be tethered to relevant actionable
27 claims.” *Hafiz v. Greenpoint Mortgage Funding, Inc.*, 652 F. Supp. 2d 1039, 1043 (N.D. Cal.
28 2009).

1 In this case, the accounting claim is based entirely upon claims (discussed above) that
2 are untimely as a matter of law. Thus, in the event the Court agrees with Defendants and
3 dismisses Plaintiff's claims for breach of contract, breach of fiduciary duty, nondisclosure,
4 and unjust enrichment, the accounting claim also fails and must be dismissed.

5 **7. Plaintiff's Claim for Injunctive Relief**

6 Plaintiff's ninth claim for relief requests a mandatory injunction requiring Archon to
7 hold a separate class vote for the holders of EPS to elect two special directors to Archon's
8 Board of Directors. (Compl. ¶ 106.) Plaintiff's claim is based on his argument that Archon's
9 EPS was not validly redeemed and, as such, remains outstanding. Because Plaintiff failed to
10 timely challenge Archon's redemption of the EPS, Plaintiff has no viable claim upon which to
11 seek injunctive relief.

12 Section 5(c) of the Certificate provides that EPS holders have the right to vote to elect
13 two special directors to the Board of Directors in the event dividends accrue and remain
14 unpaid for two years. (Exhibit 1 to the Complaint.) Thus, in order for Plaintiff to prevail on
15 his claim for injunctive relief, Plaintiff necessarily must prevail on his argument that the
16 redemption of the EPS was invalid and the Court would have to adopt Plaintiff's fiction that
17 the EPS was not redeemed. See *State Farm Mut. Auto. Ins. Co. v. Jafbros Inc.*, 860 P.2d 176,
18 178 (Nev.1993) (referring to an injunction as a remedy); *Cole v. CIT Grp./ Consumer Fin.,*
19 *Inc.*, No. 53561, 2010 WL 5134999, at *1 n.1 (Nev. Dec. 9, 2010) (stating that injunctive
20 relief is a remedy, not a cause of action, and is only available upon establishing the underlying
21 cause of action) (unpublished).

22 For all of the reasons discussed above, any claim based on the validity of Archon's
23 redemption of its EPS, which occurred on August 31, 2007, is barred by the applicable statute
24 of limitations. Thus, if the Court agrees with Defendants and dismisses Plaintiff's claim for
25 breach of contract, the claim for injunctive relief must also be dismissed.

26 **8. Plaintiff's Claim for Declaratory Relief**

27 Finally, Plaintiff's first claim for relief seeks a declaratory judgment that: (1) the EPS
28 remains outstanding and continues to accrue dividends; (2) the holders of the EPS are entitled

1 to all rights and privileges of the EPS under the Certificate and Archon's Articles of
2 Incorporation; (3) the March 23, 2011, reverse stock split-forward split was invalid and void
3 ab initio; (4) the March 31, 2011 de-registration with the SEC was invalid and therefore void
4 ab initio; (5) Archon is required to issue corrective reports with the SEC for all the reporting
5 periods from 2011 to the present; and (6) that the redemption value of the EPS is \$30.42 per
6 share as of the date of this Complaint, plus semiannual 8 percent dividends computed on a
7 compound basis between the date of this Complaint and the date of final judgment herein.
8 (Compl. ¶ 41). Because Plaintiff's claim for declaratory relief is based on the same time-
9 barred claims for relief discussed above, it is barred by the applicable statutes of limitation
10 and must be dismissed.

11 "The Uniform Declaratory Judgments Act does not establish a new cause of action or
12 grant jurisdiction to the court when it would not otherwise exist." *Builders Ass'n of N. Nevada*
13 *v. City of Reno*, 105 Nev. 368, 369, 776 P.2d 1234, 1234 (1989) (citing *Jenkins v. Swan*, 675
14 P.2d 1145, 1148 (Utah 1983)). "Instead, the Act merely authorizes a new form of relief, which
15 in some cases will provide a fuller and more adequate remedy than that which existed under
16 common law." *Id.* Because there is no new cause of action, the statute of limitations on a
17 claim for declaratory relief is the same limitations period that would apply to the underlying
18 claim for relief. See *Job's Peak Ranch Cmty. Ass'n, Inc. v. Douglas Cty.*, No. 55572, 2015
19 WL 5056232, at *4 (Nev. Aug. 25, 2015) (applying a six-year limitation period to a
20 declaratory relief claim based on breach of a written contract) (unpublished); *Zuill v.*
21 *Shanahan*, 80 F.3d 1366, 1369-70 (9th Cir. 1996), as amended (June 14, 1996) ("A claim for
22 declaratory relief is subject to a statute of limitations generally applicable to civil claims."). A
23 plaintiff cannot seek a declaratory judgment as a vehicle to circumvent the statute of
24 limitations that applies to the substance of the complaint. *Levald, Inc. v. City of Palm Desert*,
25 998 F.2d 680, 688 (9th Cir. 1993); *Kappa Sigma Fraternity, Inc. v. Kappa Sigma Fraternity*,
26 266 Va. 455, 465, 587 S.E.2d 701, 707 (2003).

27 In this case, the declaratory relief sought by Plaintiff is premised entirely on Plaintiff's
28 argument that Archon's August 31, 2007, redemption was invalid. Plaintiff specifically

1 alleges that because Archon did not set aside in trust such funds to redeem the EPS at \$8.69
2 per share, the EPS remains outstanding and continues to accrue dividends. Id. ¶¶ 34-35. This
3 argument is based on Section 3 of the Certificate, which provides, in pertinent part, as
4 follows:

5 On and after any such redemption date, dividends shall cease to accrue on the
6 shares redeemed, and such shares shall be deemed to cease to be outstanding,
7 **provided that the redemption price (including any accrued and unpaid**
8 **dividends to the date fixed for redemption) has been duly paid or**
9 **provided for.**

10 (Exhibit 1 to the Complaint) (emphasis added).

11 Based on Plaintiff's argument that the EPS remains outstanding, Plaintiff alleges that
12 the reverse stock split/forward split was invalid because the holders of EPS were not afforded
13 the right to vote on the stock split separately as a class. Id. 37. Similarly, Plaintiff alleges that
14 Archon's de-registration was invalid because the number of shareholders of record exceeded
15 the SEC's limit of three hundred shareholders. Id. ¶ 38.

16 Thus, the declaratory judgment sought by Plaintiff is based entirely on Plaintiff's
17 argument that the redemption price was not "duly paid or provided for" in August of 2007. In
18 other words, the underlying violation is Archon's purported failure to "duly pay or provide
19 for" the redemption price, which indisputably occurred on August 31, 2007. Thus, Plaintiff's
20 claim, if any, accrued as of August 31, 2007, the date of the purported violation that allegedly
21 resulted in the EPS remaining outstanding. Cf. *Welwart v. Dataware Elecs. Corp.*, 277 A.D.2d
22 372, 372-73 (N.Y.S.2d 2000) ("[T]he limitations period is measured from the date of the
23 initial alleged breach in 1981 when the defendants allegedly deprived the plaintiff of his right
24 to the shares [of stock] and began diverting profits, regardless of when the damages began to
25 accrue."). Because Plaintiff knew or should have known of Archon's alleged miscalculation
26 of the redemption price no later than August 31, 2007, Plaintiff's claim for declaratory relief
27 must be dismissed along with all other claims in this case.

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V. CONCLUSION

Plaintiff's Complaint is premised entirely on the allegation that Archon miscalculated the redemption price on its EPS when it redeemed the EPS on August 31, 2007. Because Plaintiff failed to file this suit until 2016, every claim for relief is barred by the applicable statute of limitations. Therefore, Defendants respectfully request that the Court dismiss Plaintiff's Complaint in its entirety.

AFFIRMATION
Pursuant to NRS 239B.030

The undersigned does hereby affirm that the preceding document does not contain the social security number of any person.

DATED this 6th day of April, 2016.

DICKINSON WRIGHT PLLC

/s/ Justin J. Bustos
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Attorneys for Defendants
Archon Corporation,
Paul W. Lowden, and
Suzanne Lowden

1 CERTIFICATE OF SERVICE

2 I certify that I am an employee of DICKINSON WRIGHT PLLC, and that on this
3 date, pursuant to NRCP 5(b), I am serving a true and correct copy of the **MOTION TO**
4 **DISMISS COMPLAINT** on the parties as set forth below:

5 X Placing an original or true copy thereof in a sealed envelope
6 placed for collection and mailing in the United States Mail,
7 Reno, Nevada, postage prepaid, following ordinary business
8 practices
9 Certified Mail, Return Receipt Requested
10 CM/ECF Electronic Notification
11 Via Facsimile (Fax)
12 Placing an original or true copy thereof in a sealed envelope and
13 causing the same to be personally Hand Delivered
14 Federal Express (or other overnight delivery)

15 addressed as follows:

16 Stephen R. Hackett, Esq.
17 Johnathon Fayeghi, Esq.
18 SKLAR WILLIAMS PLLC
19 410 South Rampart Blvd.
Suite 350
Las Vegas, NV 8914501

20 DATED this 6th day of April, 2016.

21 /s/ Cindy S. Grinstead
22 An Employee of DICKINSON WRIGHT PLLC
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27
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EXHIBIT TABLE

Exhibit	Description	Pages
1	Archon's Form 10-K for fiscal year ending September 30, 2007	70
2	D.E. Shaw Writ of Execution, October 16, 2012	3
3	Leeward Writ of Execution, January 4, 2013	2
4	Archon's Form 10-Q for the quarterly period ended December 31, 2010	42

RENO 65655-5 6797v1

EXHIBIT 1

EXHIBIT 1

10-K 1 d10k.htm ANNUAL REPORT ON FORM 10-K

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended: September 30, 2007

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

For the transition period from _____ to _____

Commission File Number: 1-9481

ARCHON CORPORATION

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)88-0304348
(I.R.S. Employer
Identification Number)4336 Losee Road, Suite 5, North Las Vegas, NV 89030
(Address of principal executive office and zip code)(702) 732-9120
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Common Stock, par value \$.01 per share

(Title of Class)

Over the Counter Bulletin Board

Exchangeable Redeemable Preferred Stock

(Title of Class)

Over the Counter Bulletin Board

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

Large accelerated filer ☐ an accelerated filer ☐ or a non-accelerated filer ☒

The aggregate market value of the common stock held by non-affiliates of the registrant was approximately \$52,822,284. The market value was computed by reference to the closing price of the common stock as of March 31, 2007.

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. YES ☐ NO ☒

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

6,280,931

as of

January 14, 2008

DOCUMENTS INCORPORATED BY REFERENCE

None

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

Table of Contents

ARCHION CORPORATION AND SUBSIDIARIES
ANNUAL REPORT ON FORM 10-K FOR THE FISCAL
YEAR ENDED SEPTEMBER 30, 2006
TABLE OF CONTENTS

	<u>Page</u> <u>No.</u>
<u>PART I</u>	
Item 1. <u>Business</u>	1
<u>General</u>	1
<u>Hotel and Casino Operations</u>	1
<u>Investment Properties</u>	2
<u>Land Held for Development</u>	3
<u>Nevada Regulations and Licensing</u>	4
Item 1A. <u>Risk Factors</u>	7
Item 2. <u>Properties</u>	8
Item 3. <u>Legal Proceedings</u>	9
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	10
<u>PART II</u>	
Item 5. <u>Market for the Registrant's Common Stock and Related Security Holders Matters</u>	10
Item 6. <u>Selected Financial Data</u>	12
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	13
Item 7A. <u>Market Risk Disclosure</u>	23
Item 8. <u>Financial Statements</u>	24
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	53
Item 9A. <u>Controls and Procedures</u>	53
<u>PART III</u>	
Item 10. <u>Directors and Executive Officers of the Registrant</u>	54
Item 11. <u>Executive Compensation</u>	57
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management</u>	60
Item 13. <u>Certain Relationships and Related Transactions</u>	61
Item 14. <u>Principal Accountant Fees and Services</u>	62
<u>PART IV</u>	
Item 15. <u>Exhibits</u>	63

Table of Contents**PART I****Item 1. BUSINESS****General**

Archon Corporation, (the "Company" or "Archon"), is a Nevada corporation. The Company's primary business operations are conducted through a wholly-owned subsidiary corporation, Pioneer Hotel Inc. ("PHI"), which operates the Pioneer Hotel & Gambling Hall (the "Pioneer") in Laughlin, Nevada. In addition, the Company owns real estate on Las Vegas Boulevard South (the "Strip") in Las Vegas, Nevada (See Land Held for Development), and investment properties in Dorchester, Massachusetts and Gaithersburg, Maryland.

Through the Securities and Exchange Commission's ("SEC") website, at <http://www.sec.gov/> the Company's 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, are made available free of charge, as soon as reasonably practical after such information has been filed or furnished to the SEC.

The principal executive office of the Company is located at 4336 Losee Road, Suite 5, North Las Vegas, Nevada, 89030, and the telephone number is (702) 732-9120.

Hotel and Casino Operations**The Pioneer**

The Pioneer, built in 1982, features a classical western architecture style, and is located in Laughlin, Nevada, an unincorporated town on the Colorado River bordering Arizona. The Pioneer is located on approximately 12 acres of land, with Colorado River frontage of approximately 770 feet, and is situated near the center of Laughlin's Casino Drive. Approximately 6 1/2 acres of the 12 acres are leased pursuant to a 99-year ground lease (the "Ground Lease") which, by its terms, is scheduled to terminate in December 2078. The leased land lies between and separates the remaining two parcels of land that are held in fee simple. The Pioneer is comprised of four buildings. One of the three motel buildings together with a portion of both the Pioneer's casino building and a second motel building are located on land subject to the Ground Lease. The casino is located in the main building, totaling approximately 50,000 square feet, of which approximately 21,500 square feet house the casino. The first floor includes the casino, two bars, snack bar and gift shop, as well as a twenty-four hour restaurant, kitchen, special events area, restrooms and storage areas. A partial second floor houses a gourmet restaurant, administrative offices and banquet rooms. The three motel buildings were built in 1984 and comprise approximately 66,000, 54,000 and 30,000 square feet, respectively. A total of 416 motel rooms are housed in the three buildings with improvements including a swimming pool and spa.

Revenues. The primary source of revenues to the Company's hotel-casino operations is gaming, which represented approximately 52.3%, 55.2% and 55.2% in 2007, 2006 and 2005, respectively, of total revenues. The Pioneer contributed 100% in fiscal 2007, 2006 and 2005 to total gaming revenues. As of September 30, 2007 the Pioneer had approximately 735 slot machines, eight blackjack tables ("21"), one craps table, one roulette wheel and five other gaming tables. In addition, the Pioneer offers keno.

Market. The Pioneer targets primarily mature, out-of-town customers residing in Central Arizona and Southern California, retirees who reside in the Northeast and Midwest United States and Canada and travel to the

Table of Contents

Southwest United States during the winter months, and local residents who reside in Laughlin, Nevada, and in Bullhead City, Kingman and Lake Havasu, Arizona. The occupancy rates at the Pioneer were approximately 56%, 64% and 57% in fiscal years 2007, 2006 and 2005, respectively.

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

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

Management and Personnel

As of December 31, 2007, the Company employed 12 executive and administrative personnel and the Pioneer employed approximately 544 persons.

Competition

In addition to competing with the hotel-casinos in Laughlin, the Pioneer also competes with the hotel-casinos in Las Vegas and those situated on Interstate-15 (the principal highway between Las Vegas and Southern California) near the California-Nevada state line. In March 2000, California voters approved an amendment to the California constitution which permits compacts that allow Native American tribes to operate in excess of 100,000 slot machines in addition to banked card games and lotteries. Management believes that Native American casinos in Southern California, Arizona and New Mexico have had an adverse impact on the Laughlin market, including the Pioneer, by drawing visitors away from the market.

Investment Properties

The Company acquired investment properties in Dorchester, Massachusetts and Gaithersburg, Maryland in March 2001. The Dorchester, Massachusetts property is located on 12 acres and includes several buildings with approximately 425,000 square feet of commercial office space. The property was acquired for approximately \$82.4 million plus \$0.5 million in debt issuance costs. The Company paid \$5.6 million in cash and assumed \$77.3 million in non-recourse debt associated with the property. The property is under a net lease through 2020 with a single tenant with an investment grade credit rating. Under the lease, the tenant is responsible for substantially all obligations related to the property.

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

See also Item 2., "Properties "

Table of Contents**Land Held for Development**

The Company owns, through its wholly owned subsidiary Sahara Las Vegas Corp. ("SLVC"), an approximately 27-acre parcel of real property on the Strip. In connection with the acquisition of the property, the Company assumed an operating lease under which a water theme park operated. The lease was terminated September 30, 2004. The Company presently leases the property to two different lessees for an aggregate amount of \$364,000 per month. Both leases may be terminated with sixty days written notice in the event the property is sold to a third party.

On June 24, 2006, SLVC, a Nevada corporation and subsidiary of Archon Corporation entered into an Option Agreement (the "Agreement") between SLVC and LVTI LLC, a Delaware limited liability company ("LVTI"). Pursuant to the Agreement, SLVC granted to LVTI an option (the "Option") to purchase an approximately 27 acre parcel of real property located on Las Vegas Boulevard South (the "Property") or, alternatively, SLVC's membership interest in a limited liability company ("LVT LLC") that may be formed and into which the Property would be contributed.

The initial purchase price to be paid by LVTI for purchase of the Property or the membership interest in LVT LLC was \$450 million. LVTI paid an initial deposit of \$5.0 million on June 27, 2006. The Agreement also provided for a second deposit of \$40.0 million due on or before September 22, 2006, and additional monthly payments of approximately \$2.2 million in each month commencing on the 13th calendar month following the date the second deposit is paid until the closing of the exercise of the Option. The 30-day due diligence period ended and LVTI did not terminate the Agreement. Upon exercise of the Option, the initial deposit and the second deposit will be credited against the total purchase price. The Agreement provides for certain adjustments to the purchase price if certain easements are entered into with respect to the Property prior to the closing. The Option may be exercised by LVTI at any time between the last day of the 12th calendar month and the last day of the 18th calendar month following the date on which the second deposit is paid; provided that the option term may be extended by up to 30 days if SLVC does not give written notice to LVTI of the option term expiration as required by the Agreement. The first and second deposits and any additional monthly payments paid to SLVC prior to termination of the Agreement will be retained by SLVC upon termination of the Agreement without exercise of the option, except under certain circumstances specified in the Agreement.

Pursuant to a First Amendment of the Agreement, LVTI elected to pay to the Company \$750,000 to extend the date on which the second deposit of \$40.0 million was due from September 22, 2006 to December 31, 2006. Pursuant to a Second Amendment, LVTI elected to pay to the Company \$1.2 million to further extend the date on which the second deposit of \$40.0 million was due from December 31, 2006 to March 31, 2007. Pursuant to a Third and a Fourth Amendment to the Agreement, LVTI elected to pay to the Company two additional payments in April 2007 totaling \$500,000 to further extend the date on which the second deposit was due from March 31, 2007 to May 31, 2007. LVTI paid the \$40.0 million second deposit on May 25, 2007. Additionally, the initial purchase price was increased from \$450 million to \$475 million. Pursuant to a Fifth Amendment, three months, to be exercised in the discretion of LVTI, were added to the Option term, extending the end of the Option term from March 31, 2008 to June 30, 2008. LVTI will pay a fee of \$2.9 million ("Carry Option Payments") for each of the three month extensions utilized, with a proration for any partial month utilized. All Carry Option Payments and all monthly option extension payments are nonrefundable and will not be applied against the purchase price under the Agreement.

The nonrefundable payment of \$5.0 million and a nonrefundable extension fee of \$750,000 were recorded as deferred revenue, at September 30, 2006. The Company received an additional nonrefundable extension fee of \$1.2 million in December 2006 which was also recorded as deferred revenue at March 31, 2007. The Company received additional nonrefundable extension fees of \$500,000 in April 2007 and the nonrefundable second deposit payment of \$40.0 million on May 25, 2007, which payments were also recorded as deferred revenue at June 30, 2007. On September 27, 2007, the Company received an additional option extension fee of \$2,329,167, which was recorded as deferred revenue at September 30, 2007.

The obligations of SLVC and LVTI to consummate the transactions contemplated by the Agreement are subject to the satisfaction or waiver of customary closing conditions.

Table of Contents

The Company has guaranteed the obligations of SLVC under the Agreement.

See also Item 2., "Properties."

The Company has provided financial segment information in the "Notes to Consolidated Financial Statements, Note 18. Segment Information."

Nevada Regulations and Licensing

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

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

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

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

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

Individual Licensing. Certain stockholders, directors, officers and key employees of corporate gaming licensees must be licensed by the Nevada Gaming Authorities. An application for licensing of an individual may be denied for any cause deemed reasonable by the issuing agency. Changes in licensed positions must be reported to the Nevada Gaming Authorities. In addition to its authority to deny an application for an individual license, the Nevada Gaming Authorities have jurisdiction to disapprove a change in corporate position. If the Nevada Gaming Authorities were to find any such person unsuitable for licensing or unsuitable to continue to have a relationship

Table of Contents

with a corporate licensee, such licensee would have to suspend, dismiss and sever all relationships with such person. Such corporate licensee would have similar obligations with regard to any person who refuses to file appropriate applications, who is denied licensing following the filing of an application or whose license is revoked. Each gaming employee must obtain a work permit which may be revoked upon the occurrence of certain specified events.

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

Beneficial owners of more than 10% of the voting securities of a corporation or partner interests of a partnership registered with the Nevada Gaming Authorities that is "publicly traded" (a "Registered Entity") must be found suitable by the Nevada Gaming Authorities, and any person who acquires more than 5% of the voting securities or partner interests, as the case may be, of a Registered Entity must report the acquisition to the Nevada Gaming Authorities in a filing similar to the beneficial ownership filings required by the Federal securities laws. Under certain circumstances an institutional investor, as such term is defined in the Nevada Gaming Control Act and the regulations of the Commission and Board (collectively, the "Nevada Gaming Regulations"), that acquires more than 10% of the Company's voting securities may apply to the Commission for a waiver of such finding of suitability requirement. If the stockholder who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. Any beneficial owner of equity or debt securities of a Registered Entity (whether or not a controlling stockholder) may be required to be found suitable if the relevant Nevada Gaming Authorities have reason to believe that such ownership would be inconsistent with the declared policy of the State of Nevada. If the beneficial owner who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information, including a list of its securities.

Any stockholder found unsuitable and who beneficially owns, directly or indirectly, any securities or partner interests of a Registered Entity beyond such period of time as may be prescribed by the Nevada Gaming Authorities may be guilty of a gross misdemeanor. Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so may be found unsuitable. A Registered Entity is subject to disciplinary action if, after it receives notice that a person is unsuitable to be a security holder or partner, as the case may be, or to have any other relationship with it, such Registered Entity (i) pays the unsuitable person any dividends or property upon any voting securities or partner interests or makes any payments or distributions of any kind whatsoever to such person; (ii) recognizes the exercise, directly or indirectly, of any voting rights in its securities or partner interests by the unsuitable person; (iii) pays the unsuitable person any remuneration in any form for services rendered or otherwise, except in certain and specific circumstances or; (iv) fails to pursue all lawful efforts to require the unsuitable person to divest himself of his voting securities, including, if necessary, the immediate purchase of the voting securities for cash at fair market value.

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

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

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

Table of Contents

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

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

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

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

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

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

Table of Contents**Item 1A. RISK FACTORS**

You are encouraged to review the following discussion of the specific risks and uncertainties that affect our business. These include, but are not limited to, the following:

Our Business Is Vulnerable to Changing Economic Conditions. Unfavorable changes in general economic conditions including recession, economic slowdown, or higher fuel or other transportation costs, may reduce disposable income of casino patrons or result in fewer patrons visiting casinos. Our operating results may be negatively impacted by a increase in interest rates causing an increase in interest expense.

Our Laughlin Property Is Vulnerable to Existing and New Competitors and Their Capital Investments. Recent acquisition by competitors of casino/hotel properties in Laughlin could produce unfavorable operating results if the investments by competitors are successful in capturing market share from the Company's Laughlin property. These new competitors may have greater capital resources and liquidity than the Company.

Redemption of the Company's Preferred Stock and Redemption Price Disputes. The Company called all outstanding shares of its Exchangeable Redeemable Preferred Stock for redemption on and as of August 31, 2007, at a redemption price of \$5.241 per share, which sum included accrued and unpaid dividends to the date of redemption. From and after August 31, 2007, all shares of the Exchangeable Redeemable Preferred Stock ceased to be outstanding and to accrue dividends.

On August 27, 2007, the following institutional investors: D. E. Shaw Laminar Portfolios, L.L.C., LC Capital Master Fund, Ltd, LC Capital/Capital Z SPV, LP, Magten Asset Management Corp, Mercury Real Estate Securities Fund LP, Mercury Real Estate Securities Offshore Fund Limited, Black Horse Capital LP, Black Horse Capital (QP) LP, Black Horse Capital Offshore Ltd, and Plainfield Special Situations Master Fund Limited filed an action against the registrant in the United States District Court for The District of Nevada entitled D.E. Shaw Laminar Portfolios, LLC; et al. v. Archon Corporation, 2:07-CV-01146-PMP-LRL (D. Nev.). The Complaint was subsequently amended to add an additional party plaintiff (collectively, the "Laminar Plaintiffs"). The Amended Complaint: (i) seeks a finding by the Court that the Company has breached its obligations under the Company's Certificate of Designation of the Preferred Stock, dated September 30, 1993 (the "Certificate"), and awarding the Laminar Plaintiffs full compensation of any and all available damages suffered by the Laminar Plaintiffs as a result of the Company's breach of the Certificate; (ii) seeks a finding by the Court that the Company's issuance of its redemption notice with an improper redemption price is an anticipatory breach of a material term of the Certificate and awarding the Laminar Plaintiffs full compensation of any and all available damages suffered as a result of the Company's anticipatory breach of the Certificate; (iii) seeks a declaration by the Court that the dividends be properly calculated and compounded per the terms of the Certificate in an amount no less than \$7,235,351 up through and including the date of final judgment; (iv) seeks an order from the Court calling for the Company to reimburse the Laminar Plaintiffs' attorneys' fees, expenses and costs incurred in enforcing their rights; and (v) seeks such other and further relief as the Court may deem appropriate. In November 2007, and subsequent to the end of the Company's fiscal year ended September 30, 2007, the Laminar Plaintiffs filed a motion for partial summary judgment on liability. The Company responded, and the parties will await a ruling from the Court following the Plaintiff's filing of its reply brief.

Also subsequent to the end of the Company's fiscal year, two other former holders of the Exchangeable Redeemable Preferred Stock filed Complaints in the United States District Court, District of Nevada, entitled Rainiero v. Archon Corporation, District of Nevada Case No. 2:07-cv-01553 and Leeward Capital, L.P. v. Archon Corporation, District of Nevada Case No. 2:08-cv-00007, both alleging essentially the same claim as the first Complaint. If the plaintiffs are correct, the redemption price as of August 31, 2007 should have been \$8.69 per share and not \$5.241 per share as calculated by the Company which, if applied to all the then outstanding shares of Exchangeable Redeemable Preferred Stock, including the shares held by the Company's officers and directors, would increase the redemption price in excess of \$15.2 million.

Table of Contents

A Significant Decline in Real Estate Values may have an Adverse Impact on the Company's Financial Condition. The Company owns real estate on the Strip and on the East Coast of the United States. Although the Company is presently not dependent on cash flows from these properties, a significant decline in real estate values in these markets could have an impact on the Company's ability to readily generate cash flow from the real estate to meet its debt or other obligations.

Our Outstanding Debt Obligations Subject us to Additional Risks. The Company has a mortgage note obligation which matured in late December 2006 with an extension until January 2008 in the approximate amount of \$10.1 million. The Bank has informed the Company of its commitment to extend the maturity date of the note obligation to January 2009. The documentation process for the extension may go beyond the January 15, 2008, maturity, however, all original terms and conditions will remain in effect until the new loan documents are executed. Although the Company believes the bank's commitment to extend the maturity date of the loan will be made formal in the near-term, it can not give any assurances that the extension will occur. However, the bank has informed the Company it intends to extend the maturity date to January 2009.

Item 2. PROPERTIES

The Pioneer is located on approximately 12 acres of land, with Colorado River frontage of approximately 770 feet, and is situated near the center of Laughlin's Casino Drive. See Item 1., "*Business -- Hotel and Casino Operations*" for more detailed information regarding the Pioneer.

The Company's investment property in Dorchester, Massachusetts is located on 12 acres and includes several buildings with approximately 425,000 square feet of commercial office space. The property was acquired for approximately \$82.4 million plus \$0.5 million in debt issuance costs. The Company paid \$5.6 million in cash and assumed \$77.3 million in non-recourse debt associated with the property. The property is under a net lease through 2020 with a single tenant with an investment grade credit rating. Under the lease, the tenant is responsible for substantially all obligations related to the property.

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

The Company owns approximately 27 acres of real property located on the Strip. See Item 1., *Business--Land Held for Development*.

Table of Contents**Item 3. LEGAL PROCEEDINGS****Mercury Real Estate Securities Fund, LP and Mercury Real Estate Securities Offshore Limited v. Archon Corporation**

The Company called all outstanding shares of its Exchangeable Redeemable Preferred Stock for redemption on and as of August 31, 2007, at a redemption price of \$5.241 per share, which sum included accrued and unpaid dividends to the date of redemption. From and after August 31, 2007, all shares of the Exchangeable Redeemable Preferred Stock ceased to be outstanding and to accrue dividends. As of January 14, 2008, the holders of 4,238,159 shares of the Exchangeable Redeemable Preferred Stock have surrendered their shares and received payment of the redemption price.

On August 27, 2007, the following institutional investors: D. E. Shaw Laminar Portfolios, L.L.C., LC Capital Master Fund, Ltd, LC Capital/Capital Z SPV, LP, Magten Asset Management Corp, Mercury Real Estate Securities Fund LP, Mercury Real Estate Securities Offshore Fund Limited, Black Horse Capital LP, Black Horse Capital (QP) LP, Black Horse Capital Offshore Ltd, and Plainfield Special Situations Master Fund Limited filed an action against the registrant in the United States District Court for The District of Nevada entitled D.E. Shaw Laminar Portfolios, LLC; et al. v. Archon Corporation, 2:07-CV-01146-PMP-LRL (D. Nev.). The Complaint was subsequently amended to add an additional party plaintiff (collectively, the "Laminar Plaintiffs"). The Amended Complaint: (i) seeks a finding by the Court that the Company has breached its obligations under the Company's Certificate of Designation of the Preferred Stock, dated September 30, 1993 (the "Certificate"), and awarding the Laminar Plaintiffs full compensation of any and all available damages suffered by the Laminar Plaintiffs as a result of the Company's breach of the Certificate; (ii) seeks a finding by the Court that the Company's issuance of its redemption notice with an improper redemption price is an anticipatory breach of a material term of the Certificate and awarding the Laminar Plaintiffs full compensation of any and all available damages suffered as a result of the Company's anticipatory breach of the Certificate; (iii) seeks a declaration by the Court that the dividends be properly calculated and compounded per the terms of the Certificate in an amount no less than \$7,235,351 up through and including the date of final judgment; (iv) seeks an order from the Court calling for the Company to reimburse the Laminar Plaintiffs' attorneys' fees, expenses and costs incurred in enforcing the their rights; and (v) seeks such other and further relief as the Court may deem appropriate. In November 2007, and subsequent to the end of the Company's fiscal year ended September 30, 2007, the Laminar Plaintiffs filed a motion for partial summary judgment on liability. The Company responded, and the parties will await a ruling from the Court following the Plaintiff's filing of its reply brief.

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Douglas Medley v. Pioneer Hotel & Casino/Archon Corporation:

The Company was a defendant in a lawsuit entitled *Douglas Medley v. Pioneer Hotel & Casino/Archon Corporation* dated March 2006. The complaint alleged that unpaid wages for overtime and the plaintiff was seeking approximately \$160,000 in damages. The Company defended this lawsuit vigorously and no reserve was recorded under the provisions of Statement of Accounting Standards ("SFAS") No. 5 for this matter, as management did not believe that it was probable that a liability had incurred. The lawsuit was recently settled for nuisance value and the Company obtained a full release from the Plaintiff in the action.

Table of Contents

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

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II**Item 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDERS MATTERS**

The Company's common stock is traded on the Over the Counter Bulletin Board (the "OTCBB") under the symbol "ARJN".

The closing price of the Common Stock on January 14, 2008 was \$46.50 per share. The tables below set forth the high and low closing prices by quarter for the fiscal years ended September 30, 2007 and 2006 of the common stock, as reported by the OTCBB.

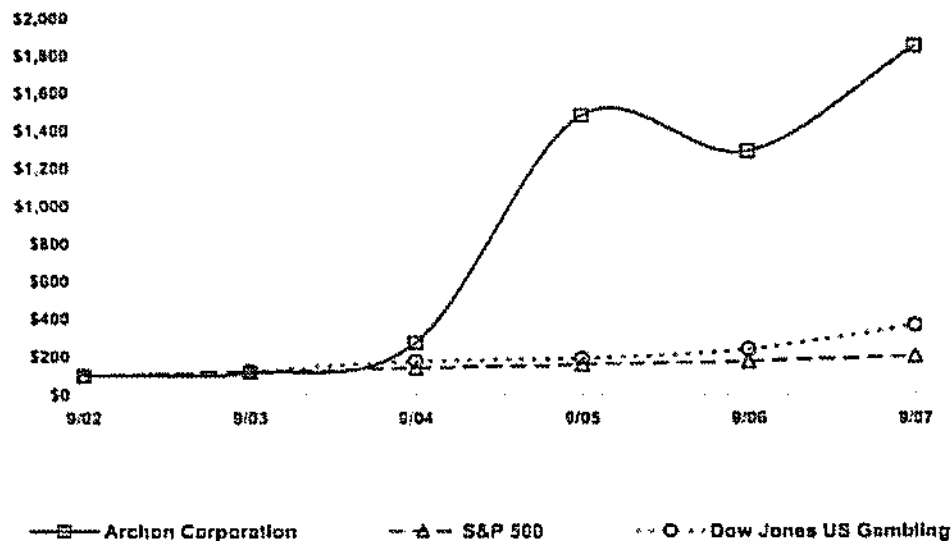
	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Fiscal 2007				
High	\$38.00	\$39.50	\$54.75	\$52.00
Low	31.25	31.75	38.50	39.55
Fiscal 2006:				
High	\$39.28	\$38.50	\$44.95	\$44.00
Low	37.00	30.75	32.25	31.00

The Company has never paid cash dividends on its Common Stock, nor does it anticipate paying such dividends in the foreseeable future. There were approximately 550 common stockholders of record as of January 14, 2008.

Table of ContentsPerformance Graph

The following graph compares the cumulative total return on the Company's common stock with the cumulative total return of the Standard & Poor's 500, the Dow Jones US Gambling index for the five-year period ended September 30, 2007. The graph assumes that the value of the investment in the Company and in each index was \$100 on September 30, 2002, and assumes that all dividends were reinvested.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
 Among Archon Corporation, The S&P 500 Index
 And The Dow Jones US Gambling Index



* \$100 invested on 9/30/02 in stock or index including reinvestment of dividends. Fiscal year ending September 30.

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www.researchonstagnation.com/S&P.htm

	9/30/02	9/30/03	9/30/04	9/30/05	9/30/06	9/30/07
Archon Corporation	\$100.00	\$113.73	\$274.51	\$1,480.78	\$1,290.20	\$1,852.94
S&P 500	100.00	124.40	141.65	159.01	176.17	205.13
Dow Jones US Gambling	100.00	126.84	176.37	190.32	240.23	366.49

Table of Contents**Item 6. SELECTED FINANCIAL DATA**

The table below sets forth a summary of selected financial data of the Company for the years ended September 30, 2007, 2006, 2005, 2004 and 2003:

	2007	2006	2005	2004	2003
	(dollars in thousands, except per share amounts)				
Net operating revenues ⁽¹⁾	\$ 45,179	\$ 45,154	\$ 43,688	\$ 45,693	\$ 46,161
Net income (loss), net of taxes	607	(3,356)	(4,912)	(1,882)	(7,847)
Net income (loss) applicable to common shares	(779)	(4,867)	(6,423)	(3,444)	(9,374)
Net income (loss) per common share	(0.12)	(0.78)	(1.03)	(0.55)	(1.51)
Total assets	219,982	198,050	199,638	206,932	237,390
Long-term debt, less current portion	74,381	77,042	79,499	82,057	148,698
Exchangeable redeemable preferred stock ⁽²⁾	0	9,445	9,445	9,674	9,926

(1) Net operating revenues for fiscal years 2003 through 2007 represent primarily operations at the Pioneer and revenues from investment properties.

(2) The Company had not declared dividends on its preferred stock since fiscal 1996. Dividends of approximately \$1.4 million, \$1.5 million, \$1.5 million, \$1.6 million and \$1.5 million for fiscal 2007, 2006, 2005, 2004 and 2003, respectively, had not been declared and were in arrears until August 31, 2007, at which date all shares were called for redemption. The Company redeemed its outstanding exchangeable redeemable preferred stock at \$5.241 per share. Previously, the Company had repurchased and retired 985,932 shares of exchangeable redeemable preferred stock. The legal proceeding set forth in Item 3 relates to the exchangeable redeemable preferred stock.

Table of Contents**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****GENERAL****Overview of Business Operations and Trends**

The Company, historically, has owned, managed and operated hotel/casino properties through a number of acquisitions or developments, and it has subsequently divested certain of these properties. Presently, the Company operates the Pioneer in Laughlin, Nevada. The Company also owns Strip property that may be sold pursuant to an Agreement entered into in fiscal 2006 whereby the Optionee has the right to purchase the property from the Company for \$475 million.

The Company's property in Laughlin, Nevada has experienced a flattening and, to a certain extent, a decline of its revenues over the last few years after experiencing strong revenue and profit growth in the early 1990's. Management believes the growth of casino properties on Native American lands in such locations as California and Arizona within the last several years caused revenue declines and caused the Company to focus on market definition and development in Laughlin to maintain profitability. Management believes Laughlin has now become a mature market with marginal growth forecasted for the next few years based on its current plans.

The Company also owns investment properties on the East Coast but these investment properties do not contribute significant profitability or net cash flow to the Company.

Management believes the recent revenue and expense trends in its Laughlin hotel/casino property may not change significantly over the next few years.

Critical Accounting Policies and Estimates

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

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

Allowance for Doubtful Accounts. We allow for an estimated amount of receivables that may not be collected. We estimate our allowance for doubtful accounts using a specific formula applied to aged receivables as well as a specific review of large balances. Historical experience is considered, as are customer relationships, in determining specific reserves.

Long-Lived Assets. We have a significant investment in long-lived property and equipment. We estimate that the undiscounted future cash flows expected to result from the use of these assets exceeds the current carrying

Table of Contents

value of these assets. Any adverse change in the estimate of these undiscounted future cash flows could necessitate an impairment charge that would adversely affect operating results. We estimate useful lives for our assets based on historical experience, estimates of assets' commercial lives, and the likelihood of technological obsolescence. Should the actual useful life of a class of assets differ from the estimated useful life, we would record an impairment charge. We review useful lives and obsolescence and we assess commercial viability of these assets periodically.

Income Taxes. Realization of the net deferred tax assets is dependent on the Company's ability to generate profits from operations or from the sale of long-lived assets. There can be no assurance that the Company will generate profits from operations or sell those assets or will generate profits from sales if they were to occur in the future. In the event the Company does generate profits from sales of long-lived assets in the future, an adjustment to the valuation allowance would increase income in the period in which the profit is realized.

RESULTS OF OPERATIONS – FISCAL 2007 COMPARED TO FISCAL 2006

General

During fiscal 2007, the Company's net operating revenues were relatively equal to the prior year, and operating expenses decreased approximately \$3.5 million, resulting in an increase of approximately \$3.5 million in operating income. The improvement in operating results was primarily due to a decrease in corporate stock based compensation expenses of approximately \$3.1 million, and a \$1.4 million gain on the sale of assets, offset by an increase of \$1.0 million in operating expenses.

Consolidated

Net Operating Revenues. Consolidated net operating revenues for the year ended September 30, 2007 were relatively unchanged from the year ended September 30, 2006. Revenues from the investment properties were the same in each of the fiscal years. While overall net revenues remained unchanged, net revenues decreased approximately \$1.0 million during fiscal 2007 at the Pioneer compared to the 2006 fiscal year, following the declining trend of gaming revenues in Laughlin. SLVC net revenues increased during fiscal 2007, by \$0.2 million as compared to the 2006 fiscal year. Sahara Resorts ("SR") net revenues increased during fiscal 2007, by \$0.4 million, as compared to the 2006 fiscal year. The SLVC and SR increases are associated with interest income resulting from improved cash flows.

In fiscal 2007, 66% of the Company's net revenues were derived from the Pioneer and 27% from investment properties. The Company's business strategy at the Pioneer emphasizes slot and video poker machine play. For fiscal 2007, approximately 66% of the Pioneer's net revenues were derived from casino operations. Approximately 91% of gaming revenues at the Pioneer were derived from slot and video poker machines, while 7% of such revenues were from table games and 2% was from other gaming activities such as keno.

Operating Expenses. Total operating expenses decreased approximately \$3.5 million, or 9%, to \$36.8 million for the year ended September 30, 2007, from \$40.3 million for the year ended September 30, 2006. Total operating expenses as a percentage of net revenues decreased to 82% for the year ended September 30, 2007 from 89% for the year ended September 30, 2006. The decrease in operating expenses was principally the result of a decrease of approximately \$3.1 million in stock-based compensation expense and a \$1.4 million gain on the sale of the Cambridge building, partially offset by an increase of \$1.0 million in Corporate and Pioneer operating expenses.

Operating Income. Consolidated operating income for the year ended September 30, 2007 was \$8.3 million, an approximate \$3.5 million increase from \$4.8 million for the year ended September 30, 2006. While total revenues remained relatively flat, operating expenses were reduced approximately \$2.0 million, combined with a \$1.5 million gain on disposal of assets.

Table of Contents

Interest Expense. Consolidated interest expense for the year ended September 30, 2007 was \$8.5 million, a \$0.4 million decrease compared to \$8.9 million for the year ended September 30, 2006, primarily due to a decrease in interest expense associated with non-recourse debt of the investment properties.

Interest and Other Income. Interest and other income for the year ended September 30, 2007 was \$1.0 million, an increase of \$0.8 million from \$0.2 million for the year ended September 30, 2006. The increase in interest and other income is a result of increased cash flows related to the Agreement granted to LVTI to purchase an approximately 27 acre parcel of real property located on the Strip.

Income Tax. The Company recorded a federal income tax provision of \$0.3 million (an approximate 34% rate) for the year ended September 30, 2007, a change of \$0.7 million from a \$0.4 million tax benefit (an approximate 11% rate) for the year ended September 30, 2006. Certain expenses, principally related to stock-based compensation expense, recorded in fiscal year 2006 were not deductible for income tax purposes.

Preferred Share Dividends. The Company called all outstanding shares of its Exchangeable Redeemable Preferred Stock for redemption on and as of August 31, 2007, at a redemption price of \$5.241 per share, which sum included accrued and unpaid dividends to the date of redemption. From and after August 31, 2007, all shares of the Exchangeable Redeemable Preferred Stock ceased to be outstanding and to accrue dividends. For the year ended September 30, 2007, dividends of approximately \$1.4 million were accrued on the preferred stock for the purposes of calculating net income applicable to common shares. The dividend rate increased to its maximum rate of 16.0% effective October 1, 2003.

Pioneer

General. Casino, hotel and food/beverage revenues and expenses at the Pioneer comprise the majority of consolidated casino, hotel and food/beverage revenues and expenses included in the Company's consolidated statements of operations and are discussed separately below.

Net Operating Revenues. Net revenues at the Pioneer decreased \$1.0 million, or approximately 3%, to \$30.0 million for the year ended September 30, 2007 from \$31.0 million for the year ended September 30, 2006.

Gross casino revenues decreased approximately \$1.3 million, or 5.2%, to \$23.6 million for the year ended September 30, 2007 from \$24.9 million for the year ended September 30, 2006. Slot and video poker revenues decreased approximately \$1.1 million, or 5%, to \$21.5 million for the year ended September 30, 2007 from \$22.6 million for the year ended September 30, 2006. Other gross gaming revenues, including table games, decreased approximately \$0.2 million, or 9%, to \$2.1 million for the year ended September 30, 2007 year compared to \$2.3 million for the 2006 year. Management believes this decrease was a result of declining market trends in the local area. Casino promotional allowances decreased \$0.2 million, or 3%, to \$6.0 million in year ended September 30, 2007 compared to \$6.2 million for year ended September 30, 2006 primarily due to the aforementioned decline in the local gaming market.

Hotel revenues decreased \$0.1 million, or 4%, to \$2.9 million for the year ended September 30, 2007 from \$3.0 million in fiscal 2006 due to a decrease in the average daily room rate. Food and beverage revenues were relatively stable at \$7.4 million for both years. Other revenues increased \$0.3 million, or 15%, to \$2.2 million for the year ended September 30, 2007 from \$1.9 million for the year ended September 30, 2006 due to increased retail sales.

Operating Expenses. Operating expenses increased \$0.5 million, or 2%, to \$32.5 million for the year ended September 30, 2007 from \$31.0 million for the year ended September 30, 2006. Operating expenses as a percentage of net revenues increased to 105% in fiscal 2007 from 100% in fiscal 2006.

Casino expenses decreased \$0.3 million, or 2%, to \$13.6 million for the year ended September 30, 2007 from \$13.9 million for the year ended September 30, 2006, primarily related to a decrease in casino promotional allowances. Casino expenses as a percentage of casino revenues increased to 58% for the year ended September 30, 2007 from 56% for the year ended September 30, 2006.

Table of Contents

Hotel expenses increased \$0.1 million, or 10%, to \$1.2 million for the year ended September 30, 2007 compared to \$1.1 for the year ended September 30, 2006, primarily due to the increase in payroll expenses related to the minimum wage increases. Food and beverage expenses increased \$0.4 million, or 9%, to \$4.3 million in fiscal 2007 from \$3.9 million in fiscal 2006, primarily due to the increase in payroll related to the minimum wage increase. Food and beverage expenses as a percentage of revenues increased to 58% for the 2007 year from 53% for the 2006 year. Other expenses increased \$0.3 million, or 17%, to \$1.9 million for the year ended September 30, 2007 compared to \$1.6 million for the year ended September 30, 2006 due to cost of sales related to the increase in retail revenues. Other expenses as a percentage of other revenues increased to 85% for the 2007 year from 84% for the 2006 year.

Selling, general and administrative expenses increased \$0.1 million, or 2%, to \$4.4 million for the year ended September 30, 2007 compared to \$4.4 million for the year ended September 30, 2006. Selling, general and administrative expenses as a percentage of revenues increased to 15% for the 2007 year from 14% for the 2006 year. Pioneer's selling, general and administrative expenses are greater than the consolidated total due to the elimination of intercompany transactions in consolidation. Utilities and property expenses increased \$0.1 million, or 3%, to \$4.0 million in fiscal year 2007 compared to \$3.9 million for the year ended September 30, 2006. Utilities and property expenses as a percentage of revenues remained unchanged at 13%. Depreciation and amortization expenses decreased \$0.2 million, or 8%, to \$2.0 million in the year ended September 30, 2007 from \$2.2 million in the year ended September 30, 2006. The Pioneer recorded a loss of \$20,000 on the disposal of slot machines in the prior year compared to no activity in the current year.

Interest Expense. Interest expense decreased \$0.1 million, or 10%, to \$1.3 million for the year ended September 30, 2007 from \$1.4 million for the year ended September 30, 2006, primarily due to the reduction of debt.

RESULTS OF OPERATIONS – FISCAL 2006 COMPARED TO FISCAL 2005General

During fiscal 2006, the Company's net operating revenues increased approximately \$1.5 million and operating expenses decreased approximately \$1.1 million, resulting in an increase of approximately \$2.6 million in operating income. The improvement in operating results was primarily due to approximately \$1.0 million received as reimbursements of amounts previously expended on behalf of an affiliated company, an improvement of \$0.8 million in operating results at the Pioneer and a \$0.8 million decrease in stock-based compensation.

Throughout the latter half of calendar 2004 through June 30, 2006, the Company financed certain legal costs totaling approximately \$0.8 million associated with certain arbitration between Duke's LLC and a general contractor, Christopher Lowden, son of Paul W. Lowden, is a limited partner in Duke's LLC which was the managing member of Duke's Casino, a casino managed and operated by a subsidiary of the Company. The Company had previously written-off its investment in and receivables from Duke's LLC, related to the operation of Duke's Casino, of approximately \$1.5 million in the fiscal year ended September 30, 2003. In January 2005, the American Arbitration Association awarded Duke's LLC approximately \$4.9 million against the general contractor for a casino renovation at Duke's Casino. The Company has an agreement with Duke's LLC whereby the Company is to be reimbursed for legal and certain other costs related to the arbitration as well as recovery of amounts previously written-off, which in total may exceed \$3 million. However, due to various contingencies surrounding the enforcement, collection or settlements with Duke's LLC and the general contractor, management can give no assurance of the timing or the amount it will ultimately receive. During the three months ended September 30, 2006, the Company received approximately \$1.0 million from Duke's LLC. According to the terms of the various agreements, the Company may continue to receive approximately \$60,000 per month for approximately 40 months as well as a payment in approximately 2 years of approximately \$280,000 and a final payment of approximately \$1.0 million in approximately 4 years. The Company can not give assurance that these payments will occur and plans to record any future recoveries as received.

Table of Contents**Consolidated**

Net Operating Revenues. Consolidated net operating revenues for the year ended September 30, 2006 were \$45.2 million, a \$1.5 million, or 3%, increase from \$43.7 million for the year ended September 30, 2005. Income from investment properties was \$12.4 million in each of the fiscal years. Net revenues increased approximately \$1.3 million to \$31.0 million during fiscal 2006 at the Pioneer compared to \$29.7 million for the 2005 fiscal year.

In fiscal 2006, 69% of the Company's net revenues were derived from the Pioneer and 27% from investment properties. The Company's business strategy at the Pioneer emphasizes slot and video poker machine play. For fiscal 2006, approximately 80% of the Pioneer's net revenues were derived from casino operations. Approximately 91% of gaming revenues at the Pioneer were derived from slot and video poker machines, while 8% of such revenues were from table games and 1% was from other gaming activities such as keno.

Operating Expenses. Total operating expenses decreased approximately \$1.1 million, or 3%, to \$40.3 million for the year ended September 30, 2006 from \$41.4 million for the year ended September 30, 2005. Total operating expenses as a percentage of net revenues decreased to 89% for the year ended September 30, 2006 from 95% for the year ended September 30, 2005. The decrease in operating expenses was principally the result of a decrease of approximately \$0.8 million in stock-based compensation expense and a \$0.8 million reimbursement of legal expenses from an affiliate partially offset by an increase of \$0.5 million in operating expenses at the Pioneer.

Operating Income. Consolidated operating income for the year ended September 30, 2006 was \$4.8 million, an approximate \$2.5 million increase from \$2.3 million for the year ended September 30, 2005. Operating income increased by \$0.8 million at the Pioneer.

Interest Expense. Consolidated interest expense for the year ended September 30, 2006 was \$8.9 million, a \$2.2 million decrease compared to \$11.1 million for the year ended September 30, 2005, primarily due to a decrease in interest expense associated with non-recourse debt of the investment properties.

Interest and Other Income. Interest and other income for the year ended September 30, 2006 was \$0.2 million, a decrease of \$1.1 million from \$1.3 million for the year ended September 30, 2005. In fiscal 2005, the Company had \$0.1 million from net gains on sales of marketable securities and \$0.9 million of income from other investments and other assets.

Income Tax. The Company recorded a federal income tax benefit of \$0.4 million (an approximate 11% rate) for the year ended September 30, 2006 compared to \$2.6 million (an approximate 35% tax rate) for the year ended September 30, 2005. Certain expenses, principally related to stock-based compensation expense, recorded in fiscal year 2006 were not deductible for income tax purposes.

Preferred Share Dividends. Undeclared preferred share dividends are not recorded in the stockholders' equity section of the balance sheet as the Company may elect at its sole discretion whether to redeem its preferred stock. However, dividends of approximately \$1.5 million for fiscal years 2006 and 2005 accrued on the preferred stock for purposes of calculating net loss applicable to common shares. The dividend rate increased to its maximum rate of 16.0% effective October 1, 2003.

Table of Contents

Pioneer

General. Casino, hotel and food/beverage revenues and expenses at the Pioneer comprise the majority of consolidated casino, hotel and food/beverage revenues and expenses included in the Company's consolidated statements of operations and are discussed separately below.

Net Operating Revenues. Net revenues at the Pioneer increased \$1.3 million, or approximately 4%, to \$31.0 million for the year ended September 30, 2006 from \$29.7 million for the year ended September 30, 2005.

Gross casino revenues increased approximately \$0.8 million, or 3%, to \$24.9 million for the year ended September 30, 2006 from \$24.1 million for the year ended September 30, 2005. Slot and video poker revenues increased approximately \$0.9 million, or 4%, to \$22.6 million for the year ended September 30, 2006 from \$21.7 million for the year ended September 30, 2005. Other gross gaming revenues, including table games, were relatively unchanged at \$2.3 million for the 2006 year compared to \$2.4 million for the 2005 year. Management believes this increase was a result of improved marketing strategies to attract local customers. Casino promotional allowances increased \$0.6 million, or 11%, to \$6.2 million in fiscal year 2006 compared to \$5.6 million for fiscal year 2005 primarily due to the aforementioned increase in slot and video poker revenues and certain changes in marketing strategies.

Hotel revenues increased \$0.2 million, or 6%, to \$3.0 million for the year ended September 30, 2006 from \$2.8 million in fiscal 2005, due to an increase in occupancy rate partially offset by a decrease in the average daily room rate. Food and beverage revenues increased \$0.5 million, or 8%, to \$7.4 million for the year 2006 from \$6.9 million for the 2005 year, primarily due to the increase in casino promotional allowances. Other revenues increased \$0.4 million, or 28%, to \$1.9 million in the current year from \$1.5 million in the prior year due to increased retail sales.

Operating Expenses. Operating expenses increased \$0.5 million, or 2%, to \$31.0 million for the year ended September 30, 2006 from \$30.5 million for the year ended September 30, 2005. Operating expenses as a percentage of net revenues decreased to 100% in fiscal 2006 from 103% in fiscal 2005.

Casino expenses increased \$0.8 million, or 6%, to \$13.9 million for the year ended September 30, 2006 from \$13.1 million for the year ended September 30, 2005, primarily related to increase in casino promotional allowances. Casino expenses as a percentage of casino revenues increased to 56% for the year ended September 30, 2006 from 54% for the year ended September 30, 2005.

Hotel expenses were relatively unchanged at \$1.1 million for the year ended September 30, 2006 compared to \$1.0 for the year ended September 30, 2005 as the Pioneer was able to increase occupancy without increasing costs. Food and beverage expenses decreased \$0.2 million, or 5%, to \$3.9 million in fiscal 2006 from \$4.1 million in fiscal 2005, primarily due to a decrease in the cost of food sales associated with a change in food promotions. Food and beverage expenses as a percentage of food and beverage revenues decreased to 53% for the 2006 year from 60% for the 2005 year. Other expenses increased \$0.4 million, or 38%, to \$1.6 million for the year ended September 30, 2006 compared to \$1.2 million for the year ended September 30, 2005 due to the increase in retail sales. Other expenses as a percentage of other revenues increased to 84% for the 2006 year from 78% for the 2005 year.

Selling, general and administrative expenses decreased \$0.1 million, or 2%, to \$4.4 million for the year ended September 30, 2006 compared to \$4.5 million for the year ended September 30, 2005. Selling, general and administrative expenses as a percentage of revenues decreased to 14% for the 2006 year from 15% for the 2005 year. Pioneer's selling, general and administrative expenses are greater than the consolidated total due to the elimination of intercompany transactions in consolidation. Utilities and property expenses were unchanged at \$3.9 million for the years ended September 30, 2006 and 2005. Utilities and property expenses as a percentage of revenues remained unchanged at 13%. Depreciation and amortization expenses decreased \$0.3 million, or 11%, to \$2.2 million in the year ended September 30, 2006 from \$2.5 million in the year ended September 30, 2005. The Pioneer recorded a loss of \$0.2 million on the disposal of older slot machines in the prior year compared to \$20,000 in the current year.

Table of Contents

Interest Expense. Interest expense increased \$0.1 million, or 11%, to \$1.4 million for the year ended September 30, 2006 from \$1.3 million for the year ended September 30, 2005, primarily due to the increase in the prime lending rate.

LIQUIDITY AND CAPITAL RESOURCES; TRENDS AND FACTORS RELEVANT TO FUTURE OPERATIONSContractual Obligations and Commitments

The following table summarizes the Company's fiscal year contractual obligations and commitments as of September 30, 2007 for the fiscal years ending September 30, 2008, 2009, 2010, 2011, 2012, 2013 and thereafter:

	Payments Due By Period						Total
	2008	2009	2010	2011	2012	2013 and Thereafter	
	(Amounts in Thousands)						
Non-recourse debt:							
Gaithersburg	\$ 2,491	\$2,828	\$3,186	\$3,573	\$3,987	\$ 29,555	\$ 45,620
Sovereign	0	0	0	0	0	31,199	31,199
Long-term debt:							
Equipment	1,143	52	0	0	0	0	1,195
Mortgage obligation	9,798	0	0	0	0	0	9,798
Operating leases:							
Ground lease	371	373	373	373	373	24,702	26,565
Corporate offices	59	30	0	0	0	0	89
	<u>\$13,862</u>	<u>\$3,283</u>	<u>\$3,559</u>	<u>\$3,946</u>	<u>\$4,360</u>	<u>\$ 85,456</u>	<u>\$114,466</u>

The Company is required to make the following cash interest payments related to the above debt obligations:

(i) Non-recourse debt—\$7.0 million (2008), \$6.8 million (2009), \$6.6 million (2010), \$6.3 million (2011), \$6.0 million (2012) and \$33.8 million (2013 and thereafter); and (ii) Long-term debt—\$10 million (2008), \$0.0 million (2009), \$0.0 million (2010), \$0.0 million (2011) \$0.4 million (2007), \$0.0 million (2012) and \$0.0 million (2013 and thereafter).

Our ability to service our contractual obligations and commitments will be dependent on the future performance of the Pioneer, which will be affected by, among other things, prevailing economic conditions and financial, business and other factors, including competitive pressure from the expansion of Native American gaming facilities in the southwest United States, certain of which are beyond our control. In addition, we will be dependent on the continued ability of the tenants in the investment properties in Gaithersburg, Maryland and Dorchester, Massachusetts to make payments pursuant to the leases with the Company. The payments under the leases are contractually committed to be used to make payments on the Company's non-recourse debt obligations related to the properties. Based upon the financial condition of the tenants, management does not foresee any problems in the timely satisfaction of future obligations by third parties.

A non-recourse obligation related to the Massachusetts property of approximately \$25.7 million matured and was paid by the tenant during the three months ended June 30, 2005. The tenant of the property was required to make this payment subject to a lease agreement. Based upon the financial condition of the tenant, management does not foresee any problems in the timely satisfaction of future obligations by third parties.

Table of Contents**Liquidity and Capital Resources**

Mortgage Note Obligation -- The Company has a mortgage note obligation which matured in late December 2006 with an extension until January 2008 in the approximate amount of \$10.1 million. The Bank has informed the Company of its commitment to extend the maturity date of the note obligation to January 2009. The documentation process for the extension may go beyond the January 15, 2008, maturity, however, all original terms and conditions will remain in effect until the new loan documents are executed. Existing terms include monthly principal and interest payments of \$98,000 with interest at a rate of prime plus 1% and a balloon payment of approximately \$9.7 million in January 2008 with no prepayment penalties. The extended note will continue to be secured by the land owned on the Strip by the Company and by a personal guaranty of the Company's Chairman of the Board and CEO, Paul W. Lowden. Although the Company believes the bank's commitment to extend the maturity date of the loan will be made formal in the near-term, it can not give any assurances that the extension will occur. However, the bank has informed the Company it intends to extend the maturity date to January 2009.

As of September 30, 2007, the Company held cash and cash equivalents of \$27.5 million compared to \$6.2 million at September 30, 2006. In addition, the Company had \$7.3 million in investment in marketable securities at September 30, 2007 compared to \$6.0 million at September 30, 2006. Management believes that through cash flow generated from its casino operations and its short and long-term investments, the Company will have sufficient available cash and cash resources to meet its cash requirements through the twelve-month period ending September 30, 2008. The investment properties were structured such that future tenants' payments cover future required mortgage payments.

Cash Flows from Operating Activities. The Company's cash provided by operations was approximately \$3.0 million for the year ended September 30, 2007 remaining nearly equal to approximately \$3.1 million for the year ended September 30, 2006.

Cash Flows from Investing Activities. Cash provided by investing activities was \$42.2 million during the year ended September 30, 2007, compared to cash provided by investing activities of \$6.9 million during the year ended September 30, 2006. This increase is primarily related to the nonrefundable option payment of approximately \$44.0 million received during the year ended September 30, 2007, compared to the nonrefundable option payment of approximately \$5.8 million received in the year ended September 30, 2006.

Cash Flows from Financing Activities. Cash used in financing activities was approximately \$23.4 million during the year ended September 30, 2007 compared to \$5.9 million during the year ended September 30, 2006. During fiscal 2007, the Company paid \$20.1 million for redeemable preferred stock and paid \$2.9 million on debt and non-recourse debt. During fiscal 2006, the Company paid \$6.6 million on debt and non-recourse debt and borrowed \$0.7 million from a margin account.

The Company's primary source of operating cash is from the Pioneer's operations, from interest income on available cash and cash equivalents, from leasing real estate owned in Las Vegas, Nevada and from investments in marketable securities. From time-to-time, transactions involving the sale of certain land or other assets also contribute to the Company's cash balances as evidenced by the recent sale of the Agreement for the purchase of the Company's Las Vegas strip property whereby the Company received \$5.8 million through September 30, 2006. During fiscal 2007, the Company received an additional \$44.0 million including extension fees and an additional option payment. The Company has used, and plans to use, these proceeds to reduce certain short-term debt obligations, purchase marketable securities and for general corporate purposes.

Rental income from the Company's two investment properties is contractually committed to reducing the non-recourse indebtedness issued or assumed in connection with the acquisition of the investment properties. Under the two leases, the tenants are responsible for substantially all obligations related to those properties.

In October 1995, the Company acquired an approximately 27-acre parcel on the Strip which was recorded at approximately \$21.5 million. The Company leases the property to two different lessees for an aggregate amount of \$364,000 per month. Both leases may be terminated with sixty days written notice in the event the property is sold to a third party.

Table of Contents**Pioneer**

Pioneer's principal uses of cash are for payments of rent and capital expenditures to maintain the facility and administrative expenses incurred in operating a casino. The Company has implemented changes in personnel and promotional programs and installed new slot equipment to address the decreases in revenues and operating income. One of management's main focuses is to recapture market share in the Laughlin market.

Duke's Casino

Prior to fiscal 2007, the Company had loaned approximately \$1.4 million to Duke's -- Sparks ("Duke's"), a Nevada limited-liability company. The Company, through its wholly-owned subsidiary, Archon Sparks Management Company, operated Duke's casino. Christopher Lowden, son of Paul W. Lowden, was a limited partner in the company that was a managing member of Duke's. The Company also acquired a \$100,000 Class B member interest in Duke's. In December 2003, Duke's closed its casino operations.

Throughout the latter half of calendar 2004 through June 30, 2006, the Company financed certain legal costs totaling approximately \$0.8 million associated with certain arbitration between Duke's LLC and a general contractor. The Company had previously written-off its investment in and receivables from Duke's LLC, related to the operation of Duke's Casino, of approximately \$1.5 million in the fiscal year ended September 30, 2003. In January 2005, the American Arbitration Association awarded Duke's LLC approximately \$4.9 million against the general contractor for a casino renovation at Duke's Casino. The Company has an agreement with Duke's LLC whereby the Company is to be reimbursed for legal and certain other costs related to the arbitration as well as recovery of amounts previously written-off, which in total may exceed \$3 million. However, due to various contingencies surrounding the enforcement, collection or settlements with Duke's LLC and the general contractor, management can give no assurance of the timing or the amount it will ultimately receive. During the year ended September 30, 2007, the Company received approximately \$0.7 million from Duke's LLC. The Company has negotiated with Dukes-Sparks, LLC and obtained an assignment of all future payments under the judgment and settlement with the general contractor for the casino project. The general contractor has been notified of the assignment and will be making all future payments due under the settlement with Dukes-Sparks, LLC to the Company directly according with the terms of the settlement agreement.

Redemption of the Company's Preferred Stock and Redemption Price Disputes

The Company called all outstanding shares of its Exchangeable Redeemable Preferred Stock for redemption on and as of August 31, 2007, at a redemption price of \$5.241 per share, which sum included accrued and unpaid dividends to the date of redemption. From and after August 31, 2007, all shares of the Exchangeable Redeemable Preferred Stock ceased to be outstanding and to accrue dividends. As of January 14, 2008, the holders of 4,234,872 shares of the Exchangeable Redeemable Preferred Stock have surrendered their shares and received payment of the redemption price.

On August 27, 2007, the following institutional investors: D. E. Shaw Laminar Portfolios, L.L.C., LC Capital Master Fund, Ltd, LC Capital/Capital Z SPV, LP, Magten Asset Management Corp, Mercury Real Estate Securities Fund LP, Mercury Real Estate Securities Offshore Fund Limited, Black Horse Capital LP, Black Horse Capital (QP) LP, Black Horse Capital Offshore Ltd, and Plainfield Special Situations Master Fund Limited filed an action against the registrant in the United States District Court for The District of Nevada entitled D.E. Shaw Laminar Portfolios, LLC; et al. v. Archon Corporation, 2:07-CV-01146-PMP-LRL (D. Nev.). The Complaint was subsequently amended to add an additional party plaintiff (collectively, the "Laminar Plaintiffs"). The Amended Complaint: (a) seeks a finding by the Court that the Company has breached its obligations under the Company's Certificate of Designation of the Preferred Stock, dated September 30, 1993 (the "Certificate"), and awarding the

Table of Contents

Laminar Plaintiffs full compensation of any and all available damages suffered by the Laminar Plaintiffs as a result of the Company's breach of the Certificate; (b) seeks a finding by the Court that the Company's issuance of its redemption notice with an improper redemption price is an anticipatory breach of a material term of the Certificate and awarding the Laminar Plaintiffs full compensation of any and all available damages suffered as a result of the Company's anticipatory breach of the Certificate; (c) seeks a declaration by the Court that the dividends be properly calculated and compounded per the terms of the Certificate in an amount no less than \$7,235,351 up through and including the date of final judgment; (d) seeks an order from the Court calling for the Company to reimburse the Laminar Plaintiffs' attorneys' fees, expenses and costs incurred in enforcing their rights; and (e) seeks such other and further relief as the Court may deem appropriate. In November 2007, and subsequent to the end of the Company's fiscal year ended September 30, 2007, the Laminar Plaintiffs filed a motion for partial summary judgment on liability. The Company responded, and the parties will await a ruling from the Court following the Plaintiff's filing of its reply brief.

Also subsequent to the end of the Company's fiscal year, two other former holders of the Exchangeable Redeemable Preferred Stock filed Complaints in the United States District Court, District of Nevada, entitled Rainero v. Archon Corporation, District of Nevada Case No. 2:07-cv-01553, and Leeward Capital, L.P. v. Archon Corporation, District of Nevada Case No. 2:08-cv-00007, both alleging essentially the same claim as the first Complaint. If the plaintiffs are correct, the redemption price as of August 31, 2007 should have been \$8.69 per share and not \$5.241 per share as calculated by the Company which, if applied to all the then outstanding shares of Exchangeable Redeemable Preferred Stock, including the shares held by the Company's officers and directors, would increase the redemption price in excess of \$15.2 million.

Recently Issued Accounting Standards

SFAS NO. 160: In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Accounting Standards ("SFAS") No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. It clarifies that a noncontrolling (minority) interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 will be effective for the Company's fiscal year beginning October 1, 2009, but will not likely have any effect on the Company's consolidated financial statements.

SFAS NO. 159: In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which provides companies an option to report selected financial assets and liabilities at fair value. Adoption of SFAS 159 is optional for the Company but only if SFAS 157 is adopted concurrently. The Company is currently evaluating the possible impact that adopting SFAS No. 159 will have on its consolidated financial statements.

SFAS NO. 157: In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* which establishes a framework for measuring fair value and enhanced disclosures about fair value measurements. The measurement and disclosure requirements are effective for the Company beginning in the first quarter of fiscal 2009, except with respect to non-financial assets and liabilities for which the effective will be one year later. We are currently evaluating whether SFAS No. 157 will result in a change to our fair value measurements.

SFAS NO. 141R: In December 2007, the FASB issued SFAS 141(R), *Business Combinations*. This Statement replaces SFAS 141, *Business Combinations*. This Statement retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the *purchase method*) be used for all business combinations and for an acquirer to be identified for each business combination. While we have not yet evaluated this statement for the impact, if any, that SFAS 141R might have on its consolidated financial statements, in the event we make any business combination or other covered acquisitions after September 30, 2009.

FIN 48. In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). The provisions are effective for us beginning in the first quarter of fiscal 2008. Based on our analysis of our tax provisions, deferred tax assets and the related valuation allowance, we expect that the financial impact, if any, of applying the provisions of FIN 48 to all tax positions will not result in any adjustment to the opening deficit or other material impact to our consolidated financial statements or related disclosures upon the initial adoption of FIN 48.

Table of Contents**Effects of Inflation**

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

Private Securities Litigation Reform Act

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

Item 7A. MARKET RISK DISCLOSURE

Market risk is the risk of loss arising from changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Excluding its non-recourse debt, the Company has total interest-bearing debt of approximately \$11.0 million, of which approximately \$9.8 million bears interest at a variable rate (9.25% at September 30, 2007). Therefore, the Company maintains certain market rate risk related to this debt. A change in the interest rates of 1% would cause an approximate \$100,000 change in the amount of interest the Company would incur based on the amount of variable debt outstanding at September 30, 2007. Any future borrowings with variable interest rate terms will be exposed to this same market rate risk.

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

Table of ContentsItem 8. FINANCIAL STATEMENTSINDEX**TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2007, 2006 and 2005**

	<u>Page No.</u>
<u>Report of Independent Registered Public Accounting Firm -- PricewaterhouseCoopers LLP</u>	25
<u>Report of Independent Registered Public Accounting Firm -- Ernst & Young LLP</u>	26
<u>Consolidated Balance Sheets as of September 30, 2007 and 2006</u>	27
<u>Consolidated Statements of Operations for the Years Ended September 30, 2007, 2006 and 2005</u>	29
<u>Consolidated Statements of Comprehensive Income (Loss) for the Years Ended September 30, 2007, 2006 and 2005</u>	30
<u>Consolidated Statements of Stockholders' Equity for the Years Ended September 30, 2007, 2006 and 2005</u>	31
<u>Consolidated Statements of Cash Flows for the Years Ended September 30, 2007, 2006 and 2005</u>	32
<u>Notes to Consolidated Financial Statements</u>	33

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

Table of Contents**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders and Board of Directors of Archon Corporation:

We have audited the accompanying consolidated balance sheets of Archon Corporation and Subsidiaries (the "Company") as of September 30, 2007, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Company as of September 30, 2006 and for the years ended September 30, 2006 and 2005, were audited by other auditors whose report dated December 21, 2006, expressed an unqualified opinion on those financial statements.

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 the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 the Company as of September 30, 2007, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Las Vegas, Nevada
January 14, 2008

/s/ Piercy Bowler Taylor & Kern
Certified Public Accountants

Table of Contents**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders and Board of Directors of Archon Corporation:

We have audited the accompanying consolidated balance sheet of Archon Corporation and Subsidiaries (the "Company") as of September 30, 2006 (Restated), and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended September 30, 2006 (Restated as to the Statement of Cash Flows) and 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 the Company as of September 30, 2006 (Restated), and the consolidated results of their operations and their cash flows for the years ended September 30, 2006 (Restated as to the Statement of Cash Flows) and 2005, in conformity with accounting principles generally accepted in the United States.

As described in Note 2, "Restatement of 2006 Financial Statements," the Company has restated previously issued financial statements as of and for the year ended December 31, 2006.

Las Vegas, Nevada
December 21, 2006

/s/ Ernst & Young LLP

Table of Contents

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

	<u>2007</u>	<u>2006</u> (Restated)
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 27,484,222	\$ 6,187,533
Investment in marketable securities	10,997,088	6,011,225
Accounts receivable, net	1,054,493	1,096,333
Inventories	405,378	414,033
Prepaid expenses and other	1,148,669	1,045,654
Total current assets	<u>41,089,850</u>	<u>14,754,778</u>
Property held for sale	21,504,400	21,504,400
Property and equipment:		
Rental property held for investment, net	124,954,638	127,364,625
Land used in operations	7,925,589	8,125,589
Buildings and improvements	34,413,872	35,082,588
Machinery and equipment	8,646,190	9,234,649
Accumulated depreciation	<u>(26,160,177)</u>	<u>(25,664,662)</u>
Property and equipment, net	<u>149,780,112</u>	<u>154,142,789</u>
Other assets	<u>7,607,362</u>	<u>7,648,201</u>
Total assets	<u><u>\$219,981,724</u></u>	<u><u>\$198,050,168</u></u>

See the accompanying Notes to Consolidated Financial Statements.

Table of Contents

Archon Corporation and Subsidiaries
Consolidated Balance Sheets -- (continued)
as of September 30,

	<u>2007</u>	<u>2006</u> (Restated)
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 4,008,754	\$ 2,770,938
Interest payable	1,361,092	1,310,796
Accrued and other liabilities	3,711,881	3,524,408
Exchangeable redeemable preferred stock -- unredeemed	428,768	0
Current portion of debt	10,940,905	11,427,277
Current portion of non-recourse debt	2,490,198	2,195,326
Total current liabilities	22,941,598	21,228,745
Debt -- less current portion	52,408	223,306
Non-recourse debt -- less current portion	74,328,402	76,818,600
Deferred income taxes	28,753,889	27,245,317
Deferred rent and other accrued liabilities	42,082,116	45,051,567
Proceeds from land sale option	49,751,667	5,750,000
Commitments and contingencies (see Note 15)		
Stockholders' equity:		
Common stock, \$0.01 par value; authorized-100,000,000 shares; issued and outstanding -- 6,280,931 and 6,672,281 shares	62,809	66,723
Preferred stock, exchangeable, redeemable 16.0% cumulative, stated at \$2.14 liquidation value, authorized-10,000,000 shares; issued and outstanding -- 4,413,777 shares on September 30, 2006 with cumulative dividends in arrears of \$12,302,741	0	9,445,483
Additional paid-in capital	61,482,194	61,482,194
Accumulated deficit	(63,507,905)	(51,098,102)
Accumulated other comprehensive income	4,122,320	1,924,109
	2,159,418	21,820,407
Less treasury common stock -- 4,875 shares, at cost	(87,774)	(87,774)
Total stockholders' equity	2,071,644	21,732,633
Total liabilities and stockholders' equity	<u>\$219,981,724</u>	<u>\$198,050,168</u>

See the accompanying Notes to Consolidated Financial Statements.

Table of Contents

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

	2007	2006	2005
Revenues:			
Casino	\$23,620,598	\$24,919,899	\$ 24,119,395
Hotel	2,849,349	2,955,969	2,782,506
Food and beverage	7,392,665	7,433,296	6,914,157
Investment properties	12,402,248	12,402,247	12,402,247
Other	4,943,226	3,685,589	3,088,930
Gross revenues	51,208,086	51,397,000	49,307,235
Less casino promotional allowances	(6,029,493)	(6,243,334)	(5,619,377)
Net operating revenues	45,178,593	45,153,666	43,687,858
Operating expenses:			
Casino	13,634,799	13,874,582	13,051,698
Hotel	1,185,252	1,074,335	1,040,601
Food and beverage	4,280,358	3,923,775	4,138,451
Other	1,898,900	1,634,239	1,204,775
Selling, general and administrative:			
Corporate	4,368,540	5,776,989	7,634,409
Other	3,608,705	3,807,060	3,550,890
Utilities and property expenses	4,761,520	4,702,539	4,702,176
Depreciation and amortization	4,552,391	5,502,009	5,834,726
Loss on sale/disposal of assets	152	14,523	244,648
Total operating expenses	38,290,617	40,310,051	41,402,374
Operating income	6,887,976	4,843,615	2,285,484
Interest expense	(8,456,538)	(8,854,722)	(11,059,577)
Interest and other income	1,042,539	244,926	1,268,134
Loss before income tax benefit and discontinued operations	(526,023)	(3,766,181)	(7,505,959)
Federal income tax benefit	184,001	410,472	2,594,181
Loss before discontinued operations	(342,022)	(3,355,709)	(4,911,778)
Discontinued operations - gain on sale, net of tax provision of \$510,596	948,250	0	0
Net income (loss)	606,228	(3,355,709)	(4,911,778)
Dividends earned on preferred shares	(1,385,337)	(1,511,277)	(1,511,277)
Net loss applicable to common shares	\$ (779,109)	\$ (4,866,986)	\$ (6,423,055)
Average common shares outstanding	6,386,473	6,235,931	6,229,015
Average common and common equivalent shares outstanding	6,386,473	6,235,931	6,229,015
Basic income (loss) per common share:			
From continuing operations	\$ (0.27)	\$ (0.78)	\$ (1.03)
From discontinued operations	0.15	0	0
Net basic loss per share	\$ (0.12)	\$ (0.78)	\$ (1.03)
Diluted income per common and common equivalent shares outstanding	\$ n/a	\$ n/a	\$ n/a

See the accompanying Notes to Consolidated Financial Statements.

Table of Contents

Archon Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended September 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net income (loss)	\$ 606,228	(3,355,709)	\$(4,911,778)
Unrealized gain on marketable securities, net of income taxes of \$1,184, \$302, and \$199 in 2007, 2006, and 2005, respectively	<u>2,198,211</u>	<u>561,031</u>	<u>371,005</u>
Comprehensive income (loss)	<u>\$2,804,439</u>	<u>\$ (2,794,678)</u>	<u>\$ (4,540,773)</u>

See the accompanying Notes to Consolidated Financial Statements.

Table of Contents

Archon Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity
For the Years Ended September 30, 2007, 2006 and 2005

	Common Stock	Preferred Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balances, September 30, 2004	\$62,214	\$ 9,673,553	\$54,582,364	\$(42,830,615)	\$ 992,023	\$(87,774)	\$ 22,391,765
Net loss				(4,911,778)			(4,911,778)
Preferred stock redeemed and retired		(228,070)	(188,340)				(416,410)
Exercise of stock options	145		19,275				19,420
Stock-based compensation expense			3,929,634				3,929,634
Unrealized gain on marketable securities					371,055		371,055
Balances, September 30, 2005	62,359	9,445,483	58,342,933	(47,742,393)	1,363,078	(87,774)	21,383,686
Net loss				(3,355,709)			(3,355,709)
Exercise of stock options	4,364						4,364
Stock-based compensation expense			3,139,261				3,139,261
Unrealized gain on marketable securities					561,031		561,031
Balances, September 30, 2006	66,723	9,445,483	61,482,194	(51,098,102)	1,924,109	(87,774)	21,732,633
Net income				606,228			606,228
Preferred stock redeemed and retired		(9,445,483)		(13,016,335)			(22,461,818)
Exercise of stock options	450						450
Cancellation of stock options exercised	(4,364)						(4,364)
Unrealized gain on marketable securities					2,198,211		2,198,211
Balances, September 30, 2007	\$62,809	\$ 0	\$61,482,194	\$(63,508,209)	\$ 4,122,320	\$(87,774)	\$ 2,071,340

See the accompanying Notes to Consolidated Financial Statements.

Table of Contents

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

	2007	2006 (Restated)	2005
Cash flows from operating activities:			
Net income (loss)	\$ 606,228	\$(3,355,709)	\$ (4,911,778)
Gain on sale of discontinued component, net of tax	(948,250)	0	0
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	4,552,391	5,502,009	5,834,726
Interest expense from amortization of debt issuance costs	294,106	379,032	615,976
Stock-based compensation expense	0	3,139,261	3,929,634
Bad debts	0	(17,701)	36,916
Loss on sale of assets, continuing operations	152	14,523	244,648
Change in assets and liabilities:			
Accounts receivable	41,840	(26,634)	2,197,754
Inventories	8,655	(58,574)	(61,297)
Prepaid expenses and other	(103,015)	(284,347)	44,272
Deferred income taxes	(185,372)	(410,472)	(2,594,181)
Other assets	(253,419)	176,547	(255,069)
Accounts payable	1,237,816	674,332	(41,471)
Interest payable	50,296	55,700	(684,654)
Accrued expenses and other liabilities	187,473	326,740	(862,212)
Other liabilities	(2,969,451)	(2,969,450)	26,957,686
Net cash provided by operating activities	<u>2,519,450</u>	<u>3,145,257</u>	<u>30,450,950</u>
Cash flows from investing activities:			
Proceeds from sale of discontinued component	1,800,000	63,203	0
Proceeds from sale of assets	9,683	0	0
Payments received for sale or extension of land purchase option	44,001,667	5,750,000	0
Capital expenditures	(540,551)	(186,744)	(458,926)
Marketable securities purchased	(1,752,760)	(199,131)	(946,133)
Marketable securities sold	148,760	1,855,000	111,459
Investment in partnerships	0	(410,333)	(825,000)
Net cash provided by (used in) investing activities	<u>43,666,799</u>	<u>6,871,995</u>	<u>(2,118,600)</u>
Cash flows from financing activities:			
Proceeds from long-term debt	0	683,069	2,408,865
Paid on long-term debt and obligation under capital lease	(2,852,596)	(6,633,860)	(31,669,935)
Preferred stock acquired	(22,033,050)	0	(416,410)
Stock options exercised	450	4,364	19,420
Cancellation of stock options exercised	(4,364)	0	0
Net cash used in financing activities	<u>(24,889,560)</u>	<u>(5,946,427)</u>	<u>(29,658,060)</u>
Increase (decrease) in cash and cash equivalents	21,296,689	4,070,825	(1,325,710)
Cash and cash equivalents, beginning of year	<u>6,187,533</u>	<u>2,116,708</u>	<u>3,442,418</u>
Cash and cash equivalents, end of year	<u>\$ 27,484,222</u>	<u>\$ 6,187,533</u>	<u>\$ 2,116,708</u>

See the accompanying Notes to Consolidated Financial Statements.

Table of Contents

ARCHON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended September 30, 2007, 2006 and 2005

1. BASIS OF PRESENTATION AND GENERAL INFORMATION

Archon Corporation, (the "Company" or "Archon"), is a Nevada corporation. The Company's primary business operations are conducted through a wholly-owned subsidiary corporation, Pioneer Hotel Inc. ("PHI"), which operates the Pioneer Hotel & Gambling Hall (the "Pioneer") in Laughlin, Nevada. In addition, the Company, owns real estate on Las Vegas Boulevard South (the "Strip") in Las Vegas, Nevada, and also owns investment properties in Dorchester, Massachusetts and Gaithersburg, Maryland. In June 2006, the Company entered into an option agreement whereby it sold an option to another party for the purchase of the real estate it owns on the Strip for a total sale price of \$475 million, subject to the terms of the agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Principles of Consolidation**

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect the reported amounts. Actual results may differ from estimates.

Cash Equivalents

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

Investment in Marketable Securities

Debt securities available-for-sale are stated at market value with unrealized gains or losses determined by the specific identification method and reported as a component of accumulated other comprehensive income. Debt securities available-for-sale at September 30, 2007 and 2006 include investments in corporate bonds.

Equity securities available-for-sale are reported at fair value with unrealized gains or losses reported as a component of accumulated other comprehensive income. Realized and unrealized gains and losses are determined by the specific identification method. At September 30, 2007 and 2006, equity securities available-for-sale included investments in common and preferred stocks.

Table of Contents

Included in "Other income" with the consolidated statements of operations are approximately \$174,000, \$(8,000) and \$112,000 of realized gains/(losses) for the years ended September 30, 2007, 2006 and 2005, respectively. The Company recorded approximately \$2,198,000, \$561,000 and \$371,000 of other comprehensive gain associated with unrealized gains or losses on these securities during the years ended September 30, 2007, 2006 and 2005, respectively.

The following is a summary of available-for-sale marketable securities as of September 30, 2007 and 2006:

	2007			
	Cost	Unrealized Gain	Unrealized Losses	Market or Fair Value
Debt securities	\$ 549,975	\$ 1,250	\$172,886	\$1,123,339
Equity securities	3,287,403	3,665,453	43,184	6,164,672
Total	<u>\$3,837,378</u>	<u>\$3,666,703</u>	<u>\$216,070</u>	<u>\$7,288,011</u>

	2006			
	Cost	Unrealized Gain	Unrealized Losses	Market or Fair Value
Debt securities	\$ 745,000	\$ 0	\$137,182	\$ 607,818
Equity securities	2,306,056	3,158,424	61,073	5,403,407
Total	<u>\$3,051,056</u>	<u>\$3,158,424</u>	<u>\$198,255</u>	<u>\$6,011,225</u>

Inventories

Food, beverage, gift shop and other inventories are stated at the lower of first-in, first-out cost or market.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Costs of maintenance and repairs of property and equipment are expensed as incurred. Depreciation and amortization are provided over the estimated useful lives of the assets, which for leasehold improvements is limited to the remaining term of the leases. See Note 9

The Company periodically assesses the recoverability of property and equipment and evaluates such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

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

Debt Issuance Costs

Loan issuance costs incurred in connection with financing the acquisition of investment property are included in other assets in the accompanying consolidated balance sheets and are being amortized over the remaining loan period on the straight-line method which approximates the effective interest method.

Table of ContentsDeferred Revenue from Sale and Extension of Land Purchase Option

The deferred revenue from sale and extension of land purchase option at September 30, 2007 and 2006 include nonrefundable payments received from a third party in connection with the sale and extension of an option to purchase a parcel of land on the Las Vegas Strip owned by the Company. See Note 4. Revenue from the option transactions are deferred and are to be recognized upon closing of title relative to the related land sale or expiration of the option.

Slot Club Liability

The Pioneer has a program called the "Bounty Hunter Round-Up Club" (the "Club") established to encourage repeat business from frequent and active slot and table game customers. A member of the Club accumulates points in the member's account for play on slot machines and table games that can be redeemed for cash, free gifts, food and beverages and additional points redeemable for free play. Included in accrued expenses is approximately \$1.4 million at September 30, 2007 and 2006, for estimated redemption value of points accumulated by patrons.

Revenue Recognition

Casino revenue is recorded as gaming wins less losses. Hotel, food and beverage, entertainment and other operating revenues are recognized as services are performed. Casino revenues are recognized net of certain sales incentives in accordance with Emerging Issues Task Force (EITF) Issue 01-9 *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)* (EITF 01-9). Accordingly, cash incentives to customers for gambling, and the cash value of points and coupons earned by the slot club members totaling \$518,280, \$547,407 and \$441,862 for the years ended September 30, 2007, 2006 and 2005, respectively, have been recognized as a direct reduction of casino revenue.

Advance deposits on rooms, if any, are recorded as deferred revenue until services are provided to the customer. Gross revenues include the retail value of room, food, beverage and other services provided gratuitously to customers, which are deducted to arrive at net revenue. The estimated cost of providing these promotional services has been reported in the accompanying consolidated statements of operations as an expense. The table below summarizes the departments' costs of such services (dollars in thousands):

	2007	2006	2005
Food and beverage	\$4,330	\$4,531	\$4,061
Hotel	499	436	409
Other	203	201	195
Total	<u>\$5,032</u>	<u>\$5,168</u>	<u>\$4,665</u>

Table of Contents

Rental revenue from investment properties is recognized as earned on a straight-line basis over the term of the lease. When rental payments received exceed rents earned and recognized, the difference is recorded as other liabilities, and conversely, when rents earned and recognized exceed rental payments received, the difference is recorded as other assets. See Note 6

Income Taxes

The Company accounts for income taxes under SFAS No. 109, Accounting for Income Taxes ("SFAS 109"). In accordance with SFAS 109, deferred income taxes reflect the net effects of (i) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and (ii) operating loss and tax credit carryforwards.

Accounting for Stock-Based Compensation

On October 1, 2005, the Company adopted the fair value recognition provisions of SFAS 123R, *Share-Based Payment*. Prior to October 1, 2005, it accounted for share-based payments under the recognition and measurement provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), and related Interpretations, as permitted by SFAS 123, *Accounting for Stock-Based Compensation*. In accordance with APB 25, no compensation cost was required to be recognized for options granted that had an exercise price equal to the market value of the underlying common stock on the date of grant.

The Company adopted SFAS 123R using the modified-prospective-transition method. Accordingly, results for the prior periods have not been restated. There was no net impact on the Company's net loss for the year ended September 30, 2006, as a result of adopting the fair value recognition provisions of SFAS 123R.

For options granted after October 1, 2005, and valued in accordance with SFAS 123R, the Company uses the straight-line method for expense attribution, and it will also estimate forfeitures and only recognize expense for those shares expected to vest.

Table of Contents

The following table illustrates the effect on net loss and loss per share for the year ended September 30, 2005, as if the Company had applied the fair value recognition provisions of SFAS 123R, *Accounting for Stock-Based Compensation*, to stock-based employee compensation (in thousands except for per share amounts):

Net loss applicable to common shares	\$ (6,423)
Add: Compensation cost recorded on the consolidated statements of operations, net of related tax effects	2,554
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	<u>(2,383)</u>
Pro forma net loss applicable to common shares	<u>\$ (6,252)</u>
Loss per common share:	
As reported	<u>\$ (1.03)</u>
Pro forma	<u>\$ (1.03)</u>

The assumptions used in estimating the fair value of each option grant on the date of grant using the Black-Scholes option pricing model for options granted in 2007 and 2006 and in the pro forma calculations in the foregoing table for 2005 (dollars in thousands, except per share data) are as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Weighted average assumptions:			
Expected stock price volatility	N/A	42.0%	80.0%
Risk-free interest rate	N/A	8.82%	5.0%
Expected option lives (in years)	N/A	3	2
Expected dividend yield	N/A	N/A	N/A
Estimated fair value of options, net of tax effect	N/A	\$1,722	\$1,399
Estimated fair value of options per share, net of tax effect	N/A	\$ 0.17	\$ 0.22

The *Black-Scholes-Merton* option valuation model requires the input of highly subjective assumptions, including the expected life of the stock-based award and stock price volatility. The assumptions listed above represent management's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if other assumptions had been used, our recorded and pro forma stock-based compensation expense could have been materially different from that depicted above. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. If our actual forfeiture rate is materially different from our estimate, the share-based compensation expense could be materially different.

Legal Defense Costs

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

Table of Contents**Other Income**

Other income consists primarily of investment income including realized gains (losses) from the sale of marketable securities and equity in net income (loss) of unconsolidated entities carried on the equity method of accounting. See Note 6.

Income (Loss) Per Share

The Company presents its per share results in accordance with SFAS No. 128, *Earnings Per Share* ("SFAS 128"). SFAS 128 requires the presentation of basic net loss per share and diluted net loss per share. Basic per share amounts are computed by dividing net loss by average shares outstanding during the period, while diluted per share amounts reflect the impact of additional dilution for all potentially dilutive securities, such as stock options.

Dilutive stock options of approximately 704,860, 830,000 and 830,000, respectively were not included in the computation of diluted net loss per share for the years ended September 30, 2007, 2006 and 2005 since the Company incurred a net loss during those periods and the effect would be antidilutive.

The Company called for the redemption of all outstanding shares of its Exchangeable Redeemable Preferred Stock on and as of August 31, 2007, at a redemption price of \$5.241 per share, which sum included earned and unpaid dividends to the date of redemption. From and after August 31, 2007, all shares of the Exchangeable Redeemable Preferred Stock ceased to be outstanding and to earn dividends. As of the date of the preparation of these financial statements, the holders of 4,238,159 shares of the Exchangeable Redeemable Preferred Stock have surrendered their shares and received payment of the redemption price.

Restatement of 2006 Financial Statements

The balance sheet and statement of cash flows as of and for the year ended September 30, 2006, have been restated to correct errors in the classification of \$5.8 million related to a sale and extension of a land purchase option from current to noncurrent liabilities, since it did not meet the definition of current liabilities contained in FASB *Current Text*, Section B05, "Balance Sheet Classification: Current Assets and Current Liabilities," and from the determination of cash flows from operating activities to investing activities. As a result of the change in the reclassification the statement of cash flows, cash flows from operating activities went from \$8,895,257 to \$3,145,257 and cash flows from investing activities went from \$1,121,995 to \$6,871,995.

Table of Contents**3. ACCOUNTS RECEIVABLE, NET**

Accounts receivable at September 30, 2007 and 2006 consisted of the following:

	2007	2006
Casino and hotel	\$ 147,879	\$ 177,849
Rental properties	950,018	950,018
Subtotal	1,097,897	1,127,867
Less: allowance for doubtful accounts	(43,404)	(31,534)
Total	<u>\$1,054,493</u>	<u>\$1,096,333</u>

Changes in the allowance for doubtful accounts for the years ended September 30, 2007, 2006, and 2005 were as follows:

	2007	2006	2005
Balance, beginning of year	\$31,534	\$ 76,893	\$ 195,875
Provision	14,060	(17,701)	36,916
Accounts written-off	(2,190)	(27,658)	(155,898)
Balance, end of year	<u>\$43,404</u>	<u>\$ 31,534</u>	<u>\$ 76,893</u>

4. PROPERTY HELD FOR SALE

The Company owns, through its wholly owned subsidiary Sahara Las Vegas Corp. ("SLVC"), an approximately 27-acre parcel of real property on the Las Vegas Strip (the "Property"). In connection with the acquisition of the property, the Company assumed an operating lease under which a water theme park operated. The lease was terminated September 30, 2004. The Company presently leases the property to two different lessees for an aggregate amount of \$364,000 per month. Both leases may be terminated with sixty days written notice in the event the property is sold to a third party.

On June 24, 2006, SLVC, a Nevada corporation and subsidiary of Archon Corporation entered into an Option Agreement (the "Agreement") between SLVC and LVTI LLC, a Delaware limited liability company ("LVTI"). Pursuant to the Agreement, SLVC granted to LVTI an option (the "Option") to purchase the Property or, alternatively, SLVC's membership interest in a limited liability company ("LVT LLC") that may be formed and into which the Property would be contributed.

The initial purchase price to be paid by LVTI for purchase of the Property or the membership interest in LVT LLC was \$450 million. LVTI paid an initial deposit of \$5.0 million on June 27, 2006. The Agreement also provided for a second deposit of \$40.0 million due on or before September 22, 2006, and additional monthly payments of approximately \$2.2 million in each month commencing on the 13th calendar month following the date the second deposit is paid until the closing of the exercise of the Option. The 30-day due diligence period ended and LVTI did not terminate the Agreement. Upon exercise of the Option, the initial deposit and the second deposit will be credited against the total purchase price. The Agreement provides for certain adjustments to the purchase price if certain easements are entered into with respect to the Property prior to the closing. The Option may be exercised by LVTI at any time between the last day of the 12th calendar month and the last day of the 18th calendar month following the date on which the second deposit is paid; provided that the option term may be extended by up to 30 days if SLVC does not give written notice to LVTI of the option term expiration as required by the Agreement. The first and second deposits and any additional monthly payments paid to SLVC prior to termination of the Agreement will be retained by SLVC upon termination of the Agreement without exercise of the option, except under certain circumstances specified in the Agreement.

Table of Contents

Pursuant to a First Amendment of the Agreement, LVTI elected to pay to the Company \$750,000 to extend the date on which the second deposit of \$40.0 million was due from September 22, 2006 to December 31, 2006. Pursuant to a Second Amendment, LVTI elected to pay to the Company \$1.2 million to further extend the date on which the second deposit of \$40.0 million was due from December 31, 2006 to March 31, 2007. Pursuant to a Third and a Fourth Amendment to the Agreement, LVTI elected to pay to the Company two additional payments in April 2007 totaling \$500,000 to further extend the date on which the second deposit was due from March 31, 2007 to May 31, 2007. LVTI paid the \$40.0 million second deposit on May 25, 2007. Additionally, the initial purchase price was increased from \$450 million to \$475 million. Pursuant to a Fifth Amendment, three months, to be exercised in the discretion of LVTI, were added to the Option term, extending the end of the Option term from March 31, 2008 to June 30, 2008. LVTI will pay a fee of \$2.9 million ("Carry Option Payments") for each of the three month extensions utilized, with a proration for any partial month utilized. All Carry Option Payments and all monthly option extension payments are nonrefundable and will not be applied against the purchase price under the Agreement.

The nonrefundable payment of \$5.0 million and a nonrefundable extension fee of \$750,000 were recorded as deferred revenue, at September 30, 2006. The Company received an additional nonrefundable extension fee of \$1.2 million in December 2006 which was recorded as deferred revenue at March 31, 2007. The Company received additional nonrefundable extension fees of \$500,000 in April 2007 and the nonrefundable second deposit payment of \$40.0 million on May 25, 2007, which payments were recorded as deferred revenue at June 30, 2007. The Company received a Carry Option Payment of \$2.3 million in the quarter ended September 30, 2007, which was also recorded as deferred revenue.

The obligations of SLVC and LVTI to consummate the transactions contemplated by the Agreement are subject to the satisfaction or waiver of customary closing conditions.

The Company has guaranteed the obligations of SLVC under the Agreement.

5. RENTAL PROPERTY HELD FOR INVESTMENT

The property in Dorchester, Massachusetts includes several buildings used for commercial office space. The property is under a net lease through 2020 with a single tenant. Under the lease, the tenant is responsible for substantially all obligations related to the property. The property was acquired for approximately \$82.4 million plus \$0.5 million in debt issuance costs. The Company paid \$5.6 million in cash and assumed \$77.3 million in non-recourse debt associated with the property. The Company allocated approximately \$15.0 million of the purchase price to land and the balance to building and improvements. The loan issue costs incurred to acquire the property recorded in other assets in the accompanying Consolidated Balance Sheets are being amortized over the remaining loan period. Deferred rental revenue at September 30, 2007 and 2006 in the amounts of \$42.0 million and \$45.0 million, respectively, is presented on the accompanying Consolidated Balance Sheets. See Note 7

The property in Gaithersburg, Maryland, is a building used for commercial office space. The property is under a net lease through 2014 with a single tenant. Under the lease, the tenant is responsible for substantially all obligations related to the property. The property was acquired for \$62.6 million, plus debt issuance costs of \$2.7 million. The Company paid \$9.9 million in cash and issued \$55.4 million in non-recourse first mortgage indebtedness. The Company allocated approximately \$23.0 million of the purchase price to land, \$3.0 million to machinery and equipment and the balance to building and improvements. The expenses incurred to acquire the property (approximately \$2.7 million) are recorded in other assets in the accompanying Consolidated Balance Sheets and are being amortized over the remaining loan period. Deferred rent at September 30, 2006 in the amount of \$2.9 million is included in Other assets on the accompanying Consolidated Balance Sheet. See Note 7

Table of Contents**6. OTHER ASSETS**

Included in Other assets at September 30, 2007 and 2006, are unamortized loan issue costs and excess rental income earned over amounts paid aggregating approximately \$6.8 million and \$4.6 million, respectively.

Also, other assets at September 30, 2007 and 2006 include \$0.1 million of a residential mortgage loan, representing a loan originally to an unaffiliated third party under a master loan agreement. The loan was purchased by the Company for the principal amount, plus accrued interest. On August 31, 2007, the original lender signed an assignment of deed of trust to transfer ownership of the mortgage contract to Archon. The mortgage agreement bears interest at the prime rate plus 2%. The original lender is indirectly wholly-owned by the Company's President, Chief Executive Officer and majority stockholder, and a director of the Company, is also the president of the original lender.

Other assets also included an unconsolidated investee of the Company, a 50% owned LLC that has the following financial profile as of September 30, 2007 and 2006, (dollars in thousands):

	September 30,	
	2007	2006
Current assets	\$ 187	\$ 173
Total assets	950	973
Current liabilities	121	115
Total liabilities	149	282
Total equity	801	691

Summarized operating information about this unconsolidated investee for the fiscal years ended September 30, 2007 and 2006 (dollars in thousands) follows:

	2007	2006
Revenues	\$1,743	\$1,978
Pretax income	213	398

This entity is indebted to a bank in the amount of \$0.1 million and \$0.2 million as of September 30, 2007 and 2006 respectively. The debt is secured by a deed of trust and is guaranteed by the Company.

7. DEBT**Loans Payable**

As of September 30, 2007, the Company's loans payable were comprised primarily of the following obligations: a loan payable to a bank with a balance of approximately \$9.8 million, secured by land held for development on the Strip, monthly payments of approximately \$98,000, including interest of prime plus 1% (9.25% at September 30, 2007) with a balloon payment of approximately \$9.7 million in January 2008 and various loans with a total balance of \$1.2 million collateralized by slot and other equipment with interest rates up to 10.0%, current monthly principal payments of approximately \$60,000 with maturities thru September 2009.

The Company's loan with a balance of approximately \$9.8 million includes a financial covenant which requires the Company to maintain certain levels of earnings before interest, taxes, depreciation and amortization without including financial results related to the Company's investment properties in Massachusetts and Maryland. At September 30, 2007, the Company was not in compliance with this covenant.

Table of ContentsNon-Recourse Debt Obligations.

The Company assumed \$77.3 million of indebtedness, consisting of approximately \$75.1 million of first mortgage indebtedness, \$43.9 million with an interest rate of 10.2% and \$31.2 million with an interest rate of 12.18% and \$2.1 million of indebtedness under of the Internal Revenue Code of 1986, as amended, (the "Code") Section 467 ("Section 467"), in connection with its acquisition on March 2, 2001 of the commercial office building located in Dorchester, Massachusetts. The building is under a net lease through June 2020 requiring that the lease payments be applied to the outstanding indebtedness. The first mortgage indebtedness is non-recourse and matures in June 2020 to coincide with the end of the lease term.

The Company issued approximately \$55.4 million of first mortgage debt with a 7.01% interest rate per annum in connection with its acquisition of a commercial office building located in Gaithersburg, Maryland. The building is under lease through April 2014. The monthly lease payments are applied against the outstanding indebtedness. Monthly principal and interest payments amortize the debt to approximately \$22.3 million by the end of the lease in April 2014. The Company anticipates that the future tenant payments related to the net leases will be sufficient to fund required payments under the first mortgage notes and Section 467 debt. See Note 5

The scheduled maturities of long-term debt as of September 30, 2007 are as follows:

	<u>2007</u>
2008	\$13,431,101
2009	2,880,712
2010	3,165,888
2011	3,573,478
2012	3,986,926
Thereafter	60,753,806
Total	<u>\$87,811,911</u>

Table of Contents**8. LEASES**

All non-cancelable leases have been classified as operating leases. Under most leasing arrangements, the Company pays the taxes, insurance and the operating expenses related to the leased property.

At September 30, 2007 the Company had an operating lease for real property that expires in 2078 and operating leases for corporate offices. The Company had no significant property and equipment under capital leases at September 30, 2007.

Future minimum lease payments as of September 30, 2007 are as follows:

	<u>2007</u>
2008	\$ 432,257
2009	402,557
2010	372,857
2011	372,857
2012	372,857
Thereafter	<u>24,639,652</u>
Total	<u>\$26,593,037</u>

Rent expense was \$439,021, 313,435 and \$629,470 on all operating leases for the years ended September 30, 2007, 2006 and 2005, respectively.

Table of Contents**9. REDEMPTION OF THE COMPANY'S PREFERRED STOCK AND REDEMPTION PRICE DISPUTES.**

The Company called all outstanding shares of its Exchangeable Redeemable Preferred Stock for redemption on and as of August 31, 2007, at a redemption price of \$5.241 per share, which sum included accrued and unpaid dividends to the date of redemption. From and after August 31, 2007, all shares of the Exchangeable Redeemable Preferred Stock ceased to be outstanding and to accrue dividends. As of January 14, 2008, the holders of 4,234,872 shares of the Exchangeable Redeemable Preferred Stock have surrendered their shares and received payment of the redemption price.

On August 27, 2007, the following institutional investors: D. E. Shaw Laminar Portfolios, L.L.C., LC Capital Master Fund, Ltd, LC Capital/Capital Z SPV, LP, Magien Asset Management Corp, Mercury Real Estate Securities Fund LP, Mercury Real Estate Securities Offshore Fund Limited, Black Horse Capital LP, Black Horse Capital (QP) LP, Black Horse Capital Offshore Ltd, and Plainfield Special Situations Master Fund Limited filed an action against the registrant in the United States District Court for The District of Nevada entitled D.E. Shaw Laminar Portfolios, LLC; et al, v. Archon Corporation, 2:07-CV-01146-PMP-LRL (D. Nev.). The Complaint was subsequently amended to add an additional party plaintiff (collectively, the "Laminar Plaintiffs"). The Amended Complaint: (i) seeks a finding by the Court that the Company has breached its obligations under the Company's Certificate of Designation of the Preferred Stock, dated September 30, 1993 (the "Certificate"), and awarding the Laminar Plaintiffs full compensation of any and all available damages suffered by the Laminar Plaintiffs as a result of the Company's breach of the Certificate; (ii) seeks a finding by the Court that the Company's issuance of its redemption notice with an improper redemption price is an anticipatory breach of a material term of the Certificate and awarding the Laminar Plaintiffs full compensation of any and all available damages suffered as a result of the Company's anticipatory breach of the Certificate; (iii) seeks a declaration by the Court that the dividends be properly calculated and compounded per the terms of the Certificate in an amount no less than \$7,235,351 up through and including the date of final judgment; (iv) seeks an order from the Court calling for the Company to reimburse the Laminar Plaintiffs' attorneys' fees, expenses and costs incurred in enforcing their rights; and (v) seeks such other and further relief as the Court may deem appropriate. In November 2007, and subsequent to the end of the Company's fiscal year ended September 30, 2007, the Laminar Plaintiffs filed a motion for partial summary judgment on liability. The Company responded, and the parties will await a ruling from the Court following the Plaintiffs' filing of its reply brief.

Also subsequent to the end of the Company's fiscal year, two other former holders of the Exchangeable Redeemable Preferred Stock filed Complaints in the United States District Court, District of Nevada, entitled Rainero v. Archon Corporation, District of Nevada Case No. 2:07-cv-01553 and Leeward Capital, L.P. v Archon Corporation, District of Nevada Case No. 2:08-cv-00007, both alleging essentially the same claim as the first Complaint. If the plaintiffs are correct, the redemption price as of August 31, 2007 should have been \$8.69 per share and not \$5.241 per share as calculated by the Company which, if applied to all the then outstanding shares of Exchangeable Redeemable Preferred Stock, including the shares held by the Company's officers and directors, would increase the redemption price in excess of \$15.2 million.

10. STOCK OPTION PLAN

The Company's Stock Option Plan provided for the grant of up to 1.2 million shares of its common stock to key employees. The Stock Option Plan provided for both incentive stock options and non-qualified stock options. Stock option grants had generally vested over a three-year period from the employee's hire date. The Stock Option Plan ceased granting options as of September 30, 2003 as the plan had expired. However, in July 2005, the Stock Option Plan was reinstated for an additional 10-year period. During fiscal 2005, there were 300,000 fully vested stock options granted under the Stock Option Plan. No options were granted during the fiscal years 2007 and 2006. As of September 30, 2007, 2006 and 2005, there were approximately 704,860, 830,000 and 830,000 options, respectively, outstanding and exercisable under the Stock Option Plan. During fiscal years 2007, 2006 and 2005, 45,000, 436,350 and 2,000 options, respectively, were exercised.

Table of Contents

The outstanding options have expiration dates through 2015 and have an average remaining life of approximately 3.4 years. The average exercise price of the outstanding options at September 30, 2007 is approximately \$9.30.

In December 1995, the Company adopted the 1995 Non-Employee Director Stock Option Plan (the "Non-Employee Director Plan") that provided for the grant of up to 100,000 shares of its common stock to the directors. Under the Non-Employee Director Plan, directors were automatically granted an option to purchase 12,500 shares of the common stock at an exercise price equal to the market value of such shares on the date of such election to the board. Stock option grants vested immediately. The Non-Employee Director Plan ceased granting options on March 21, 2002. As of September 30, 2007, 2006 and 2005, there were 12,500, 25,000 and 25,000 options, respectively, outstanding and exercisable under this plan. During fiscal years 2007 and 2005, 12,500 options were exercised, respectively. During fiscal year 2006 no options were granted or exercised. The outstanding options have an expiration date through 2007 and have an average remaining life of less than a year. The average exercise price of the outstanding options at September 30, 2007 is approximately \$1.00.

SFHI Inc., SLVC and PHI (collectively, the "Subsidiaries"), have adopted subsidiary stock option plans (the "Subsidiary Plans"). The Subsidiary Plans provide for the grant of options by each of the Subsidiaries with respect to an aggregate of up to 10% of the outstanding shares of such Subsidiary's Common Stock to employees, non-employee directors, consultants or affiliates of the Company or the Subsidiaries. The purpose of the Subsidiary Plans is to enable the Subsidiaries and the Company to attract, retain and motivate their employees, non-employee directors, consultants and affiliates by providing for or increasing the proprietary interest of such persons in the Subsidiaries. As of September 30, 2007, no options had been granted under any of the Subsidiary Plans.

The compensation committee approved an extension of other previously issued stock options which otherwise would have expired. A charge of approximately \$1.0 million related to this extension of stock options was recorded, net of taxes.

There were no unvested share-based payments as of October 1, 2005 and no share-based payments have been granted subsequent to October 1, 2005. However, effective in March and April 2006, certain stock options were extended for an additional period of exercise and the Company recorded stock-based compensation expense of approximately \$1.4 million during the year ended September 30, 2006.

Table of Contents

The following table summarizes stock option activity during fiscal 2007 under all plans:

	Number of Shares (000's)	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value (\$000's)
Options outstanding at September 30, 2006:	830	\$ 8.05	4.5 years	\$24,656
Granted	0	N/A	N/A	N/A
Exercised	45	\$ 1.50	0 years	N/A
Canceled	80	\$ 1.50	0 years	N/A
Options outstanding at September 30, 2007:	705	\$ 9.30	3.4 years	\$10,829
Options exercisable at September 30, 2007:	705	\$ 9.30	3.4 years	\$10,829

As of September 30, 2007, there was no unrecognized compensation cost related to unvested stock options. There were no unvested shares at September 30, 2007.

Table of Contents**11. FEDERAL INCOME TAXES**

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

	2007	2006	2005
	(dollars in thousands)		
Current	\$ 0	\$ 0	\$ 0
Deferred	327	(410)	(2,594)
Total provision (benefit)	<u>\$327</u>	<u>\$ (410)</u>	<u>\$ (2,594)</u>

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

	2007	2006	2005
	(dollars in thousands)		
Amount at statutory rate	\$317	\$ (1,318)	\$ (2,594)
Stock options	0	603	0
Tax credits	0	199	0
Other	10	106	0
Total	<u>\$327</u>	<u>\$ (410)</u>	<u>\$ (2,594)</u>

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

	2007	2006
	(dollars in thousands)	
Deferred tax liabilities:		
Prepaid expenses	\$ 224	\$ 304
Other property and equipment, net	28,027	29,275
Land	2,236	2,236
Unrealized gains	2,072	1,036
Deferred tax liabilities	<u>32,559</u>	<u>32,851</u>
Deferred tax assets:		
Net operating loss carryforward	3,021	4,027
Allowance for uncollectible accounts and contracts receivable	71	51
Other	214	536
Stock option	0	496
Deferred payroll	173	169
Tax credits and charitable contribution carryover	326	326
Deferred tax assets	<u>3,805</u>	<u>5,605</u>
Net deferred tax (liability)	<u>\$ (28,754)</u>	<u>\$ (27,246)</u>

At September 30, 2007 the Company had a net operating loss carryforward for regular income tax purposes of approximately \$60.0 million, which will fully expire by the year 2025 and begins expiring in 2010. AMT credits of

Table of Contents

approximately \$268,000 are carried forward indefinitely. Charitable contributions of approximately \$166,000 will fully expire in 2009 and begin expiring in 2007. Included in this amount is approximately \$53.0 million for which the Company has not taken benefit in its financial statements until an uncertainty related to the tax deduction is resolved.

The Company continues to record tax benefits for its taxable losses as it believes that it is more likely than not that tax provisions from future taxable income from operations or from the sale of assets will be sufficient to offset the tax benefits currently recorded.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimates the fair value of its unredeemed preferred stock to be approximately \$0.4 million at September 30, 2007 based upon the redemption price of \$5.241 per share. The Company estimates that its debt and all other financial instruments have a fair value that approximates their recorded value, except for its non-recourse debt associated with an investment property owned in Massachusetts. The debt, which bears interest at 12.18% and matures in 2020, has an estimated fair value of approximately \$6 million greater than its carrying cost at September 30, 2007 of approximately \$31.2 million. The interest rate used to discount the notes and estimate the fair value was 7%, the same interest rate that is associated with similar non-recourse debt of the Company.

13. BENEFIT PLANS

The Company has a savings plan (the "Savings Plan") qualified under Section 401(k) of the Code. The Plan covers substantially all employees, including the Company's executive officers. Employee contributions to the Plan are discretionary. The Plan allows eligible employees to contribute, on a pre-tax basis, up to 6% of their gross salary to the plan; the Company matches 25% of such employee contributions made. Employees may also contribute, on a pre-tax basis, up to an additional 9% of their gross salary, and, on a post-tax basis, up to an additional 10% of their salary. Such contributions are not matched by the Company. The Company's matching contributions paid in 2007, 2006 and 2005 were \$59,000, \$55,000 and \$49,000, respectively.

14. RELATED PARTIES

The Company has entered into a Patent Rights and Royalty Agreement with the brother of the Company's Chairman of the Board ("Chairman") and CEO with respect to certain gaming technology for which he had been issued a patent. The Company agreed to pay certain royalty payments with respect to the technology incorporated into gaming devices placed in operation, as well as costs related to maintain the patent. The patentholder granted the Company an exclusive five-year license that expired in January 2007 in the United States with respect to the technology, but which automatically renewed until 2009 and will renew for an additional two-year term unless the Company terminates the agreement. The Company also has an understanding with the patentholder that it will pay for the costs of commercial development of the technology. For the three years ended September 30, 2007, 2006 and 2005, the Company had expended approximately \$0.4 million for commercial development of the technology, of which \$30,000 was expended in fiscal 2006 and \$50,000 in fiscal 2005. No additional costs had been expended during the fiscal year ended September 30, 2007. No royalties were paid to the patentholder during the periods presented.

Prior to fiscal 2004, the Company operated Duke's casino ("Duke's") in Sparks, Nevada, and invested \$100,000 in Duke's and loaned Duke's approximately \$1.4 million. One of Duke's partners is the son of the Company's Chairman and CEO. In December 2003, Duke's closed its casino operations, and the Company wrote-off its investment in and receivable from Duke's net of a previously recorded 100% allowance of approximately \$1.5 million. The Company made the determination at the time that the collateral value securing the receivable was deemed insignificant subsequent to the closure of the casino.

During an approximate 2-year period ended June 30, 2006, the Company expended approximately \$0.8 million in legal fees in behalf of Duke's in its litigation against a contractor, although the Company was not a party to the litigation. Duke's had agreed to reimburse the Company for legal fees and other amounts owed the Company depending on potential amounts recovered, if any, from the litigation. Through September 30, 2007, the Company received approximately \$1.7 million, of which \$0.8 million has been credited against legal expense and the balance has been included in operating income in the fiscal 2006 consolidated statement of operations. The Company has negotiated with Dukes and obtained an assignment of all future payments under the judgment and settlement with the general contractor for the project. The general contractor has been notified of the assignment and will be making all future payments due under the settlement with Dukes to the Company directly.

according to the terms of the settlement agreement.

48

Table of Contents

the Casino Project. The General Contractor has been notified of the assignment and will be making all future payments due under the settlement with Dukes-Sparks, LLC to the Company directly according to the terms of the settlement agreement.

See Note 6 for information regarding transactions between the Company and J & J Mortgage.

15. CONTINGENCIES AND COMMITMENTS

Some holders of the Company's Exchangeable Redeemable Preferred Stock have filed various complaints against the Company asserting that the accrued and unpaid dividend portion of the redemption price had been incorrectly calculated and the total redemption price should have been as much as \$15.2 million greater than the \$23.1 million set aside by the Company and are seeking a declaratory judgment and an award of damages. If the plaintiffs are correct, the redemption price as of August 31, 2007, would have been \$8.69 per share and not \$5.241 per share as calculated by the Company. The Company will continue to vigorously defend these lawsuits and has both procedural and substantive defenses.

In addition, the Company is subject to various lawsuits relating to routine matters incidental to its business. Although unable to estimate the minimum costs, if any, ultimately to be incurred in such matters, management does not believe that the outcome of such litigation, in the aggregate, will have a material adverse effect on the Company.

16. DISCONTINUED OPERATIONS

In October 2006, the Company sold real estate with a net book value of \$0.3 million for \$1.8 million. A disposal gain of \$0.9 million, net of taxes of \$0.5 million, on the sale was recorded as discontinued operations. Operations of the discontinued component for all periods presented contain no revenues and only immaterial expenses that are equal to net operating cash outflows. Accordingly, they are included in continuing operations for all periods in the accompanying consolidated statements of operations and cash flows.

Table of Contents**17. SUPPLEMENTAL STATEMENT OF CASH FLOWS INFORMATION**

Supplemental statement of cash flows information for the years ended September 30, 2007, 2006 and 2005 consisted of:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
	<u>(dollars in thousands)</u>		
Operating activities:			
Cash paid during the year for interest	\$8,093	\$8,386	\$11,128
Investing and financing non-cash activities:			
Acquisition of machinery and equipment financed with proceeds of long-term debt	\$ 0	\$ 286	\$ 0

18. SEGMENT INFORMATION

The Company's operations are in the hotel/casino industry and investment properties. The Company's hotel/casino operations are conducted at the Pioneer in Laughlin, Nevada. As discussed above, the Company owns investment (rental) properties in Massachusetts and Maryland, which were acquired in March 2001. "Other and Eliminations" below includes financial information for the Company's corporate operations, adjusted to reflect eliminations upon consolidation.

50

Table of Contents

Segment information for the years ended September 30, 2007, 2006 and 2005 consisted of:

	2007	2006	2005
	(dollars in thousands)		
<u>Pioneer Hotels:</u>			
Net operating revenues	\$ 30,037	\$ 30,985	\$ 29,697
Operating loss	(1,518)	(46)	(839)
Depreciation and amortization	2,034	2,200	2,477
Interest expense	1,292	1,439	1,291
Interest and other income	12	12	11
Net loss before income taxes	(2,799)	(1,473)	(2,119)
Capital expenditures ⁽²⁾	263	462	179
Identifiable assets ⁽¹⁾	28,937	30,100	31,380
<u>Investment Properties:</u>			
Net operating revenues	\$ 12,402	\$ 12,402	\$ 12,402
Operating income	9,992	9,230	9,230
Depreciation and amortization	2,410	3,172	3,172
Interest expense	7,348	7,494	9,897
Interest and other income	4	2	1
Net income (loss) before income taxes	2,648	1,738	(666)
Capital expenditures ⁽²⁾	0	0	0
Identifiable assets ⁽¹⁾	130,386	132,911	136,065
<u>Other and Eliminations:</u>			
Net operating revenues	\$ 2,740	\$ 1,767	\$ 1,589
Operating loss	(1,586)	(4,340)	(6,106)
Depreciation and amortization	108	130	186
Interest expense	(183)	(78)	(129)
Interest and other income	1,027	231	1,256
Net income (loss) before income taxes	(375)	(4,031)	(4,721)
Capital expenditures ⁽²⁾	278	10	280
Identifiable assets ⁽¹⁾	60,659	35,039	32,193
<u>Total:</u>			
Net operating revenues	\$ 45,179	\$ 45,154	\$ 43,688
Operating income	6,888	4,844	2,285
Depreciation and amortization	4,552	5,502	5,835
Interest expense	8,457	8,855	11,059
Interest and other income	1,043	245	1,268
Net income (loss) before income taxes	(526)	(3,766)	(7,506)
Capital expenditures ⁽²⁾	541	472	459
Identifiable assets ⁽¹⁾	219,982	198,050	199,638

(1) Identifiable assets represent total assets less elimination for intercompany items.

(2) Includes acquisition of capital assets through non-cash activities.

Table of Contents**19. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)**

	2007	2006
	(dollars in thousands, except per share amounts)	
Revenues:		
First Quarter	\$ 11,082	\$ 10,439
Second Quarter	11,864	12,449
Third Quarter	11,132	11,126
Fourth Quarter	11,101	11,140
Total	<u>\$ 45,179</u>	<u>\$ 45,154</u>
Operating income:		
First Quarter	\$ 2,881	\$ 1,285
Second Quarter	2,169	2,875
Third Quarter	1,368	434
Fourth Quarter	470	250
Total	<u>\$ 6,888</u>	<u>\$ 4,844</u>
Net income (loss):		
First Quarter	\$ 554	\$ (530)
Second Quarter	72	482
Third Quarter	(272)	(1,152)
Fourth Quarter	253	(2,156)
Total	<u>\$ 607</u>	<u>\$ (3,356)</u>
Net income (loss) applicable to common shares:		
First Quarter	\$ 176	\$ (908)
Second Quarter	(306)	104
Third Quarter	(650)	(1,529)
Fourth Quarter	1	(2,534)
Total	<u>\$ (779)</u>	<u>\$ (4,867)</u>
Net income (loss) per common share:		
First Quarter	\$ 0.02	\$ (0.15)
Second Quarter	(0.05)	0.02
Third Quarter	(0.10)	(0.25)
Fourth Quarter	(0.01)	(0.40)
Total	<u>\$ (0.12)</u>	<u>\$ (0.78)</u>

Operating income (loss) amounts have been adjusted to reflect a reclassification of amortization of loan issue costs from depreciation and amortization to interest expense for 2007 and 2006.

Table of Contents**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

Item 9A. CONTROLS AND PROCEDURES**Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Principal Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Principal Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Included for consideration in the evaluation is the independent accountant's identification, in its required communications letter relating to the audit for the year ended September 30, 2007, to the Company's Audit Committee, of a material weakness in the Company's accounting resources during 2007 required for recording financial transactions and preparing financial statements. Management has determined that the appropriate remedy will be the retention of a third party consultant to assist with these tasks going forward. Other than noted herein, our Chief Executive Officer and Principal Accounting Officer concluded that disclosure controls and procedures are effective.

Changes in Internal Controls

As part of our normal operations, we update our internal controls as necessary to accommodate any modifications to our business processes or accounting procedures. Except as noted above, there have not been any other changes in our internal controls or in other factors that materially affected, or are reasonably likely to materially affect these controls as of the end of the period covered by this report.

Table of Contents

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors and Executive Officers

The following is a list of the current executive officers and directors of the Company:

<u>Name</u>	<u>Position with the Company</u>
Paul W. Lowden	Chairman of the Board, President and Chief Executive Officer
Suzanne Lowden	Director, Executive Vice President, Treasurer and Assistant Secretary
John W. Delaney ⁽¹⁾	Director
Howard E. Foster ⁽¹⁾	Director
William J. Raggio ⁽¹⁾⁽²⁾	Director
Richard Taggart ⁽¹⁾	Director
Kevin Hanratty	Secretary
Grant L. Siler	Principal Accounting Officer

(1) Member of the Audit Committee of the Company.

(2) Member of the Compensation Committee of the Company.

The age, present position with the Company, and principal occupation during the past five years of each director and executive officer named above is set forth below:

Paul W. Lowden

Paul Lowden, 63, has served as President, Chairman of the Board and Chief Executive Officer of the Company since its formation in September 1993. Mr. Lowden held the same positions with the Company's predecessor, Sahara Resorts, from 1982 through September 1993. Mr. Lowden is married to Suzanne Lowden. Mr. Lowden's term as a director of the Company expires at the annual meeting of stockholders in 2008.

Suzanne Lowden

Suzanne Lowden, 55, has served as a director and Executive Vice President of the Company since its formation, and had served as a director of Sahara Resorts since 1987. Mrs. Lowden was elected Vice President of Sahara Resorts in July 1992. She is also a founding board member of Commercial Bank of Nevada. Mrs. Lowden served as a Nevada State Senator from November 1992 through 1996. She worked for the CBS affiliate in Las Vegas from 1977 to 1987 as an anchorwoman, reporter, writer and producer of television news. In December 2005, Mrs. Lowden was nominated to and continues to serve on the board of the Muscular Dystrophy Association as its Treasurer. Mrs. Lowden serves as chairman of the Nevada Republican party. Mrs. Lowden is married to Paul W. Lowden. Mrs. Lowden's term as a director of the Company expires at the annual meeting of stockholders in 2010.

Table of Contents

John W. Delaney

John W. Delaney, 59, has served as a director of the Company since January 1997. Mr. Delaney is currently president and chief executive officer of Central Banc Corporation, a mortgage banking firm, where he has been employed since 1978. Mr. Delaney's term as a director of the Company expires at the annual meeting of stockholders in 2009.

Howard E. Foster

Howard E. Foster, 63, has served as a special director of the Company elected by holders of the Company's Exchangeable, Redeemable Preferred Stock since May 2000. Since 1980, Mr. Foster has been the President of Howard Foster and Company, an investment advisor firm specializing in small capitalization stocks, turnaround situations and financially distressed companies. Prior to that time, Mr. Foster served as chief financial officer of two publicly-held companies, Associated Products and Bio-Rad Laboratories, and previously worked in the audit, tax and management consulting divisions of Arthur Andersen & Co. Mr. Foster has served on the boards of directors of Bio-Rad Laboratories, Barringer Technologies and Nevada National Bancorporation, where he served as a director elected by preferred stockholders of Nevada National Bancorporation. Mr. Foster's term as a special director of the Company expires at the annual meeting of stockholders in 2009, or, if earlier, the date on which all dividend arrearages on the Exchangeable Redeemable Preferred Stock have been paid. The Company called all outstanding shares of its Exchangeable Redeemable Preferred Stock for redemption on and as of August 31, 2007, at a redemption price of \$5.241 per share, which sum included accrued and unpaid dividends to the date of redemption. On November 12, 2007, Mr. Foster was appointed as a director of the Company. Mr. Foster's term expires at the annual meeting of stockholders in 2009.

The Board of Directors of the Company considers Mr. Foster to be an independent financial expert within the meaning of Item 401 (h) (2) of Regulation S-K, which generally means the Company believes Mr. Foster has an understanding of generally accepted accounting principles; the ability to assess the general application of such principles; experience preparing, auditing, analyzing, or evaluating financial statements similar to the Company's; an understanding of internal control over financial reporting; and an understanding of audit committee functions.

William J. Raggio

William J. Raggio, 80, has served as a director, Vice President, Secretary and Corporate Counsel of the Company since its formation in September 1993 until May 1999. Mr. Raggio held the same position with Sahara Resorts from 1982 until September 1993. Mr. Raggio resigned his position on the board of directors of the Company and certain of its subsidiaries in May 1999 due to a potential conflict caused by his position on the board of another gaming company, a position that Mr. Raggio no longer holds. Mr. Raggio was reappointed to the board of directors of the Company in December 2000. Mr. Raggio is a shareholder and member of the law firm Jones Vargas of Reno, Nevada. Since 1972 he has been a Nevada State Senator. Mr. Raggio was a director of Sierra Health Services, Inc., a Nevada corporation until May 2006. He currently has been designated director emeritus. Mr. Raggio's term as a director of the Company expires at the annual meeting of stockholders in 2008.

Richard H. Taggart

Richard Taggart, 65, has served as a special director of the Company's Exchangeable, Redeemable Preferred Stock since October 2006, when he was appointed by the Board of Directors to fill a resignation. Over a twenty-six year career, Mr. Taggart held various positions, such as, senior executive vice president, subsidiary president, board and executive committee member at Valley Bank and its parent, Valley Capital Corporation, where he retired from banking in 1992. He currently serves on the boards of Colonial Bank of Nevada, Boulder Dam Council of the Boy Scouts of America Executive Board and the Las Vegas Country Club. Mr. Taggart's term as a special director of the Company expires at the annual meeting of stockholders in 2010, or, if earlier, the date on which all dividend arrearages on the Exchangeable Redeemable Preferred Stock have been paid. The Company called all outstanding shares of its Exchangeable Redeemable Preferred Stock for redemption on and as of August

Table of Contents

31, 2007, at a redemption price of \$5.241 per share, which sum included accrued and unpaid dividends to the date of redemption. On November 12, 2007, Mr. Taggart was appointed as a director of the Company. Mr. Taggart's term expires at the annual meeting of stockholders in 2010.

Kevin Hanratty

Kevin M. Hanratty, Esq., 32, has served as the Company's In-House Counsel since January 2004. Prior to joining the Company, Mr. Hanratty worked as an associate for the law firm of Kravitz Schnitzer Sloane Johnson & Eberhardy, a Nevada based defense firm primarily focused on litigation and defense of claims brought against Nevada based casino companies. Prior to this position, Mr. Hanratty worked at the Clark County District Attorney's office for approximately four years and worked in the Clark County District Attorney's Office Appellate Division.

Grant L. Siler

Grant L. Siler, 54, was appointed Principal Accounting Officer in July 2007. Prior to being appointed as Principal Accounting Officer, Mr. Siler served as Controller of the Pioneer Hotel & Gambling Hall from May 2001 to July 2007. Prior to joining the Company, Mr. Siler served as Controller of the Flamingo Hilton Laughlin from August 1993 to May 2001.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. People who are subject to the reporting obligations of Section 16(a) are required by SEC regulations to furnish the Company with copies of all forms they file pursuant to Section 16(a).

Based solely on our review of the copies of the reports we received and written representations from the Company's executive officers, directors and holders of 10% of the common stock, the Company believes that, during fiscal year 2006, there were no forms filed late with the SEC.

Code of Ethics

Pursuant to Item 406 of Regulation S-K, the Company adopted a Code of Ethics governing the behavior of the Company's principal executive and senior financial officers.

Table of Contents**Item 11. Executive Compensation**

Set forth below is information concerning compensation for services in all capacities to the Company and its affiliates for the fiscal years ended September 30, 2007, 2006 and 2005 of Paul W. Lowden, the Chief Executive Officer. There were no other current executive officers serving as such at the end of the Company's fiscal year ended September 30, 2007 that earned a total annual salary and bonus in excess of \$100,000 during the fiscal year ended September 30, 2007.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)(1)	
Paul W. Lowden President, Chairman of the Board and CEO	2007	\$550,000	\$200,000(2)	\$ 0	\$ 43,358 (3)
	2006	\$50,000	200,000(2)	0	37,203 (3)
	2005	\$50,000	200,000(2)	0	64,846 (3)

- (1) The Company provides perquisites and other personal benefits, including automobiles to its senior executives and provides such persons complimentary privileges at the restaurants and bars of the Company's hotel-casino. It is impractical to ascertain the extent to which such privileges are utilized for personal rather than business purposes. However, after reasonable inquiry, the Company believes the value of all such perquisites and other personal benefits is less than the lesser of \$50,000 or 10% of the total salary and bonus reported for the person named above.
- (2) See "Compensation Arrangements with Mr. Lowden."
- (3) "All Other Compensation" for Mr. Lowden in fiscal 2007 includes \$7,404 of life insurance premiums paid by the Company for the benefit of Mr. Lowden, auto and gas reimbursement of \$7,843 for the benefit of Mr. Lowden, payment of \$18,660 for household services for the benefit of Mr. Lowden, medical reimbursement of \$6,076 for the benefit of Mr. Lowden and \$3,375 of matching contributions made by the Company to the Retirement Savings 401(k) Plan for the benefit of Mr. Lowden. "All Other Compensation" for Mr. Lowden in fiscal 2006 includes \$7,404 of life insurance premiums paid by the Company for the benefit of Mr. Lowden, auto and gas reimbursement of \$4,017 for the benefit of Mr. Lowden, payment of \$19,800 for household services for the benefit of Mr. Lowden, medical reimbursement of \$2,682 for the benefit of Mr. Lowden and \$3,300 of matching contributions made by the Company to the Retirement Savings 401(k) Plan for the benefit of Mr. Lowden. "All Other Compensation" for Mr. Lowden in fiscal 2005 includes \$7,272 of life insurance premiums paid by the Company for the benefit of Mr. Lowden, auto and gas reimbursement of \$5,413 for the benefit of Mr. Lowden, payment of \$17,525 for household services for the benefit of Mr. Lowden, medical reimbursement of \$31,661 for the benefit of Mr. Lowden and \$2,975 of matching contributions made by the Company to the Retirement Savings 401(k) Plan for the benefit of Mr. Lowden.

Compensation Arrangements with Mr. Lowden

The Compensation Committee approved Mr. Lowden's compensation package for fiscal year 2007, which provided for an annual base salary of \$550,000. Additionally, in recognition of Mr. Lowden's efforts, the Compensation Committee approved a bonus in the amount of \$200,000 payable in bi-weekly installments throughout fiscal year 2007.

Table of Contents

Compensation of Directors

Directors who are not employees of the Company or its affiliates receive \$24,000 annually and \$1,000 per board meeting attended, \$800 per committee meeting attended as a member and \$900 per committee meeting attended as Chairman.

Prior to March 31, 2002, upon first being elected to the board of directors, each non-employee director received options to purchase 12,500 shares of common stock at an exercise price equal to the fair market value of the common stock on the date of grant. Such options fully vested at the date of grant. The non-employee director stock option plan, pursuant to which such options were granted, ceased granting options in March 2002.

The Company requires all members of the board of directors to comply with all Company policies prior to attending a newly elected director's first meeting of the board of directors. These requirements include filing a gaming application with the Nevada Gaming Authorities and executing a confidentiality agreement, as well as compliance and disclosure statements. Until such time as an elected individual has complied with these requirements, he or she is not entitled to the benefits of the directorship position, including any director fees or stock option awards that would otherwise be paid or granted.

Compensation Plans

Stock Option Plan

The Company's Stock Option Plan provided for the grant of options up to an aggregate of 1,239,070 shares of its common stock to key employees as determined by the Compensation Committee. The Stock Option Plan provided for both incentive stock options and non-qualified stock options. The Company ceased granting options under the Stock Option Plan as of September 30, 2003 as the plan had expired in 2002. However, the shareholders, in July 2005, approved amending the plan whereby the plan was extended until 2012. As of September 30, 2007, there were approximately 692,000 options outstanding under the Stock Option Plan and approximately 434,000 options which are available for issuance under the Stock Option Plan.

1998 Subsidiary Stock Option Plans

The Company and certain of its subsidiaries, SPHH, Inc., Sahara Las Vegas Corp., and Pioneer Hotel Inc., have adopted Subsidiary Plans. The Subsidiary Plans provide for the grant of options by each of the Subsidiaries with respect to an aggregate of up to 10% of the outstanding shares of such Subsidiary's common stock to employees, non-employee directors, consultants or affiliates of the Company or the Subsidiaries. The purpose of the Subsidiary Plans is to enable the Subsidiaries, the Company and any subsidiaries of the Company or Subsidiaries to attract, retain and motivate their employees, non-employee directors, consultants and affiliates by providing for or increasing the proprietary interest of such persons in the Subsidiaries. Certain of the agreements under which the Company's long-term debt is issued provide that if the Company ceases to own, directly or indirectly, 100% of the outstanding capital stock of specified Subsidiaries, an event of default will occur or an offer to repurchase the debt must be made. As a result, the Subsidiary Plans provide that options granted under the Subsidiary Plans may not be exercised if the exercise would result in a default, or require an offer to repurchase the outstanding debt, under any agreement with respect to long-term debt of the Company or any of its Subsidiaries. As of September 30, 2007, no options had been granted under any Subsidiary Plans.

Savings Plan

The Company has adopted a savings plan qualified under Section 401(k) of the Code (the "Savings Plan"). The Savings Plan covers substantially all employees, including the Company's executive officers. Employee contributions to the Savings Plan are discretionary. The Savings Plan allows eligible employees to contribute, on a

Table of Contents

pre-tax basis, up to 6% of their gross salary to the plan; the Company matches 25% of such employee contributions made. Employees may also contribute, on a pre-tax basis, up to an additional 9% of their gross salary, and, on a post-tax basis, up to an additional 10% of their salary. Such contributions are not matched by the Company. The matching expense in fiscal 2007 was approximately \$59,036 of which approximately \$3,373 and \$2,692 were contributed by the Company to the account of Mr. Lowden and all other executive officers as a group, respectively, as matches for employee contributions made.

Compensation Committee Interlocks and Insider Participation

The members of the compensation committee, John W. Delaney and William J. Raggio, are non-employee directors. Mr. Delaney has never been an officer of the Company or of any of its subsidiaries. Mr. Delaney is the president of J & J Mortgage, a mortgage banking company of which Paul W. Lowden is a director and sole stockholder. During fiscal 2001 through fiscal 2003, the Company purchased from J & J Mortgage an aggregate of \$700,000 of commercial and residential loans originally funded by J & J Mortgage to unaffiliated third parties. See Item 13, "Certain Relationships and Related Transactions." William J. Raggio, who from 1982 to 1999 served as Vice-President, Secretary and General Counsel of the Company and its predecessors, is a shareholder and a member of the law firm of Jones Vargas. During fiscal years 2007 through 2005, the Company retained Jones Vargas to advise the Company regarding various legal matters, and the Company continues to engage Jones Vargas for legal representation.

Table of Contents**Item 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following sets forth information regarding beneficial ownership of the common stock and the exchangeable redeemable preferred stock of the Company, as of December 20, 2006, by (i) each person known to be the beneficial owner of more than 5% of the outstanding common stock or preferred stock; (ii) each director of the Company; and (iii) all directors and officers of the Company as a group.

<u>Named Beneficial Owner</u>	<u>Shares of Common Stock</u>	<u>Percent</u>
Paul W. Lowden ⁽¹⁾	4,900,144(2)(3)	74.7%
Suzanne Lowden	4,792(4)(5)	*
John W. Delaney	13,750	*
William J. Raggio	17,972	*
Howard Foster	5,300	*
Richard H. Taggart	1,700	*
All Directors and Officers as a group (7 persons)	4,943,658	75.4%

* Less than 1.0%

- (1) The address for Paul W. Lowden is c/o Archon Corporation, 4336 Losee Road, Suite 5, North Las Vegas, Nevada 89030. The shares owned by each person, or by the group, and the shares included in the total number of shares outstanding have been adjusted, and the percentage owned (where such percentage exceeds 1%) has been computed, in accordance with Rule 13d-3(d)(1) under the Securities Exchange Act of 1934.
- (2) Includes 1,732,470 shares held by LICO, which is wholly owned by Mr. Lowden and 279,510 shares that may be acquired upon the exercise of outstanding stock options.
- (3) Includes 804,941 shares held by LICO, which is wholly owned by Mr. Lowden.
- (4) Includes 4,521 shares held by Mrs. Lowden as custodian for a child and excludes shares beneficially owned by Mrs. Lowden reflected in the table.
- (5) Includes 1,262 shares held by Mrs. Lowden as custodian for a child and excludes shares beneficially owned by Mrs. Lowden reflected in the table.

Table of Contents**Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The Company believes that all transactions mentioned below are on terms at least as favorable to the Company as would have been obtained from an unrelated third party.

Paul W. Lowden and Suzanne Lowden are married to one another.

The Company has entered into a Patent Rights and Royalty Agreement with David Lowden, brother of Paul W. Lowden, with respect to certain gaming technology for which David Lowden has been issued a patent. The Company has agreed to pay certain royalty payments with respect to the technology incorporated into gaming devices placed in operation, as well as costs related to maintain the patent. David Lowden has granted the Company an exclusive five-year license expiring in January 2007 in the United States with respect to the technology, which will be automatically renewed for additional two-year terms unless Archon terminates the agreement within thirty days prior to the renewal or the agreement is otherwise earlier terminated in accordance with its terms. The Company also has an understanding with David Lowden that it will pay for the costs of commercial development of the technology. As of September 30, 2007 the Company had expended approximately \$400,000 for commercial development of the technology.

In December 2003, Duke's closed its casino operations. The Company operated Duke's operations. The Company also loaned Duke's approximately \$1.4 million. The Company wrote-off its investment in Duke's and recorded a reserve for its receivable from Duke's of approximately \$1.5 million during a prior fiscal year and it has no further asset exposure from Duke's. The Company made the determination to reserve the entire amount invested in and owed from Duke's, as the collateral value securing the receivable was deemed insignificant subsequent to the closure of the casino.

During an approximate 2-year period ended June 30, 2006, the Company had expended approximately \$800,000 in legal fees associated with Duke's litigation against a contractor. Duke's had entered into an agreement to reimburse the Company for legal fees and other amounts owed the Company depending on potential amounts recovered from the litigation. Through September 30, 2007, the Company received approximately \$1.7 million, of which \$800,000 has been credited against legal expense and the balance has been included in operating income in the fiscal 2006 consolidated statement of operations. The Company has negotiated with Dukes-Sparks, LLC and obtained an assignment of all future payments under the judgment and settlement with the General Contractor for the Casino Project. The General Contractor has been notified of the assignment and will be making all future payments due under the settlement with Dukes-Sparks, LLC to the Company directly according to the terms of the settlement agreement.

During fiscal 2001 through fiscal 2003, the Company purchased an aggregate of \$700,000 of commercial and residential loans originally funded by J & J Mortgage to unaffiliated third parties. The loans were purchased by the Company for the principal amount, plus accrued interest, if any. J & J Mortgage is owned by LICO, which in turn is owned by Paul W. Lowden. John W. Delaney is the president of J & J Mortgage.

William J. Raggio, a director of the Company, is a shareholder and member of the law firm of Jones Vargas. During fiscal year 2007 through 2005, the Company retained Jones Vargas to advise the Company regarding various legal matters, and the Company continues to engage Jones Vargas for legal representation.

See "Executive Compensation - Compensation Arrangements with Mr. Lowden" for information regarding certain bonus arrangements for Mr. Lowden and obligations of LICO, a company wholly-owned by Mr. Lowden, owed to the Company.

Table of Contents**Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following fees were billed by Piercy Bowler Taylor & Kern and Ernst & Young, LLP for services provided to the Company for the fiscal years ended September 30, 2007 and 2006:

	2007	2006
Audit Fees:	\$184,251	\$184,156
Audit Related Fees	15,799	26,094
Tax Fees	0	0

Audit fees are the aggregate fees billed for professional services rendered in connection with the engagement to audit the Company's annual financial statements for the fiscal years ended September 30, 2007 and 2006 including the reviews of the financial statements included in the Company's Form 10-Q's for those fiscal years.

Audit related fees billed for fiscal 2007 and 2006 are for professional services rendered in connection with the audit of the Company's 401(k) retirement plan for the years ended December 31, 2006 and December 2005, respectively.

In 2007 and 2006, no fees were paid to Piercy Bowler Taylor & Kern and Ernst & Young, LLP pursuant to the "de minimus" exception to the pre-approval policy permitted under the Securities and Exchange Act of 1934, as amended.

The *Audit Committee Guidelines for Pre-Approval of Independent Auditor Services* is attached to this 10-K as Exhibit 14.1. During the fiscal year ended September 30, 2007, all services provided by the external auditor were pre-approved by the Company's Audit Committee.

Table of Contents**PART IV****Item 15. EXHIBITS****(a) 1. and 2. Financial Statements and Schedules**

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

(b) Exhibits

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

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

Table of Contents

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.12	Promissory Note dated February 28, 2001 by and between SFHI, LLC and Lehman Brothers Holdings Inc., d/b/a Lehman Capital, a division of Lehman Brothers Holdings Inc. (10)
10.13	Deed of Trust and Security Agreement dated February 28, 2001 by and between SFHI, LLC and Lehman Brothers Holdings Inc., d/b/a Lehman Capital, a division of Lehman Brothers Holdings Inc. (10)
10.14	75 Lease Agreement by and between REII-Gaithersburg, Maryland, L.L.C. and GE Information Services, Inc. dated January 29, 1999. (10)
10.15	Assignment of Lease and Rents dated February 28, 2001 by and between Gaithersburg Realty Trust and SFHI, LLC. (10)
10.16	Contract dated December 8, 2000 by and between S-BNK#2 Investors, L.P. and Santa Fe Hotel Inc. (10)
10.17	First Amendment dated December 26, 2000 to Contract dated December 8, 2000 by and between S-BNK#2 Investors, L.P. and Santa Fe Hotel Inc. (10)
10.18	Non-Recourse Note S-BNK Dorchester Operations, LLC 10.20% A-1 Note due June 30, 2005. (10)
10.19	Non-Recourse Note S-BNK Dorchester Operations, LLC 12.18% A-2 Note due June 30, 2020. (10)
10.20	Mortgage, Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing financing Statement dated as of June 30, 2000 between S-BNK Dorchester Operations, LLC, and First Security Bank, National Association as Indenture Trustee. (10)
10.21	Lease Agreement dated June 30, 2000 by and between S-BNK Dorchester Operations, LLC and Sovereign Bank. (10)
10.22	Indenture dated as of June 30, 2000 between S-BNK Dorchester Operations, LLC, and First Security Bank, National Association as Indenture Trustee. (10)
10.23	Patent Rights Royalty Agreement dated as of January 2, 2002 between Archon Corporation and David G. Lowden. (11)
10.24	Subordinated Loan Agreement dated October 8, 2002 between Archon Corporation and Duke's Sparks, LLC. (13)
10.25	Lease dated October 4, 2002 between Archon Corporation and Duke's Casino. (13)
10.26	Option Agreement dated October 8, 2002 between Endeavors North LLC and Archon Corporation. (13)
10.27	Loan Agreement dated December 15, 2003 between Colonial Bank, Archon Corporation and Sahara Las Vegas Corp. (14)
10.28	Security Agreement and Second Deed of Trust Dated October 8, 2002 (15)
10.29	Demand Note dated February 6, 2003 in favor of Archon Corporation. (16)
21	Subsidiaries of Archon Corporation (17)
23.1	Consent of Piercy Bowler Taylor & Kem*
23.2	Consent of Ernst & Young LLP *
31.1	Certification of Paul W. Lowden, Principal Executive Officer, pursuant to Rule 13a-15(e) or 15d-15(e) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

Table of Contents

Exhibit Number	Description of Exhibit
31.2	Certification of Grant L. Siler, Principal Accounting Officer, pursuant to Rule 13a- 15(e) or 15d-15(e) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.0	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed concurrently herewith.

FOOTNOTES TO EXHIBITS

- (1) Previously filed with the Securities and Exchange Commission as an exhibit to the Registration Statement on Form S-1 (No. 33-13214) of Sahara Casino Partners, L.P. and incorporated herein by reference.
- (2) Previously filed with the Securities and Exchange Commission as an exhibit to Sahara Gaming Corporation's Annual Report on Form 10-K for the year ended September 30, 1993 and incorporated herein by reference.
- (3) Previously filed with the Securities and Exchange Commission as an exhibit to Sahara Gaming Corporation's Report on Form 10-K for the year ended September 30, 1995 and incorporated herein by reference.
- (4) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 10-Q for the quarter ended March 30, 1999 and incorporated herein by reference.
- (5) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference.
- (6) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 8-K dated November 15, 1999 and incorporated herein by reference.
- (7) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference.
- (8) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 8-K dated June 12, 2000 and incorporated herein by reference.
- (9) Previously filed with the Securities and Exchange Commission as an exhibit to Santa Fe Gaming Corporation's Report on Form 8-K dated December 29, 2000 and incorporated herein by reference.
- (10) Previously filed with the Securities and Exchange Commission as an exhibit to Archon Corporation's Report on Form 10-Q for the quarter ended March 31, 2001 and incorporated herein by reference.
- (11) Previously filed with the Securities and Exchange Commission as an exhibit to Archon Corporation's Report on Form 10-Q for the quarter ended June 30, 2002 and incorporated herein by reference.
- (12) Previously filed with the Securities and Exchange Commission as an exhibit to Archon Corporation's Report on Form 10-Q dated August 20, 2003 and incorporated herein by reference.
- (13) Previously filed with the Securities and Exchange Commission as an exhibit to Archon Corporation's Report on Form 10-K dated December 30, 2002 and incorporated herein by reference.
- (14) Previously filed with the Securities and Exchange Commission as an exhibit to Archon Corporation's Report on Form 8-K dated January 13, 2004 and incorporated herein by reference.
- (15) Previously filed with the Securities and Exchange Commission as an exhibit to Archon Corporation's Report on Form 10-Q dated August 20, 2003 and incorporated herein by reference.
- (16) Previously filed with the Securities and Exchange Commission as an exhibit to Archon Corporation's Report on Form 10-Q dated February 14, 2003 and incorporated herein by reference.
- (17) Previously filed with the Securities and Exchange Commission as an exhibit to Archon Corporation's Report on Form 10-K/A (Amendment No. 1) dated January 23, 2004 and incorporated herein by reference.
- (18) Previously filed with the Securities and Exchange Commission as an exhibit to Archon Corporation's Proxy Statement on Schedule 14A dated May 7, 2004 and incorporated herein by reference.

Table of Contents**SIGNATURES**

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

ARCHON CORPORATION

January 14, 2008 By: /s/ Paul W. Lowden
(Date Signed) Paul W. Lowden, President

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Paul W. Lowden</u> Paul W. Lowden	Chairman of the Board and President (Principal Executive Officer)	January 14, 2008
<u>/s/ John Delaney</u> John Delaney	Director	January 14, 2008
<u>/s/ Suzanne Lowden</u> Suzanne Lowden	Director	January 14, 2008
<u>/s/ William J. Raggio</u> William J. Raggio	Director	January 14, 2008
<u>/s/ Howard E. Foster</u> Howard E. Foster	Director	January 14, 2008
<u>/s/ Richard H. Taggart</u> Richard H. Taggart	Director	January 14, 2008
<u>/s/ Kevin Hannatty</u> Kevin Hannatty	Secretary	January 14, 2008
<u>/s/ Grant L. Siler</u> Grant L. Siler	Principal Accounting Officer	January 14, 2008

EXHIBIT 2

EXHIBIT 2

UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

D.E. SHAW LAMINAR PORTFOLIOS, L.L.C.; LC
CAPITAL MASTER FUND, LTD; LC CAPITAL /
CAPITAL Z SPV, LP; MAGTEN ASSET
MANAGEMENT CORP; MERCURY REAL
ESTATE SECURITIES FUND LP; MERCURY
REAL ESTATE SECURITIES OFFSHORE FUND
LIMITED; BLACK HORSE CAPITAL LP; BLACK
HORSE CAPITAL (QP) LP; BLACK HORSE
CAPITAL OFFSHORE LTD; and PLAINFIELD
SPECIAL SITUATIONS MASTER FUND
LIMITED,

Plaintiffs,

-VS.-

ARCHON CORPORATION,

Defendant.

Case No. 2:07-CV-1146-PMP-(LRL)

WRIT OF EXECUTION

TO THE UNITED STATES MARSHAL FOR THE DISTRICT OF NEVADA:

On February 24, 2011, a Judgment was entered in the docket of the above-entitled Court and action, in favor of D.E. SHAW LAMINAR PORTFOLIOS, L.L.C.; LC CAPITAL MASTER FUND, LTD; LC CAPITAL / CAPITAL Z SPV, LP; MAGTEN ASSET MANAGEMENT CORP; MERCURY REAL ESTATE SECURITIES FUND LP; MERCURY REAL ESTATE SECURITIES OFFSHORE FUND LIMITED; BLACK HORSE CAPITAL LP; BLACK HORSE CAPITAL (QP) LP; BLACK HORSE CAPITAL OFFSHORE LTD; and PLAINFIELD SPECIAL SITUATIONS MASTER FUND LIMITED, as Judgment Creditors, and against ARCHON CORPORATION as Judgment Debtor, for

\$7,240,523.64 principal,
\$ 0.00 attorney fees,
\$2,041,266.23 interest, and
\$0.00 costs making a total of
\$9,281,789.87 JUDGMENT AS ENTERED.

WHEREAS, according to an affidavit and request for issuance of writ of execution filed herein, it appears that further sums have accrued since the entry of judgment, to wit:

\$50,724.26 accrued interest, and
\$0.00 accrued costs and fees, making a total of
\$50,724.26 ACCRUED INTEREST, COSTS AND FEES.

CREDIT must be given for payments and partial satisfactions in the amount of

\$0.00 which is to be first credited against the total accrued interest, costs and fees, with any excess credited against the Judgment as entered, leaving a net balance of:

\$ 9,332,590.65 ACTUALLY DUE on the date of issuance of this writ, of which

\$9,281,789.87 is due on the Judgment as entered, and bears interest at 0.30% per annum, compounded annually pursuant to 28 U.S.C. § 1961(b), in the amount of \$76.52 PER DAY, from one year after entry of judgment to the date of issuance on this writ, to which much be added the accrued costs and fees and the commissions and costs of the officers executing this writ.

Notice by mail of any sale under the writ of execution HAS NOT been requested.

YOU ARE THEREFORE COMMANDED to satisfy the said Judgment with interest and costs as provided by law and your costs and disbursements out of the personal property of said debtor, except that for any pay period, 75 percent of the disposable earnings of the debtor during this period or for each week of the period 30 times the minimum hour wage prescribed by section 6(a)(1) of the Federal Fair Labor Standards Act of 1938 [29 U.S.C. Sec. 206(a)(1)], and in effect at the time the earnings are payable, whichever is greater, is exempt from any levy of execution pursuant to this writ, and if sufficient personal property cannot be found, then out of his real property; or if the Judgment be a lien upon real property, then out of the real property belonging to such debtor, and make return of this writ within not less than ten (10) days nor more than sixty (60) days after your receipt thereof with what you have done endorsed hereon.

Judgment Creditor/Plaintiff will identify to the U.S. Marshal or his representative assets that are to be seized to satisfy the judgment/order.

YOU ARE FURTHER COMMANDED if necessary, to turn over any property seized under this order to a third party custodian or to the plaintiff. The U.S. Marshal or his representative is authorized to use reasonable force in the execution of this Judgment/Order and the Judgment Creditor/Plaintiff will hold the U.S. Marshals Service harmless of any liability that may be imposed as a result of the execution of this Judgment.

LANCE S. WILSON

CLERK

Lance S. Wilson
(By) DEPUTY CLERK



10/16/2012

DATE

EXHIBIT 3

EXHIBIT 3

UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

LEEWARD CAPITAL, L.P.,

Plaintiff

v.

ARCHON CORPORATION,

Defendant.

2:08 CV 00007-PMP-LRL

Case Number

WRIT OF EXECUTION

TO THE UNITED STATES MARSHAL FOR THE DISTRICT OF NEVADA:

On March 8, 2011, a Judgment was entered in the docket of the above-entitled Court and
action, in favor of Leeward Capital, L.P. as Judgment Creditor,
and against Archon Corporation as Judgment Debtor, for

\$ 206,940.00 principal,
\$ 0.00 attorney fees,
\$ 70,258.96 interest, and
\$ 0.00 costs making a total of
\$ 277,198.96 JUDGMENT AS ENTERED.

WHEREAS, according to an affidavit and request for issuance of writ of execution filed herein, it appears
that further sums have accrued since the entry of judgment, to wit:

\$ 1,412.45 accrued interest, and
\$ 0.00 accrued costs and fees, making a total of
\$ 1,412.45 ACCRUED INTEREST, COSTS AND FEES.

\$ 0.00 which is to be first credited against the total accrued interest, costs and fees, with any excess credited against the Judgment as entered, leaving a net balance of

\$ 278,613.31 ACTUALLY DUE on the date issuance of this writ, of which

\$ 277,198.98 is due on the Judgment as entered, and bears interest at 0.25 % per annum, in the amount of \$ 1.90 PER DAY, from the date of entry of judgment to the date of issuance on this writ, to which must be added the accrued costs and fees and the commissions and costs of the officer executing this writ. (Interest rate and amount per day to be completed by attorney.)

Notice by mail of any sale under the writ of execution ☐ Has ☒ Has Not been requested.
The following named persons have requested such notice of sale:

<u>NAME</u>	<u>ADDRESS</u>
N/A	N/A

YOU ARE THEREFORE COMMANDED to satisfy the said Judgment with interest and costs as provided by law and your costs and disbursements out of the personal property of said debtor, except that for any pay period, 75 percent of the disposable earnings of the debtor during this period or for each week of the period 30 times the minimum hour wage prescribed by section 6(a)(1) of the Federal Fair Labor Standards Act of 1938 [29 U.S.C. Sec. 206(a)(1)], and in effect at the time the earnings are payable, whichever is greater, is exempt from any levy of execution pursuant to this writ, and if sufficient personal property cannot be found, then out of his real property; or if the Judgment be a lien upon real property, then out of the real property belonging to such debtor, and make return of this writ within not less than ten (10) days nor more than sixty (60) days after your receipt thereof with what you have done endorsed hereon.

Judgment Creditor/Plaintiff will identify to the U.S. Marshal or his representative assets that are to be seized to satisfy the judgment/order.

YOU ARE FURTHER COMMANDED if necessary, to turn over any property seized under this order to a third party custodian or to the plaintiff. The U.S. Marshal or his representative is authorized to use reasonable force in the execution of this Judgment/Order and the Judgment Creditor/Plaintiff will hold the U.S. Marshals Service harmless of any liability that may be imposed as a result of the execution of the Judgment.

LANCE S. WILSON

CLERK

Lance S. Wilson

(By) DEPUTY CLERK



01/04/2013

DATE

American LegalNet, Inc.
www.AmericanLegalNet.com

WEST340019187.1

EXHIBIT 4

EXHIBIT 4

10-Q 1 d10q.htm FORM 10-Q

Table of Contents**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: December 31, 2010

" TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-9481

ARCHON CORPORATION

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)88-0304348
(I.R.S. Employer
Identification Number)2200 Casino Drive, Laughlin, Nevada 89029
(Address of principal executive office and zip code)(702) 732-9120
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Large accelerated filer: ☐Accelerated filer: ☐Non-accelerated filer: ☐Small reporting company: ☒

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

5,792,944

as of

February 18, 2011

Table of Contents

ARCHON CORPORATION

INDEX

	<u>Page</u>
PART I FINANCIAL INFORMATION	
Item 1 <u>Unaudited Condensed Consolidated Financial Statements:</u>	
<u>Consolidated Balance Sheets as of December 31, 2010 (Unaudited) and September 30, 2010 (Audited)</u>	1
<u>Consolidated Statements of Operations for the Three Months Ended December 31, 2010 and 2009 (Unaudited)</u>	3
<u>Consolidated Statements of Comprehensive Income for the Three Months Ended December 31, 2010 and 2009 (Unaudited)</u>	5
<u>Consolidated Statement of Stockholders' Equity for the Three Months Ended December 31, 2010 (Unaudited)</u>	6
<u>Consolidated Statements of Cash Flows for the Three Months Ended December 31, 2010 and 2009 (Unaudited)</u>	7
<u>Notes to Unaudited Consolidated Financial Statements</u>	8
Item 2 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	31
Item 4 <u>Controls and Procedures</u>	32
PART II OTHER INFORMATION	
Item 1 <u>Legal Proceedings</u>	35
Item 2 <u>Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities</u>	37
Item 3 <u>Defaults Upon Senior Securities</u>	37
Item 4 <u>Submission of Matters to a Vote of Security Holders</u>	37
Item 5 <u>Other Information</u>	37
Item 6 <u>Exhibits</u>	38

Table of Contents**PART I – FINANCIAL INFORMATION****Item 1. Unaudited Consolidated Financial Statements****Archon Corporation and Subsidiaries
Consolidated Balance Sheets**

	December 31, 2010 (Unaudited)	September 30, 2010 (Audited)
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 9,575,570	\$ 9,578,555
Investment in marketable securities	18,744,649	17,773,265
Accounts receivable, net	183,763	189,895
Inventories	156,141	152,437
Prepaid expenses and other	939,942	901,451
Assets held for sale, current	506,889	469,061
Deferred tax assets	166,555	472,916
Total current assets	<u>30,273,509</u>	<u>29,537,580</u>
Assets held for sale	<u>54,171,475</u>	<u>54,362,434</u>
Property and equipment:		
Rental property, net	87,405,768	87,827,133
Land used in operations	3,960,589	3,960,589
Buildings and improvements	25,704,561	25,704,561
Machinery and equipment	8,389,044	8,331,826
Accumulated depreciation	<u>(28,778,212)</u>	<u>(28,621,442)</u>
Property and equipment, net	<u>96,681,750</u>	<u>97,202,667</u>
Other assets	<u>3,042,078</u>	<u>3,020,626</u>
Total assets	<u>\$184,168,812</u>	<u>\$184,123,307</u>

The accompanying notes are an integral part of these consolidated financial statements.

-1-

Table of Contents

Archon Corporation and Subsidiaries
Consolidated Balance Sheets (continued)

	December 31, 2010 (Unaudited)	September 30, 2010 (Audited)
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Line of credit	\$ 9,812,500	\$ 5,000,000
Accounts payable	933,241	1,277,560
Accrued and other liabilities	2,272,360	2,222,201
Exchangeable redeemable preferred stock - unredeemed	798,021	813,665
Current liabilities -- assets held for sale	3,821,027	3,718,020
Current liabilities -- deferred rent income	3,426,648	3,426,648
Total current liabilities	21,063,797	16,458,094
Long-term liabilities -- assets held for sale	32,583,853	33,541,444
Nonrecourse debt	31,199,388	31,199,288
Deferred tax liabilities	21,228,274	21,513,083
Deferred rent income	29,126,508	29,983,170
Total liabilities	135,201,720	132,695,081
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, exchangeable, redeemable 16.0% cumulative \$2.14 per share liquidation value, authorized - 10,000,000 shares; none issued and outstanding	0	0
Common stock, \$.01 par value, authorized - 100,000,000 shares; issued and outstanding -- 6,316,576, and 6,316,576 shares	63,166	63,166
Additional paid-in capital	63,247,158	63,247,158
Accumulated deficit	(7,395,085)	(7,506,070)
Accumulated other comprehensive loss	(46,274)	(286,655)
	55,868,965	55,517,599
Less: notes receivable from principal stockholders	(57,841)	(57,841)
Less: treasury common stock -- 523,632 and 298,632 shares, at cost	(6,844,032)	(4,031,532)
Total stockholders' equity	48,967,092	51,428,226
Total liabilities and stockholders' equity	\$184,168,812	\$184,123,307

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Archon Corporation and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended December 31,	
	2010	2009
Revenues:		
Casino	\$ 2,715,426	\$ 3,226,752
Hotel	283,294	320,807
Food and beverage	876,144	1,214,213
Rental properties	1,835,680	1,882,680
Other	73,770	640,613
Gross revenues	5,784,314	7,285,065
Less casino promotional allowances	(661,156)	(909,358)
Net operating revenues	5,123,158	6,375,707
Operating expenses:		
Casino	1,602,680	2,227,266
Hotel	149,930	135,655
Food and beverage	450,492	744,468
Other	70,962	80,625
Selling, general and administrative:		
Corporate	745,640	832,644
Other	681,105	765,848
Utilities and property expenses	941,690	971,352
Depreciation	578,135	594,300
Total operating expenses	5,220,634	6,352,158
Operating income (loss)	(97,476)	23,549
Other income and (expense):		
Interest expense	(1,025,837)	(1,104,209)
Gain (loss) on sale of marketable securities	99,865	(64,278)
Interest and other income	293,349	306,092
Loss before income tax benefit	(730,099)	(838,846)
Federal income tax benefit, continuing operations	364,506	318,570
Loss from continuing operations	(365,593)	(520,276)
Discontinued operations gain, net of tax expense of \$256,619 and \$480,778, respectively	476,578	892,872
Net income	\$ 110,985	\$ 372,596

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Archon Corporation and Subsidiaries
Consolidated Statements of Operations
(Unaudited) (continued)

	Three Months Ended December 31,	
	2010	2009
Average common shares outstanding	5,792,944	6,316,576
Average common and common equivalent shares outstanding	5,792,944	6,316,576
Loss from continuing operations per common share		
Net basic loss per common share	\$ (0.06)	\$ (0.08)
Diluted loss per common share	\$ (0.06)	\$ (0.08)
Discontinued operations gain, net of tax per common share		
Net basic income per common share	\$ 0.08	\$ 0.14
Diluted income per common share	\$ 0.08	\$ 0.14
Income per common share		
Net basic income per common share	\$ 0.02	\$ 0.06
Diluted income per common share	\$ 0.02	\$ 0.06

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Archon Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended	
	December	
	2010	2009
Net income	\$110,985	\$372,596
Unrealized gain (loss) on marketable securities, net of income taxes	240,381	(65,741)
Comprehensive income	\$351,366	\$306,855

The accompanying notes are an integral part of these consolidated financial statements.

-5-

Table of Contents

Archon Corporation and Subsidiaries
Consolidated Statement of Stockholders' Equity
For the Three Months Ended December 31, 2010
(Unaudited)

	Preferred Stock \$	Common Stock	Common Stock \$	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Notes Receivable From Stockholders	Treasury Stock	Total
Balances, October 1, 2010	\$ 0	6,316,576	\$63,166	\$63,247,158	\$(7,506,070)	\$ (286,655)	\$ (57,841)	\$(4,031,532)	\$51,428,226
Net income					110,985				110,985
Purchase of treasury stock								(2,812,500)	(2,812,500)
Unrealized gain on marketable securities						240,381			240,381
Balances, December 31, 2010	\$ 0	6,316,576	\$63,166	\$63,247,158	\$(7,395,085)	\$ (46,274)	\$ (57,841)	\$(6,844,032)	\$48,967,092

The accompanying notes are an integral part of these consolidated financial statements.

-6-

Table of Contents

Archon Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended December 31,	
	2010	2009
<i>Cash flows from operating activities:</i>		
Net income	\$ 110,985	\$ 372,596
Less: discontinued operations gain, net of tax effect	(476,578)	(892,872)
Net loss from continuing operations	(365,593)	(520,276)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities:		
Income tax benefit	(364,506)	(318,569)
Depreciation	578,135	594,300
Interest expense from amortization of debt issuance costs	(18,886)	57,023
(Gain) loss on sale of marketable securities	(99,865)	64,278
Change in operating assets and liabilities:		
Accounts receivable	6,132	(7,333)
Inventories	(3,704)	18,110
Prepaid expenses and other	(38,491)	(149,196)
Other assets	(2,566)	(87,596)
Accounts payable	(344,319)	(403,311)
Accrued and other liabilities	50,159	(7,650)
Deferred rent	(856,662)	(856,662)
Net cash used in operating activities	(1,460,166)	(1,616,882)
<i>Cash flows from investing activities:</i>		
Proceeds from sale or disposal of assets	0	28,885
Capital expenditures	(57,218)	(30,722)
Marketable securities purchased	(2,365,523)	(2,190,324)
Marketable securities sold or redeemed	1,863,822	1,032,333
Net cash used in investing activities	(558,919)	(1,159,828)
<i>Cash flows from financing activities:</i>		
Proceeds from line of credit	5,812,500	0
Payment on line of credit	(1,000,000)	0
Common stock purchased and retired	(2,812,500)	0
Preferred stock redeemed and retired	(15,644)	0
Net cash provided by financing activities	1,984,356	0
<i>Cash flows from Discontinued Operations:</i>		
Cash flows from operating activities	887,701	1,492,040
Cash flows from financing activities	(855,957)	(845,954)
Net cash provided by discontinued operations	31,744	646,086
Decrease in cash and cash equivalents	(2,985)	(2,130,624)
Cash and cash equivalents, beginning of period	9,578,555	31,646,498
Cash and cash equivalents, end of period	\$ 9,575,570	\$29,515,874

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

ARCHON CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the quarters ended December 31, 2010 and 2009

1. BASIS OF PRESENTATION AND GENERAL INFORMATION

The primary business operations of Archon Corporation (the "Company" or "Archon") are conducted through a wholly-owned subsidiary corporation, Pioneer Hotel Inc. ("PHI"), which operates the Pioneer Hotel & Gambling Hall (the "Pioneer") in Laughlin, Nevada. In addition, the Company owns real estate on Las Vegas Boulevard South (the "Strip") in Las Vegas, Nevada, currently rented through its wholly-owned subsidiary, Sahara Las Vegas Corp. ("SLVC"). It also owns rental properties in the Dorchester section of Boston, Massachusetts and in Gaithersburg, Maryland which are both currently rented through its wholly-owned subsidiary, SFHI, Inc.

The consolidated financial statements included herein have been prepared by management of the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations under Regulation S-X of the SEC, although management believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments necessary for a fair presentation of results for the interim periods have been made. The results for the current unaudited three month period ended December 31, 2010 are not necessarily indicative of results to be expected for the full fiscal year ended September 30, 2011. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2010, from which the balance sheet information as of that date is derived.

Use of Estimates. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical information, information that is currently available to the Company and on various other assumptions that the Company believes to be reasonable under the circumstances. Actual results could vary from estimates.

Income Per Common Share. The Company computes net income (loss) per share in accordance with FASB ASC 260-10, *Earnings per Share*. FASB ASC 260-10 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all potentially dilutive common shares outstanding during the period. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all potentially dilutive shares if their effect is anti-dilutive. Dilutive stock options of approximately 741,500 were not included in calculations of diluted income per common share for the fiscal quarters ended December 31, 2010, and 2009 as the options were out of the money and, therefore, would be anti-dilutive. The calculation would be anti-dilutive.

Table of Contents

As of August 31, 2007, the Company called for the redemption of all outstanding shares of its Exchangeable Redeemable Preferred Stock at a redemption price of \$5.341 per share, which sum included earned and unpaid dividends to the date of redemption. From and after August 31, 2007, all shares of the Exchangeable Redeemable Preferred Stock ceased to be outstanding and to earn dividends. As of the date of the preparation of these financial statements, the holders of 4,264,312 shares of the Exchangeable Redeemable Preferred Stock have surrendered their shares and received payment of the redemption price. *See Note 6*

Uninsured Deposits. At various times during the period and subsequently, the Company maintained account balances that exceeded federally insured limits, and the risk of losses related to such concentrations may be increasing as a result of economic developments affecting financial institutions.

Investment in Marketable Securities. Debt securities available-for-sale are stated at fair market value with unrealized gains or losses determined by the specific identification method and reported as a component of accumulated other comprehensive income. Debt securities available-for-sale at December 31, 2010 includes investments in corporate bonds.

Marketable securities held by Merrill Lynch, Morgan Stanley Smith Barney, Contango Capital Advisors, UBS Financial Services, and Interactive Brokers LLC are held for an indefinite period of time and thus are classified as available-for-sale securities. Realized investment gains and losses are included in the consolidated statement of operations, as are provisions for other than temporary declines in the market value of available-for-sale securities. Unrealized gains and unrealized losses deemed to be temporary are excluded from earnings (losses), net of applicable taxes, as a component of other comprehensive income (loss). Factors considered in judging whether an impairment is other than temporary include the financial condition, business prospects and creditworthiness of the issuer, the length of time that fair value has been less than cost, the relative amount of decline, and the Company's ability and intent to hold the investment until the fair value recovers. During fiscal 2011, the Company did not record an impairment charge regarding its investment in marketable securities because, based on management's evaluation of the circumstances, management believed that the decline in fair value below the cost of certain of the Company's marketable securities was temporary. At December 31, 2010 and 2009, investments in equity securities available-for-sale included common and preferred stocks.

Included in "Gain (loss) on sale of marketable securities" in the consolidated statements of operations are approximately \$99,865 and \$64,278 of realized gain for the quarter ended December 31, 2010 and realized loss for the quarter ended December 31, 2009, respectively. The Company recorded approximately \$0.1 million and \$(0.1) million of other comprehensive income (loss) associated with unrealized gains and losses on these investments during the quarter ended December 31, 2010 and 2009, respectively.

The following is a summary of available-for-sale marketable securities as of December 31, 2010 and September 30, 2010 (amounts to the nearest thousand).

		12/31/10			
		Cost	Unrealized Gain	Unrealized (Losses)	Market or Fair Value
Debt securities		\$ 8,259	\$ 64	\$ (39)	\$ 8,284
Equity securities		10,557	819	(915)	10,461
Total		<u>\$18,816</u>	<u>\$ 883</u>	<u>\$ (954)</u>	<u>\$ 18,745</u>

		09/30/10			
		Cost	Unrealized Gain	Unrealized (Losses)	Market or Fair Value
Debt securities		\$ 9,807	\$ 429	\$ (27)	\$ 10,209
Equity securities		8,407	616	(1,459)	7,564
Total		<u>\$18,214</u>	<u>\$ 1,045</u>	<u>\$ (1,486)</u>	<u>\$ 17,773</u>

Table of Contents

The following is a summary of the net unrealized gains and losses as presented in Accumulated Other Comprehensive Income as of December 31, 2010 and September 30, 2010 (amounts to the nearest thousand):

Description	12/31/10				
	Unrealized Gains	Unrealized (Losses) Short-Term	Unrealized (Losses) Long-Term	Deferred Taxes (Benefit)	Acc. Other Comprehensive Income (Loss)
Debt Securities	\$ 64	\$ 0	\$ (39)	\$ 9	\$ 16
Equity Securities	819	0	(915)	(34)	(62)
Total	\$ 883	\$ 0	\$ (954)	\$ (25)	\$ (46)

Description	09/30/10				
	Unrealized Gains	Unrealized (Losses) Short-Term	Unrealized (Losses) Long-Term	Deferred Taxes (Benefit)	Acc. Other Comprehensive Income (Loss)
Debt Securities	\$ 429	\$ (34)	\$ (3)	\$ 141	\$ 261
Equity Securities	616	(7)	(1,452)	(295)	(548)
Total	\$ 1,045	\$ (31)	\$ (1,455)	\$ (154)	\$ (287)

The Company recorded the combined total of unrealized gains and (losses) disclosed in the above tables, on the balance sheet with 65% as retained earnings - other comprehensive income, and 35% as deferred income taxes, in the amounts shown in the above tables.

The following is a summary of the proceeds from the sale of marketable securities and the gains or losses reclassified (realized) from Other Comprehensive Income (OCI) as of December 31, 2010 and 2009 (amounts to the nearest thousand):

Description	2010			
	Proceeds From Sales	Gross Realized Gains	Gross Realized (Losses)	Gain or (Loss) Reclassified From OCI
Debt securities	\$ 0	\$ 0	\$ 0	\$ 0
Equity securities	994	102	(2)	100
Total	\$ 994	\$ 102	\$ (2)	\$ 100

Description	2009			
	Proceeds From Sales	Gross Realized Gains	Gross Realized (Losses)	Gain or (Loss) Reclassified From OCI
Debt securities	\$ 0	\$ 0	\$ 0	\$ 0
Equity securities	1,032	0	(64)	(64)
Total	\$ 1,032	\$ 0	\$ (64)	\$ (64)

Table of Contents

Revenue Recognition. Casino revenue is recorded as the aggregate of gaming wins and losses. Hotel, food and beverage, entertainment and other operating revenues are recognized as services are performed. Casino revenues are recognized net of certain sales incentives in accordance with FASB ASC 605-50, *Revenue Recognition, Customer Payments and Incentives*. Accordingly, cash incentives to customers for gambling, and the cash value of points and coupons earned by the slot club members totaling \$0.1 million and \$0.1 million for the quarter ended December 31, 2010 and 2009, respectively, have been recognized as a direct reduction of casino revenue. Advance deposits on rooms, if any, are recorded as deferred revenue until services are provided to the customer.

In accordance with industry practice, the retail value of room, food, beverage and other services furnished to the Company's guests without charge is included in gross revenue and then deducted as promotional allowances. The estimated retail value of such promotional allowances is included in revenues for the quarter ended December 31, 2010 and 2009 as follows (amounts to the nearest thousand):

	<u>2010</u>	<u>2009</u>
Food and beverage	\$551	\$757
Hotel	109	150
Other	<u>1</u>	<u>2</u>
Total	<u>\$661</u>	<u>\$909</u>

Rental revenue from rental properties is recognized as earned on a straight-line basis over the term of the lease. When rental payments received exceed rents earned and recognized, the difference is recorded as deferred rental income in the liabilities section of the balance sheet, and conversely, when rents earned and recognized exceed rental payments received, the difference is recorded as other assets.

Concentrations. The Company's primary operations are concentrated in the geographic area of Laughlin, Nevada and in the hotel and casino industry. As a result, the Company is at risk of unfavorable changes in general economic conditions including recession, economic slowdown, or higher fuel or other transportation costs. These factors may reduce disposable income of casino patrons or result in fewer patrons visiting casinos.

The Company owns real estate on the Las Vegas Strip in Las Vegas, Nevada and on the East Coast of the United States. Although the Company is presently not dependent on cash flows from these properties, a significant decline in real estate values in these markets could have an impact on the Company's ability to readily generate cash flow from the real estate.

Table of Contents

Concentrations of revenue by segment for the quarter ended December 31, 2010 and 2009 follows (amounts to the nearest thousand):

	2010	
Pioneer	\$3,287	64%
Rental properties held for investment	\$1,836	36%
Other and eliminations	\$ 0	0%
	2009	
Pioneer	\$3,959	62%
Rental properties held for investment	\$1,883	30%
Other and eliminations	\$ 534	8%

Recent Accounting Pronouncements. *FASB ASC 820-10:* In January 2010, the FASB issued Accounting Standards Update 2010-06 (ASU 2010-06), *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. This amendment to Topic 820 has improved disclosures about fair value measurements on the basis of input received from the users of financial statements. This is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the provisions of ASU 2010-06 to have a material effect on the financial position, results of operations or cash flows of the Company.

2. FEDERAL INCOME TAX

Deferred income taxes are reported for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes in accordance with FASB ASC 740-10, *Income Taxes*, which requires the use of the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax loss and credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company provides for deferred taxes for the estimated future tax effects attributable to temporary differences and carryforwards when realization is more likely than not.

3. RELATED PARTIES

The Company's Chairman of the Board and CEO has personally guaranteed certain loans for which the Company has accrued a loan guarantee fee equal to 0.5% of the guaranteed loan balance per calendar quarter. There was no significant change during the current quarter from the \$0.1 million balance during the quarter ended December 31, 2010 and, 2009.

The Company is subject to a Patent Rights and Royalty Agreement with the brother of the Company's Chairman of the Board and CEO with respect to certain gaming technology for which he had been issued a patent. The Company agreed to pay certain royalty payments with respect to the technology incorporated into gaming devices placed in operation, as well as costs related to maintain the patent. The patentholder granted the Company an exclusive five-year license that expired in January 2007 in the

Table of Contents

United States with respect to the technology, but which automatically renews for an additional two-year terms unless the Company terminates the agreement. The Company also has an understanding with the related party patentholder that it will pay for the costs of commercial development of the technology. Through December 31, 2010, the Company had expended approximately \$0.4 million for commercial development of the technology, and no additional costs have been expended. There were no expenditures incurred during the three month periods ended December 31, 2010 and 2009. No royalties were paid to the patentholder during the periods presented.

On January 14, 2008, nonqualified stock options were exercised by both the brother and son of the Company's Chairman of the Board and CEO, which were granted under the Company's 1993 Stock Option Plan. The date of the grants was January 21, 1998 and the exercise price was \$1.00 per share. 58,425 shares were exercised by the brother and 54,425 shares were exercised by the son. Both the brother and son paid the par value of \$0.01 for each share of stock exercised, and signed a promissory note for the remaining balance. The son paid his promissory note in full, in July 2010, and the remaining balance of \$57,841, shown as Notes receivable from stockholders, in the Company's December 31, 2010 balance sheet, is from the brother.

On October 13, 2007 the Company sold a 2005 Ford F-150 SuperCrew Short Bed vehicle owned by the Company and transferred under a promissory installment note to the son of the Company's Chairman of the Board and CEO. The promissory installment note was amended on April 12, 2010 to have a payment period of twelve months with a payoff on or before April 15, 2011. The remaining balance of \$19,575 is included in Accounts receivable, net, in the Company's December 31, 2010 balance sheet.

4. PURCHASE AND SALE AGREEMENT OF GAITHERSBURG PROPERTY

On May 28, 2009, the Company, through its wholly owned subsidiary SFHI, LLC ("SFHI"), entered into a Purchase and Sale Agreement (the "Agreement") with Montgomery County, Maryland (the "County") whereby the County will purchase SFHI's 51.57 acre parcel of land together with an approximately 341,693 square feet office building erected thereon (the "Gaithersburg Property"), located at 100 Edison Park Drive in Gaithersburg, Maryland. The purchase price for the Property will be \$76.3 million. The Agreement provided the County with a 90-day feasibility period during which the County determined that the Property is suitable for its intended use, and the County will now proceed to close escrow by notifying the Company of the closing date, which closing date may be no later than April 30, 2014.

Simultaneously with the execution of the Purchase and Sale Agreement, the County entered into a sublease with the existing tenant of SFHI at this location, GXS, Inc., whereby the County, as of October 1, 2009, leased and occupied the entire Gaithersburg Property until the earlier of (i) completion of its purchase of the Gaithersburg Property or (ii) April 30, 2014. Pursuant to the applicable provisions of the existing lease with GXS, Inc., SFHI consented to the sublease. In addition, GXS, Inc. agreed to pay SFHI the sum of \$2.1 million, \$1.7 million of which was paid on October 1, 2009, with the balance of \$0.4 million paid on July 1, 2010. Due to the pending sale of this property, the related results of operations have been reported as discontinued operations.

Table of Contents

Assets Held For Sale. The Company reviewed the guidance provided by FASB ASC 360-10-45-11, and thus has classified the assets associated with the Gaithersburg property as held for sale. The following table summarizes the components classified as held for sale as of December 31, 2010 and September 30, 2010 (amounts to the nearest thousand):

	12/31/10	09/30/10
Current portion of deferred rent	\$ 507	\$ 469
Long-term assets held for sale:		
Loan Issue Cost	671	723
Deferred Rent	1,754	1,893
Property and equipment		
Land	23,000	23,000
Buildings & Improvements	36,600	36,600
Machinery & Equipment	3,000	3,000
Allowance for depreciation	(10,854)	(10,854)
Assets held for sale	54,171	54,362
Total	\$ 54,678	\$ 54,831

Liabilities On Assets Held For Sale. The Company issued approximately \$55.4 million of first mortgage debt with a 7.01% interest rate per annum in connection with its acquisition of a commercial office building located in Gaithersburg, Maryland. The building is under lease through April 2014. The monthly lease payments are applied against the outstanding indebtedness. Monthly principal and interest payments amortize the debt to approximately \$22.3 million by the end of the lease in April 2014. The Company anticipates that the future tenant payments related to the net lease will be sufficient to fund required payments under the first mortgage notes and Internal Revenue Code of 1986 Section 467 debt. The principle balance as of December 31, 2010 and September 30, 2010 was \$36.4 million and \$37.3 million, respectively. The following debt table is related to assets held for sale (amounts to the nearest thousand):

	12/31/10	9/30/10
Interest payable	\$ 146	\$ 145
Current portion of debt	3,675	3,573
Total current liability	3,821	3,718
Long-term debt less current portion	32,584	33,541
Total	\$36,405	\$37,259

The monthly lease payments are applied against the outstanding indebtedness. Monthly principal and interest payments amortize the debt to approximately \$22.3 million by the end of the lease in April 2014. The Company anticipates that the future tenant payments related to the net leases will be sufficient to fund required payments under the first mortgage notes and Section 467 debt. The following table shows the debt related to the Gaithersburg Property to be paid by year until the property is sold (amounts to the nearest thousand):

2011	\$ 2,718
2012	3,987
2013	4,448
2014	25,107
Total	\$36,260

Table of Contents

Discontinued Operations. As a result of the pending sale of the Gaithersburg Property, the result of operations related to the Gaithersburg Property has been reflected as discontinued operations.

The Gaithersburg Property is a building used for commercial office space. The property is under a net lease through 2014 with a single tenant. Under the lease, the tenant is responsible for substantially all obligations related to the property. The property was acquired for \$62.6 million, plus debt issuance costs of \$2.7 million. The Company paid \$9.9 million in cash and issued \$55.4 million in nonrecourse first mortgage indebtedness. The Company allocated approximately \$23.0 million of the purchase price to land, \$3.0 million to machinery and equipment and the balance to building and improvements.

The following table shows the schedule of rent proceeds that will be used to meet future debt obligations related to the Gaithersburg Property until it is sold (amounts to the nearest thousand):

	2011	2011	2013	2014	Total
Gaithersburg Property	<u>\$4,602</u>	<u>\$6,268</u>	<u>\$6,425</u>	<u>\$4,257</u>	<u>\$21,552</u>

5. OPEN MARKET PURCHASES OF COMPANY COMMON STOCK

In December 2008 and June 2010, the Board of Directors of the Company approved the Company's adoption of plans, effective January 5, 2009 and June 30, 2010, for the Company to make periodic and ongoing open market purchases of up to 5.0% of its own common stock (up to 0.3 million shares of common stock) and 0.2 million shares, respectively, in accordance with Rule 10b-18 (the "Rule") of the Rules and Regulations Promulgated Under The Securities Exchange Act Of 1934 (the "Act"), and, more specifically, in accordance with SEC Release No. 33-8335 (the "Release"). Acting in compliance with the Release is a 'safe harbor' and approved method to make open market purchases of a company's own common stock in compliance with the Rule without those purchases being deemed manipulative under the Act.

The Rule and Release impose certain specific restrictions on the Company as to purchases of its own common shares. These include specific restrictions as to timing of open market purchases, manner of purchases, pricing of purchases and when purchases will (and will not) be allowed.

The Rule and Release also mandate certain additional and periodic disclosures that the Company must make concerning the open market purchases in its Series 10 filings (Report on Forms 10-K and 10-Q).

On January 8, 2010, the Company purchased a grouping of shares of common stock of the Company sufficient to cause it to effectively reach the maximum shares allotted to be purchased pursuant to the Rule and Release referenced above (when combined with prior program purchases since December 2008). As a result, the Company, on January 13, 2010, announced the close of the common stock purchase program with an effective date of January 8, 2010.

Since the announcement of the June 23, 2010 program, no purchases of its common stock had been made by the Company, until November 3, 2010, at which time the Company became legally obligated to purchase a grouping of 0.2 million shares of its common stock, causing the Company to reach the maximum shares allotted to be purchased pursuant to the Rule and Release referenced in the first paragraph above. As a result, on November 3, 2010, the Company announced the close of the common stock purchase program referenced above.

Table of Contents

The table below summarizes the Company's buy back of its common stock for the last 12-month period ended December 31, 2010 (amounts to the nearest thousand except for amounts reported per share):

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Beginning balance	16	\$ 19.56	16	301
January 2010	298	13.50	314	2
February 2010	0	0	314	2
March 2010	0	0	314	2
April 2010	0	0	314	2
May 2010	0	0	314	2
June 2010	0	0	314	2
July 2010	0	0	314	225
August 2010	0	0	314	225
September 2010	0	0	314	225
October 2010	0	0	314	225
November 2010	0	0	314	225
December 2010	225	12.50	539	225
January 2011	0	0	583	0
Ending balance	539	\$ 13.26	539	0

As of December 31, 2010, the Company is holding 0.5 million shares in treasury.

6. COMMITMENTS AND CONTINGENCIES

Redemption Of The Company's Preferred Stock And Redemption Price Disputes. The Company called all outstanding shares of its Exchangeable Redeemable Preferred Stock for redemption on and as of August 31, 2007, at a redemption price of \$5.241 per share, which sum included accrued and unpaid dividends to the date of redemption. From and after August 31, 2007, all shares of the Exchangeable Redeemable Preferred Stock ceased to be outstanding and to accrue dividends. As of February 11, 2011, the holders of 4.3 million shares of the Exchangeable Redeemable Preferred Stock have surrendered their shares and received payment of the redemption price; while 0.2 million shares have yet to be surrendered and still have the right to receive their payment due without interest. As of December 31, 2010 and September 30, 2010, exchangeable redeemable preferred stock -- unredeemed was \$0.8 million and \$0.8 million, respectively.

On August 27, 2007, a group of institutional investors filed an action against the Company in the United States District Court, entitled DE Shaw Luminar Portfolios et al. v. Archon Corporation, District of Nevada, Case No. 2:07-cv-1146. The Complaint was subsequently amended to add an additional party plaintiff (collectively, the "Plaintiffs"). The Amended Complaint: (i) seeks a finding by the Court that the Company has breached its obligations under the Company's Certificate of Designation of the Preferred Stock, dated September 30, 1993 (the "Certificate"), and awarding the Plaintiffs full compensation of any and all available damages suffered by the Plaintiffs as a result of the Company's breach of the Certificate; (ii) seeks a finding by the Court that the Company's issuance of its redemption notice with an improper redemption price is an anticipatory breach of a material term of the Certificate and awarding the Plaintiffs full compensation of any and all available damages suffered as a result of the Company's anticipatory breach of the Certificate; (iii) seeks a declaration by the Court that the dividends be properly calculated and compounded per the terms of the Certificate in an amount not less than \$7.2 million up through and including the date of final judgment; (iv) seeks an order from the Court calling for the Company to reimburse the Plaintiffs' attorneys' fees, expenses and costs incurred in enforcing their rights; and (v) seeks such other and further relief as the Court may deem appropriate.

Table of Contents

The Plaintiffs, thereafter, filed a motion for partial summary judgment, seeking a ruling from the court that the Company breached its obligations under the Certificate by calculating the redemption price as it did. The Court granted that motion on August 8, 2008, finding the language of the Certificate to be unambiguous and that the redemption price should have been calculated differently. Subsequent to the Court's ruling on the motion for partial summary judgment, Plaintiffs filed a motion for entry of final judgment, seeking entry of judgment that the redemption price for the preferred shares should have been \$8.69 per share. On December 22, 2010, the District Court granted that motion and entered judgment against the Company in the amount of \$9.5 million. The District Court based its decision primarily on its order from August of 2008. The Company has filed a motion for reconsideration of the District Court's December 22, 2010 order. That motion has been fully briefed and is pending before the District Court. In the event the motion for reconsideration is denied, the Company intends to appeal the District Court's decision to the Ninth Circuit Court of Appeals.

The Company has initiated proceedings against a third-party law firm concerning that firm's potential liability related to the drafting of the Certificate of Designation. This third-party action has subsequently been removed by the defendant law firm to Federal Court in April, 2009 and is at an early stage of resolution. The defendant law firm has moved to compel arbitration of the dispute. The Magistrate Judge issued an order that the matter be referred to arbitration and the District Court confirmed that order. The Company intends to pursue its claims against the defendant law firm in arbitration. The Company is also considering rights and remedies it may have with regard to other parties who participated in the issuance of the Preferred Stock in the event that the Company does not prevail on its interpretation of the Certificate.

Also, two other holders of the Exchangeable Redeemable Preferred Stock filed Complaints, both alleging essentially the same claim as the first complaint related to the case set forth immediately above. The two other lawsuits brought by former holders of the Exchangeable Redeemable Preferred Stock are entitled Rainero v. Archon Corporation, District of Nevada, Case No. 2:07-cv-01553, and Leeward Capital, L.P. v. Archon Corporation, District of Nevada Case No. 2:08-cv-00007. If the plaintiffs in these two additional actions are correct, the redemption price as of August 31, 2007 should have been \$8.69 per share and not \$5.241 per share as calculated by the Company. If applied to all the then outstanding shares of Exchangeable Redeemable Preferred Stock, including the shares held by the Company's officers and directors, valuation of the redemption price at \$8.69 per share would increase the redemption price in excess of \$15.2 million.

In the Leeward Capital matter, both the Leeward Plaintiffs and the Company have filed motions for summary judgment. The Leeward Plaintiffs made arguments similar to the Laminar Plaintiffs in their motion. On December 22, 2010, the District Court issued an order granting the Leeward Plaintiffs' motion for summary judgment on the same grounds as the Laminar order and denying Archon's motion without analysis. Contemporaneous with the filing of the December 22, 2010 order, the District Court entered judgment in favor of the Leeward Plaintiffs and against the Company in the amount of \$0.3 million. The Company has filed a motion for reconsideration of the District Court's December 22, 2010 order. That motion has been fully briefed and is pending before the District Court. In the event the motion for reconsideration is denied, the Company intends to appeal the District Court's decision to the Ninth Circuit Court of Appeals.

The Rainero action is purported to be brought on behalf of David Rainero individually as well as a class of all former preferred shareholders, although a class has not yet been certified by the District Court. Plaintiff Rainero filed a motion for class certification in December of 2010 which the Company intends to oppose. The Company's opposition brief to the motion for class certification is due February 15, 2011. Mr. Rainero was deposed in early January of 2011.

Table of Contents

The Company plans to appeal the District Court's decisions to the Ninth Circuit Court of Appeals. The Company believes that it has valid bases in law and fact to overturn or appeal these verdicts. As a result, the Company believes that affirmation of the judgments is possible but not probable, and, accordingly, that the amount of any loss cannot be reasonably estimated at this time. Because the Company believes that this potential loss is not probable or estimable, it has not recorded any reserves or contingencies related to this legal matter. In the event that the Company's assumptions used to evaluate this matter as neither probable nor estimable change in future periods, it will be required to record a liability for an adverse outcome, which may include post-judgment interest.

7. STOCK-BASED COMPENSATION

The Company's Stock Option Plan provides for the grant of up to approximately 1.3 million (net of options previously exercised) shares of its common stock to key employees. Currently there are approximately 0.5 million stock options available for grant. The Stock Option Plan provides for both incentive stock options and non-qualified stock options. Stock option grants generally vest over a three-year period from the employee's hire date. No options were granted during the quarter ended December 31, 2010 and 2009. As of December 31, 2010 and 2009, there were approximately 0.7 million options outstanding and exercisable under the Stock Option Plan. During the quarter ended December 31, 2010 and 2009, no options were exercised or granted.

The outstanding options have expiration dates through 2018 and have an average remaining life of approximately 6.0 years. The average exercise price of the outstanding options at December 31, 2010 was approximately \$28.09.

SFH Inc., SLVC and PHI (collectively, the "Subsidiaries"), have adopted subsidiary stock option plans (the "Subsidiary Plans"). The Subsidiary Plans provide for the grant of options by each of the Subsidiaries with respect to an aggregate of up to 10% of the outstanding shares of such Subsidiary's Common Stock to employees, non-employee directors, consultants or affiliates of the Company or the Subsidiaries. The purpose of the Subsidiary Plans is to enable the Subsidiaries and the Company to attract, retain and motivate their employees, non-employee directors, consultants and affiliates by providing for or increasing the proprietary interest of such persons in the Subsidiaries. As of December 31, 2010, no options had been granted under any of the Subsidiary Plans.

The following table summarizes stock option activity during the first fiscal quarter 2011 under all plans (amounts to the nearest thousand except for per share amounts):

	Number of Shares	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding at September 30, 2010:	742	\$ 28.09	6.3 yrs	\$(10,447)
Granted	0	N/A	N/A	N/A
Exercised	0	N/A	N/A	N/A
Canceled	0	N/A	N/A	N/A
Options outstanding at December 31, 2010	742	\$ 28.09	6.0 yrs	\$(11,857)
Options exercisable at December 31, 2010	742	\$ 28.09	6.0 yrs	\$(11,857)

As of December 31, 2010, there was no unrecognized compensation cost related to unvested stock options.

Table of Contents**8. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Supplemental disclosure of cash flow information for the quarter ended December 31, 2010 and 2009 is presented below (amounts to the nearest thousand):

	<u>12/31/10</u>	<u>12/31/09</u>
Operating activities:		
Cash paid during the period for interest -- continuing operations	<u>\$1,044</u>	<u>\$1,097</u>
Cash paid during the period for interest -- discontinued operations	<u>\$ 653</u>	<u>\$ 710</u>
Non-cash investing and financing activities:		
Unrealized gains (losses) on securities	<u>\$ 364</u>	<u>\$ (101)</u>

9. SEGMENT INFORMATION

The Company's operations are in the hotel/casino industry and the rental of commercial real estate properties. The Company's hotel/casino operations are conducted at the Pioneer in Laughlin, Nevada. As discussed above, the Company owns rental properties held for investment in the Dorchester section of Boston, Massachusetts and Las Vegas Strip, Nevada. "Assets Held for Sale" below includes a rental property in Gaithersburg, Maryland. "Other and Eliminations" below includes financial information for the Company's corporate operations, adjusted to reflect eliminations upon consolidation.

-19-

Table of Contents

Set forth below is the unaudited financial information for the segments, which the Company operates, as of and for the quarter ended December 31, 2010 and 2009 (amounts in nearest thousand).

	2010	2009
<u>Pioneer Hotel</u>		
Net operating revenues	\$ 3,287	\$ 3,959
Operating loss	(496)	(872)
Depreciation	134	137
Interest expense	0	0
Interest and other income	0	0
Loss before income taxes	(496)	(872)
Capital expenditures / transfers	54	31
Identifiable assets ⁽¹⁾	11,158	11,896
<u>Rental Properties:</u>		
Net operating revenues	\$ 1,836	\$ 1,883
Operating income	1,173	1,250
Depreciation	421	421
Interest expense	1,026	1,102
Interest and other income	0	4
Income before income taxes	148	152
Capital expenditures / transfers	0	0
Identifiable assets ⁽¹⁾	87,890	90,244
<u>Assets Held for Sale:</u>		
Net operating revenues	\$ 0	\$ 0
Operating income	0	0
Depreciation	0	0
Interest expense	0	0
Interest and other income	477	893
Discontinued operations, net of tax	0	0
Capital expenditures / transfers	54,171	55,242
Identifiable assets ⁽¹⁾		
<u>Other and Eliminations:</u>		
Net operating revenues	\$ 0	\$ 534
Operating income	(774)	(354)
Depreciation	23	36
Interest expense	0	2
Interest and other income	293	302
Loss before income taxes	(382)	(119)
Capital expenditures / transfers	3	0
Identifiable assets ⁽¹⁾	30,950	41,718
<u>Total:</u>		
Net operating revenues	\$ 5,123	\$ 6,376
Operating income (loss)	(97)	24
Depreciation	578	594
Interest expense	1,026	1,104
Interest and other income	293	306
Income before income taxes	(730)	(839)
Discontinued operations, net of tax	477	893
Capital expenditures / transfers	57	31
Identifiable assets ⁽¹⁾	184,169	199,100

⁽¹⁾ Identifiable assets represent total assets less elimination for intercompany items

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This discussion is intended to further the reader's understanding of the consolidated financial condition and results of operations of Archon Corporation (the "Company" or "Archon"). It should be read in conjunction with, and is qualified in its entirety by, the financial statements and notes thereto and other information included in this quarterly report on Form 10-Q and the Company's annual report on Form 10-K for the year ended September 30, 2010. These historical financial statements may not be indicative of the Company's future performance.

General**Overview of Business Operations and Trends**

Historically, the Company, has owned, managed and operated hotel/casino properties through a number of acquisitions or developments, and it has divested itself of certain of these properties. Presently, the Company operates the Pioneer in Laughlin, Nevada.

The Pioneer has experienced a decline of its revenues over the last few years after experiencing strong revenue and profit growth in the early 1990's. Management believes the increase in the number of casino properties on Native American lands in such nearby locations as California and Arizona within the last decade has caused revenue declines. In response, the Company focused on market definition and development in the local Laughlin area to maintain profitability. Unexpectedly difficult economic conditions impacting customers, including relatively high fuel costs, has significantly reduced disposable income, and limited customer travel and gaming activity. Management believes Laughlin is a mature market with marginal growth forecasted for the next few years based on its current development plans. Management believes the recent revenue and expense trends in its Laughlin hotel/casino property may not change significantly over the next few years, or until the current economic conditions and trends begin to materially improve.

The Company also owns rental properties on the East Coast and on the Las Vegas Strip, but revenues from these rental properties are used to meet their related mortgages and thus do not contribute significant net cash flow to the Company.

Assets Held for Sale

During fiscal year 2001, the Company acquired certain properties as part of an IRS Section 1031 exchange. The property held for sale is located in Gaithersburg, Maryland (the "Gaithersburg Property"). The Company acquired the Gaithersburg Property and nonrecourse debt associated with the Gaithersburg Property which is subject to a long-term lease. A tenant remits payment to the bank according to the terms of the lease and note. The payments are used to liquidate the nonrecourse debt obligations. Rental income is recorded by the Company on a straight-line basis and totals approximately \$5.6 million annually and will remain at this level until approximately 2014 or until the asset is sold, otherwise disposed of or becomes impaired. The buildings on the Gaithersburg Property are no longer being depreciated subsequent to the classification being changed from a rental property held for investment to assets held for sale. Interest expense is also recorded based on the outstanding nonrecourse debt remaining to be paid and based on unamortized loan issue costs and remaining debt amortization timetables. At any time during the term of the lease and debt amortization, the fair market value of the Gaithersburg Property may be different from its book values. Interest is presently being expensed at approximately \$2.5 million annually and will decrease in relation to debt principal reductions through 2014 or until the asset is sold, otherwise disposed of or becomes impaired.

Table of Contents

On May 28, 2009, the Company, through its wholly owned subsidiary SFHI, LLC ("SFHI"), entered into a Purchase and Sale Agreement (the "Agreement") with Montgomery County, Maryland (the "County") whereby the County will purchase SFHI's 51.57 acre parcel of land together with an approximately 341,693 square feet office building erected thereon comprising the Gaithersburg Property, located at 100 Edison Park Drive in Gaithersburg, Maryland. The purchase price for the Gaithersburg Property will be \$76.3 million. The Agreement provided the County with a 90-day feasibility period during which the County determined that the Gaithersburg Property is suitable for its intended use, and the County will now proceed to close escrow by notifying the Company of the closing date, which date may be no later than April 30, 2014.

Simultaneous with the execution of the Purchase and Sale Agreement, the County entered into a sublease with the existing tenant of SFHI at this location, GXS, Inc., whereby the County, as of October 1, 2009, leased and occupied the entire Gaithersburg Property until the earlier of (i) completion of its purchase of the Gaithersburg Property or (ii) April 30, 2014. Pursuant to the applicable provisions of the existing lease with GXS, Inc., SFHI consented to the sublease. In addition, GXS, Inc. agreed to pay SFHI the sum of \$2.1 million, \$1.7 million of which was paid on October 1, 2009, with the balance of \$0.4 million paid on July 1, 2010. Due to the pending sale of the Gaithersburg Property, the related results of operations have been reported as discontinued operations. See *Notes to Consolidated Financial Statements, Note 4, Purchase and Sale Agreement of Gaithersburg Property*

Rental Properties

During fiscal year 2001, the Company acquired certain rental property as part of an IRS Section 1031 exchange. The rental property is located in the Dorchester section of Boston, Massachusetts (the "Dorchester Property"). The Company acquired the Dorchester Property with improvements and nonrecourse debt associated with the Dorchester Property which is subject to a long-term lease. A tenant remits payments to a bank according to the terms of the lease and note. The payments are used to liquidate the nonrecourse debt obligations. Rental income is recorded by the Company on a straight-line basis and totals approximately \$6.7 million annually and will remain at this level until approximately 2020 or until the asset is sold, otherwise disposed of or becomes impaired. The buildings on the Dorchester Property are being depreciated on a straight-line basis and the depreciation expense is approximately \$1.7 million annually and will remain at this level until approximately 2041 or until the asset is sold, otherwise disposed of or becomes impaired. Interest expense is recorded based on the outstanding nonrecourse debt remaining to be paid based on unamortized loan issue costs and remaining debt amortization timetables. At any time during the term of the lease and debt amortization, the fair market values of the Dorchester Property may be different from its book value. Interest is presently being expensed at approximately \$3.8 million annually on a straight-line basis through 2020 or until the asset is sold, otherwise disposed of or becomes impaired.

The Company owns, through its wholly owned subsidiary, Sahara Las Vegas Corp. ("SLVC"), an approximately 27-acre parcel of land (the "Strip Property") located on the east side of Las Vegas Boulevard South, to the south of Sahara Avenue. The Company presently leases portions of the Strip Property to two different lessees for an aggregate amount of \$9,500 per month. The leases may be terminated in the event the property is sold or developed by the Company. In addition, the Company leased the balance of the property on a short-term basis for \$25,000 per month for the four month period commencing December 1, 2010 and ending March 31, 2011.

Table of Contents

Critical Accounting Policies and Estimates

The preparation of these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to customer incentives, bad debts, inventories, investments, estimated useful lives for depreciable and amortizable assets, valuation reserves and estimated cash flows in assessing the recoverability of long-lived assets, estimated liabilities for slot club bonus point programs, income taxes, contingencies and litigation. Management bases its estimates and judgments on historical information that is currently available to the Company and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different judgments or conditions.

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

Allowance for Doubtful Accounts. The Company allows for an estimated amount of receivables that may not be collected. The Company estimates its allowance for doubtful accounts using a specific formula applied to aged receivables as well as a specific review of large balances. Historical experience is considered, as are customer relationships, in determining specific reserves.

Property and Equipment. At December 31, 2010, the Company had net property and equipment of \$96.7 million, representing 52.6% of total assets. Management depreciates property and equipment on a straight-line basis over their estimated useful lives. The estimated useful lives are based on the nature of the assets as well as current operating strategy and legal considerations such as contractual life. Future events, such as property improvements, technological obsolescence, new competition, or new regulations, could result in a change in the manner in which the Company uses certain assets requiring a change in the estimated useful lives of such assets.

For assets to be held and used, fixed assets are reviewed for impairment whenever indicators of impairment exist. If an indicator of impairment exists, the Company first groups its assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (the "asset group"). Secondly, management estimates the undiscounted future cash flows that are directly associated with and expected to arise from the use of and eventual disposition of such asset group. Management then estimates the undiscounted cash flows over the remaining useful life of the primary asset within the asset group. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then an impairment is measured based on fair value compared to carrying value, with fair value typically based on a discounted cash flow model. If an asset is still under development, future cash flows include remaining construction costs.

For assets to be held for sale, the fixed assets (the "property held for sale") are measured at the lower of their carrying amount or fair value less cost to sell. Losses are recognized for any initial or subsequent write-down to fair value less cost to sell, while gains are recognized for any subsequent increase in fair value less cost to sell, but not in excess of the cumulative loss previously recognized. Any gains or losses not previously recognized that result from the sale of the disposal group shall be recognized at the date of sale. Fixed assets are not depreciated while classified as held for sale.

Income Taxes. The Company has recorded deferred tax assets related to net operating losses as the Company is able to offset these assets with deferred tax liabilities. Realization of the net deferred tax assets is dependent on the Company's ability to generate profits from operations or from the sale of long-lived assets that would reverse the temporary differences which established the deferred tax liabilities. There can be no assurance that the Company will generate profits from operations or sell those assets or

Table of Contents

will generate profits from sales if they were to occur in the future. In the event the Company does generate profits from sales of long-lived assets in the future a valuation allowance may need to be recorded, which would impact the Company's future results of operations. Annualized effective income tax rates for calculating interim period provisions and benefits have been estimated to be not significantly different than the estimated annual effective rate and the statutory rate.

Revenue Recognition. Casino revenue is recorded as the aggregate of gaming wins and losses. Hotel, food and beverage, entertainment and other operating revenues are recognized as services are performed. Casino revenues are recognized net of certain sales incentives in accordance with FASB ASC 605-50 *Revenue Recognition, Customer Payments and Incentives*. Accordingly, cash incentives to customers for gambling, and the cash value of points and coupons earned by the slot club members totaling approximately \$0.1 million and \$0.1 million for the quarters ended December 31, 2010 and 2009, respectively, have been recognized as a direct reduction of casino revenue.

Advance deposits on rooms, if any, are recorded as deferred revenue until services are provided to the customer. Hotel, food and beverage revenues are recognized as services are performed.

Rental revenue from rental properties is recognized as earned on a straight-line basis over the term of the lease. When rental payments received exceed rents earned and recognized, the difference is recorded as deferred rental income in the liabilities section of the balance sheet, and conversely, when rents earned and recognized exceed rental payments received, the difference is recorded as other assets.

Recent Accounting Pronouncements

See related disclosure at *Item 1 – Financial Statements – Notes to Unaudited Consolidated Financial Statements – Note 1 Basis of Presentation and General Information – Recent Accounting Pronouncements*.

Results of Operations – Three Months Ended December 31, 2010 and 2009General

During the quarter ended December 31, 2010, the Company's net operating revenues decreased \$1.3 million and operating expenses decreased \$1.2 million, resulting in a decrease in operating income of \$0.1 million from the quarter ended December 31, 2009. The decline in operating results was primarily due to unfavorable changes in general economic conditions including recession and economic slowdown. Net operating revenues at the rental properties decreased \$0.1 million from the quarter ended December 31, 2009. The decline in the revenue of the rental properties is substantially due to the decrease in rental revenue associated with the Strip Property.

Consolidated

Net Operating Revenues. Consolidated net operating revenues for the quarter ended December 31, 2010 were \$5.1 million, a \$1.3 million, or 20%, decrease from \$6.4 million for the quarter ended December 31, 2009. Income from the rental properties in the quarter ended December 31, 2010 was \$1.8 million, a \$0.1 million, or 5%, decrease from \$1.9 million for the quarter ended December 31, 2009. Revenues at the Pioneer of \$3.3 million for the quarter ended December 31, 2010, decreased \$0.7 million or 18%, from \$4.0 million for the quarter ended December 31, 2009.

Table of Contents

Operating Expenses. Total operating expenses decreased \$1.2 million, or 19%, to \$5.2 million for the quarter ended December 31, 2010 from \$6.4 million for the quarter ended December 31, 2009. Total operating expenses as a percentage of net revenue increased to 102% for the 2010 quarter from 100% for the 2009 quarter. Operating expenses at the Pioneer of \$3.8 million for the quarter ended December 31, 2010 decreased \$1.0 million or 21%, from \$4.8 million for the quarter ended December 31, 2009.

Operating Income. Consolidated operating loss for the quarter ended December 31, 2010 was \$0.1 million, a decrease of \$0.1 million from \$0.0 million for the quarter ended December 31, 2009. This decrease was due to the aforementioned changes in net operating revenues and operating expenses. Operating income attributable to the rental properties of \$1.2 million for quarter ended December 31, 2010 decreased \$0.1 million or 8%, from \$1.3 million for the quarter ended December 31, 2009. Operating loss at the Pioneer of \$0.5 million for the quarter ended December 31, 2010 decreased \$0.4 million or 44%, from \$0.9 million for the quarter ended December 31, 2009.

Interest Expense. Consolidated interest expense for the quarter ended December 31, 2010 was \$1.0 million, a \$0.1 million, or 9%, decrease from \$1.1 million for the quarter ended December 31, 2009.

Interest and Other Income. Consolidated interest and other income for the quarter ended December 31, 2010, was \$0.3 million, unchanged from the quarter ended December 31, 2009.

Gain (loss) on Sale of Marketable Securities. The gain on the sale of marketable securities for the quarter ended December 31, 2010 was \$0.1 million, a \$0.2 million, or 200%, increase from the loss of \$0.1 million for the quarter ended December 31, 2009.

Federal Income Tax. Federal income tax benefit for the quarter ended December 31, 2010 was \$0.4 million, a loss than \$0.1 million increase, or 33%, from the quarter ended December 31, 2009, based on federal statutory rates.

Discontinued Operations, Net of Tax. The gain on discontinued operations associated with the property held for sale during the quarter ended December 31, 2010 was \$0.5 million, a decrease of \$0.4 million from \$0.9 million for the quarter ended December 31, 2009.

Pioneer

Net Operating Revenues. Net operating revenues at the Pioneer were approximately \$3.3 million for the quarter ended December 31, 2010, a decrease of \$0.7 million, or 18%, compared to \$4.0 million in the quarter ended December 31, 2009.

Casino revenues for the quarter ended December 31, 2010 were \$2.7 million, a decrease of \$0.5 million, or 16%, compared to \$3.2 million in the quarter ended December 31, 2009. Slot and video poker revenues were \$2.5 million, a decrease of \$0.4 million, or 14%, compared to \$2.9 million. Other gaming revenues, including table games, were \$0.2 million, a decrease of \$0.1 million, or 33%, compared to \$0.3 million. Casino promotional allowances were \$0.7 million compared to \$0.9 million, a decrease of approximately \$0.2 million, or 22%.

Hotel revenues for the quarter ended December 31, 2010 were \$0.3 million, relatively unchanged from the quarter ended December 31, 2009. Hotel occupancy was 25% compared to 29%, a decrease of 4%, but was offset by an 8% increase in the average room rate. Competitive pressures continue in the Laughlin market. Food and beverage revenues decreased \$0.3 million, or 25%, to \$0.9 million from \$1.2 million. Other revenues were \$0.1 million, unchanged from the quarter ended December 31, 2009.

Operating Expenses. Operating expenses were \$3.8 million for the quarter ended December 31, 2010, a decrease of \$1.0 million, or 21%, from \$4.8 million in the quarter ended December 31, 2009. Operating expenses as a percentage of net revenue decreased to 115% in the current quarter from 120% in the quarter ended December 31, 2009.

Table of Contents

Casino expenses were \$1.6 million, a decrease of \$0.6 million, or 27%, from \$2.2 million, primarily due to the decrease in casino revenues. Casino expenses as a percentage of casino revenues decreased to 59% from 69%.

Hotel expenses were \$0.1 million, unchanged from the quarter ended December 31, 2009. Food and beverage expenses were \$0.5 million, a decrease of \$0.2 million or 29%, from approximately \$0.7 million, due to a decrease in the number of food and beverage covers sold. Food and beverage expenses as a percentage of food and beverage revenues decreased to 56% from 58%. Other expenses were \$0.1 million, unchanged from the quarter ended December 31, 2009. Other expenses as a percentage of other revenues was also unchanged at 100%.

Selling, general and administrative expenses were \$0.7 million, a decrease of \$0.1 million, or 13%, compared to \$0.8 million. Selling, general and administrative expenses as a percentage of revenues increased to 21% from 20%. Pioneer's selling, general and administrative expenses are greater than the consolidated total due to the elimination of intercompany transactions in consolidation. Utilities and property expenses were \$0.7 million, unchanged from the quarter ended December 31, 2009. Utilities and property expenses as a percentage of operating revenues increased to 21% from 18%. Depreciation and amortization expenses were \$0.1 million, unchanged from the quarter ended December 31, 2009. Depreciation and amortization as a percentage of operating revenues remained at 3%.

Liquidity and Capital Resources; Trends and Factors Relevant to Future OperationsContractual Obligations and Commitments

The following tables summarize the Company's fiscal year contractual obligations and commitments and cash interest payments, respectively, as of December 31, 2010 (for the nine-month period ending September 30, 2011 and for the fiscal years ending September 30, 2012, 2013, 2014, 2015, 2016 and thereafter) (amounts in nearest thousand):

	Payments Due by Period						Total
	2011	2012	2013	2014	2015	2016 and Thereafter	
<u>Continuing Operations</u>							
Nonrecourse debt:							
Dorchester	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,199	\$31,199
Long-term debt:							
Line of credit	6,813	0	0	0	0	0	6,813
Stock margin loan	0	0	0	3,000	0	0	3,000
Operating leases:							
Ground lease	294	392	392	392	392	24,698	26,560
Corporate warehouse	18	25	19	0	0	0	62
Total Continuing Operations	\$7,125	\$ 417	\$ 411	\$ 3,392	\$ 392	\$ 55,897	\$67,634
<u>Discontinued Operations</u>							
Gaithersburg	\$2,718	\$3,987	\$4,448	\$25,107	\$ 0	\$ 0	\$36,260

	Cash Interest Payments by Period						Total
	2011	2012	2013	2014	2015	2016 and Thereafter	
<u>Continuing Operations</u>							
Nonrecourse debt:							
Dorchester	\$2,850	\$3,800	\$3,800	\$ 3,800	\$3,800	\$ 21,850	\$39,900
Long-term debt:							
Line of credit	307	0	0	0	0	0	307
Stock margin loan	68	68	68	68	0	0	272
Operating leases:							
Ground lease	0	0	0	0	0	0	0
Corporate warehouse	0	0	0	0	0	0	0
Total Continuing Operations	\$3,225	\$3,868	\$3,868	\$ 3,868	\$3,800	\$ 21,850	\$40,479
<u>Discontinued Operations</u>							
Gaithersburg	\$1,871	\$2,263	\$1,958	\$ 1,122	\$ 0	\$ 0	\$ 7,214

Table of Contents

The Company has no significant purchase commitments or obligations other than those included in the above schedule.

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

Liquidity and Capital Resources

Line of Credit. The Company's wholly owned subsidiary, SLVC, secured and maintains a \$15.0 million line of credit loan granted by a Nevada bank. The loan and promissory note are secured by deed of trust on SLVC's approximate 27 acre parcel of land on Las Vegas Boulevard South (the "Strip Property"). The line of credit loan is revolving and is subject to additional lending requirements. The line of credit loan balance in the amount of \$6.8 million at the end of the quarter ended December 31, 2010 is reported as a current liability, and any outstanding balance under the line of credit will become due in February 2011. The initial advance under the line of credit loan was used to pay in full the previous line of credit loan secured by the Strip Property. The SLVC line of credit loan is guaranteed by SLVC and the Company, as well as, personally guaranteed by Paul W. Lowden, President of SLVC, and by Suzanne Lowden, Secretary/Treasurer of SLVC.

Stock Margin Loan Obligation. The Company's wholly owned subsidiary, SFHL, secured and maintains a \$3.0 million stock margin loan granted by Merrill Lynch. The stock margin loan is secured by marketable securities held by Merrill Lynch. The stock margin loan balance in the amount of \$3.0 million at the end of the three months ended December 31, 2010 is reported as a current liability and included in the line of credit balance.

-27-

Table of Contents

As of December 31, 2010, the Company held cash and cash equivalents of \$9.6 million compared to \$9.6 million at September 30, 2010. The Company had \$18.7 million in investment in marketable securities at December 31, 2010 compared to \$17.8 million at September 30, 2010. The rental properties are structured such that future tenants' payments cover future required mortgage payments including any balloon payments. Management believes that the Company will have sufficient available cash and cash resources to meet its cash requirements for a reasonable period of time.

Cash Flows from Operating Activities. The Company's cash used for operating activities was \$1.5 million for the quarter ended December 31, 2010, as compared to \$1.6 million for the quarter ended December 31, 2009.

Cash Flows from Investing Activities. Cash used for investing activities was approximately \$0.6 million for the quarter ended December 31, 2010, as compared to \$1.2 million for the quarter ended December 31, 2009. In the current year period, the Company used \$0.5 million for the purchase of marketable securities net of sales. In the prior year period, the Company used \$1.2 million for the purchase of marketable securities net of purchases.

Cash Used in Financing Activities. Cash used in financing activities was approximately \$2.0 million for the quarter ended December 31, 2010, as compared to \$0.0 for the quarter ended December 31, 2009. In the current year period, the Company received \$5.8 million as proceeds from lines of credit, used \$1.0 million to pay down the line of credit, and used \$2.8 for the purchase of treasury stock. In the prior year period the cash used was relatively insignificant.

The Company's primary source of operating cash is from the Pioneer operations, from interest income on available cash and cash equivalents and investments in marketable securities and, to a lesser extent, from net cash generated from the leasing of certain land owned on the Las Vegas Strip. Rental income from the Company's rental property and property held for sale is contractually committed to reducing the nonrecourse indebtedness issued or assumed in connection with the acquisition of the rental properties. Under the two leases, the tenants are responsible for substantially all obligations related to the leased properties.

The Company owns, through its wholly owned subsidiary, Sahara Las Vegas Corp. ("SLVC"), an approximately 27-acre parcel of land (the "Property") located on the east side of Las Vegas Boulevard South, just south of Sahara Avenue. The Company presently leases portions of the Property to two different lessees for an aggregate amount of \$9,500 per month. The leases may be terminated in the event the property is sold or developed by the Company. In addition, the Company-short-term leased the balance of the property for \$25,000 per month for the four month period commencing December 1, 2010 and ending March 31, 2011.

Pioneer

Pioneer's principal uses of cash are for payments of slot machine debt obligations, ground lease rent and capital expenditures to maintain the facility. The Company has implemented changes in personnel and promotional programs and installed new slot equipment to address the decreases in revenues and operating income. One of management's main focuses is to recapture market share in the Laughlin market. Management, however, can give no assurance that market share will be recaptured in its Laughlin market as its competition in the market typically has greater capital resources than does the Pioneer.

Payments of rent were approximately \$0.1 million for each of the quarter ended December 31, 2010 and 2009. Capital expenditures to maintain the facility in fiscal 2011 are expected to be less than \$1.0 million.

Table of ContentsAssets Held for Sale

The Gaithersburg Property in Gaithersburg, Maryland is located on 51.57 acres and includes one building with approximately 342,000 square feet of commercial office space. The Gaithersburg Property was acquired for \$62.6 million, plus debt issuance costs of \$2.7 million. The Company paid \$9.9 million in cash and issued \$55.4 million in nonrecourse first mortgage indebtedness. The Gaithersburg Property is under a net lease through 2014 with a single tenant with an investment grade credit rating. Under the lease, the tenant is responsible for substantially all obligations related to the Gaithersburg Property. The Gaithersburg Property is under contract to be sold. See Note 4, *Purchase and Sale Agreement of Gaithersburg Property*.

Rental Properties

The Company acquired commercial rental property in the Dorchester section of Boston, Massachusetts in March 2001. The Dorchester Property is located on 12 acres and includes several buildings with approximately 425,000 square feet of commercial office space. The Dorchester Property was acquired for approximately \$82.4 million plus \$0.5 million in debt issuance costs. The Company paid \$5.6 million in cash and assumed \$77.3 million in nonrecourse debt associated with the Dorchester Property. The Dorchester Property is under a net lease through 2020 with a single tenant with an investment grade credit rating. Under the lease, the tenant is responsible for substantially all obligations related to the Dorchester Property.

Redemption of the Company's Preferred Stock and Redemption Price Disputes

The Company called all outstanding shares of its Exchangeable Redeemable Preferred Stock for redemption on and as of August 31, 2007, at a redemption price of \$5.241 per share, which sum included accrued and unpaid dividends to the date of redemption. From and after August 31, 2007, all shares of the Exchangeable Redeemable Preferred Stock ceased to be outstanding and to accrue dividends. As of February 11, 2011, the holders of 4.3 million shares of the Exchangeable Redeemable Preferred Stock have surrendered their shares and received payment of the redemption price; while 0.2 million shares have yet to be surrendered and still have the right to receive their payment due without interest. As of December 31, 2010 and September 30, 2010, exchangeable redeemable preferred stock -- unredeemed was \$0.8 million and \$0.8 million, respectively.

On August 27, 2007, a group of institutional investors filed an action against the Company in the United States District Court, entitled *DE Shaw Laming Portfolios et al. v. Archon Corporation*, District of Nevada, Case No. 2:07-cv-1146. The Complaint was subsequently amended to add an additional party plaintiff (collectively, the "Plaintiffs"). The Amended Complaint: (i) seeks a finding by the Court that the Company has breached its obligations under the Company's Certificate of Designation of the Preferred Stock, dated September 30, 1993 (the "Certificate"), and awarding the Plaintiffs full compensation of any and all available damages suffered by the Plaintiffs as a result of the Company's breach of the Certificate; (ii) seeks a finding by the Court that the Company's issuance of its redemption notice with an improper redemption price is an anticipatory breach of a material term of the Certificate and awarding the Plaintiffs full compensation of any and all available damages suffered as a result of the Company's anticipatory breach of the Certificate; (iii) seeks a declaration by the Court that the dividends be properly calculated and compounded per the terms of the Certificate in an amount not less than \$7.2 million up through and including the date of final judgment; (iv) seeks an order from the Court calling for the Company to reimburse the Plaintiffs' attorneys' fees, expenses and costs incurred in enforcing their rights; and (v) seeks such other and further relief as the Court may deem appropriate.

The Plaintiffs, thereafter, filed a motion for partial summary judgment, seeking a ruling from the court that the Company breached its obligations under the Certificate by calculating the redemption price as it did. The Court granted that motion on August 8, 2008, finding the language of the Certificate to be unambiguous and that the redemption price should have been calculated differently. Subsequent to the

Table of Contents

Court's ruling on the motion for partial summary judgment, Plaintiffs filed a motion for entry of final judgment, seeking entry of judgment that the redemption price for the preferred shares should have been \$8.69 per share. On December 22, 2010, the District Court granted that motion and entered judgment against the Company in the amount of \$9.5 million. The District Court based its decision primarily on its order from August of 2008. The Company has filed a motion for reconsideration of the District Court's December 22, 2010 order. That motion has been fully briefed and is pending before the District Court. In the event the motion for reconsideration is denied, the Company intends to appeal the District Court's decision to the Ninth Circuit Court of Appeals.

The Company has initiated proceedings against a third-party law firm concerning that firm's potential liability related to the drafting of the Certificate of Designation. This third-party action has subsequently been removed by the defendant law firm to Federal Court in April, 2009 and is at an early stage of resolution. The defendant law firm has moved to compel arbitration of the dispute. The Magistrate Judge issued an order that the matter be referred to arbitration and the District Court confirmed that order. The Company intends to pursue its claims against the defendant law firm in arbitration. The Company is also considering rights and remedies it may have with regard to other parties who participated in the issuance of the Preferred Stock in the event that the Company does not prevail on its interpretation of the Certificate.

Also, two other holders of the Exchangeable Redeemable Preferred Stock filed Complaints, both alleging essentially the same claim as the first complaint related to the case set forth immediately above. The two other lawsuits brought by former holders of the Exchangeable Redeemable Preferred Stock are entitled Rainero v. Archon Corporation, District of Nevada, Case No. 2:07-cv-01553, and Leeward Capital, L.P. v. Archon Corporation, District of Nevada Case No. 2:08-cv-00007. If the plaintiffs in these two additional actions are correct, the redemption price as of August 31, 2007 should have been \$8.69 per share and not \$5.241 per share as calculated by the Company. If applied to all the then outstanding shares of Exchangeable Redeemable Preferred Stock, including the shares held by the Company's officers and directors, valuation of the redemption price at \$8.69 per share would increase the redemption price in excess of \$15.2 million.

In the Leeward Capital matter, both the Leeward Plaintiffs and the Company have filed motions for summary judgment. The Leeward Plaintiffs made arguments similar to the Laminar Plaintiffs in their motion. On December 22, 2010, the District Court issued an order granting the Leeward Plaintiffs' motion for summary judgment on the same grounds as the Laminar order and denying Archon's motion without analysis. Contemporaneous with the filing of the December 22, 2010 order, the District Court entered judgment in favor of the Leeward Plaintiffs and against the Company in the amount of \$0.3 million. The Company has filed a motion for reconsideration of the District Court's December 22, 2010 order. That motion has been fully briefed and is pending before the District Court. In the event the motion for reconsideration is denied, the Company intends to appeal the District Court's decision to the Ninth Circuit Court of Appeals.

The Rainero action is purported to be brought on behalf of David Rainero individually as well as a class of all former preferred shareholders, although a class has not yet been certified by the District Court. Plaintiff Rainero filed a motion for class certification in December of 2010 which the Company intends to oppose. The Company's opposition brief to the motion for class certification is due February 15, 2011. Mr. Rainero was deposed in early January of 2011.

The Company plans to appeal the District Court's decisions to the Ninth Circuit Court of Appeals. The Company believes that it has valid bases in law and fact to overturn or appeal these verdicts. As a result, the Company believes that the likelihood that affirmation of the judgments is possible but not probable, and, accordingly, that the amount of any loss cannot be reasonably estimated at this time. Because the Company believes that this potential loss is not probable or estimable, it has not recorded any reserves or contingencies related to this legal matter. In the event that the Company's assumptions used to evaluate this matter as neither probable nor estimable change in future periods, it will be required to record a liability for an adverse outcome, which may include post-judgment interest.

Effects of Inflation

The Company has been generally successful in recovering costs associated with inflation through price adjustments in its hotel room rates. Expenses of operating the Company's rental properties are generally borne by the tenants. Primarily due to competitive market and other economic pressures any such future increases in costs associated with casino operations and maintenance of properties may not be completely recovered by the Company.

Table of ContentsSafe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

Certain statements in this Quarterly Report on Form 10-Q which are not historical facts may be considered forward-looking statements, including, without limitation, such as statements relating to future operating results, existing and expected competition, financing and refinancing sources and availability and plans for future development or expansion activities, capital expenditures and expansion of business operations into new areas. Such forward-looking statements are based upon a number of assumptions concerning future conditions that ultimately may prove to be inaccurate and that may involve a number of risks and uncertainties that may significantly affect the Company's liquidity and results in the future and, accordingly, actual results may differ materially from those expressed in any forward-looking statements. Such risks and uncertainties include, without limitation, those related to effects of competition, leverage and debt service, general economic conditions, changes in gaming laws or regulations (including the legalization of gaming in various jurisdictions) and risks related to development activities and the startup of non-gaming operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss arising from changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Excluding its nonrecourse debt, the Company has total interest-bearing debt at December 31, 2010 of approximately \$9.8 million, which bears interest at a variable rate (approximately 6.25% at December 31, 2010). Therefore, the Company maintains certain market rate risk related to this debt. A change in the interest rates of 1% per annum would cause an approximate \$0.1 million change in the amount of interest the Company would incur based on the amount of variable-interest rate debt outstanding for any current or future year in which this debt is outstanding. Future borrowings related to this debt will be exposed to this same market rate risk.

The Company holds investments in various available-for-sale securities; however, management believes that exposure to price risk arising from the ownership of these investments is not material to the Company's consolidated financial position, results of operations or cash flow as historically price fluctuations of these securities have not been material.

-31-

Table of Contents**Item 4. Controls and Procedures**Disclosure Controls and Procedures

Our management, with the participation of the Company's Principal Executive Officer and Principal Accounting Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation, the Company's Principal Executive Officer and Principal Accounting Officer have concluded that as of December 31, 2010, the Company's disclosure controls and procedures were not effective, at the reasonable assurance level, in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Principal Executive Officer and Principal Accounting Officer, as appropriate to allow timely discussions regarding required disclosure; due to the material weaknesses described below.

In light of the material weaknesses described below, we performed additional analysis and other post-closing procedures to ensure that our financial statements were prepared in accordance with generally accepted accounting principles. Accordingly, we believe that the financial statements included in this report fairly present, in all material respects, our financial condition, results of operations, changes in stockholders' equity and cash flows for the periods presented.

Management Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is 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. The 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 accounting principles generally accepted in the United States of America, 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 our financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and reporting. 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.

Table of Contents

A material weakness is a control deficiency (within the meaning of Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 5) or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Accounting Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of the period covered by this report based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on the results of management's assessment and evaluation, our Principal Executive Officer and Principal Accounting Officer concluded that our internal control over financial reporting was not effective due to the material weaknesses described below.

Material Weaknesses

1. The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In making this assessment, the Company's management used the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in "Internal Control - Integrated Framework." Based on this assessment, management concluded that, as of December 31, 2010, the Company's internal control over financial reporting was not effective based on this framework.

Management evaluated the impact of ineffective control over financial reporting and concluded that the control deficiency represented a material weakness.

2. In connection with the audit of our consolidated financial statements for the year ended September 30, 2010, our independent registered accounting firm, Deloya Griffith & Company, LLC, reported to the audit committee of the Company's Board of Directors that they observed inadequate review and approval of certain aspects of the accounting process that they considered to be a material weakness in internal control.

After a review of the Company's current review and approval of certain aspects of the accounting process, management concluded that the inadequate review and approval process represented a material weakness.

Remediation of Material Weaknesses

To remediate the material weaknesses identified above, we have done the following subsequent to September 30, 2010, which correspond to the two material weaknesses identified above:

1. In connection with the ineffective assessment of the Company's internal control over financial reporting, management plans to hire an additional independent public accounting firm to perform our internal audit and assist with SEC compliance for purposes of all future reporting.

Management believes this remediation will remediate the corresponding material weakness described in Item 1, immediately above.

2. In connection with the reported inadequate review and approval of certain aspects of the accounting process, management has reiterated the Company's current review and approval processes, to insure that all accounting reconciliations and journal entries are reviewed and approved on a timely basis.

Management believes this remediation has remediated the corresponding material weakness described in Item 2, immediately above.

Table of Contents*Inherent Limitations on the Effectiveness of Controls*

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been or will be detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

-34-

Table of Contents**PART II – OTHER INFORMATION****Item 1. Legal Proceedings****Mercury Real Estate Securities Fund, LP and Mercury Real Estate Securities Offshore Limited v. Archon Corporation:**

The Company called all outstanding shares of its Exchangeable Redeemable Preferred Stock for redemption on and as of August 31, 2007, at a redemption price of \$5.241 per share, which sum included accrued and unpaid dividends to the date of redemption. From and after August 31, 2007, all shares of the Exchangeable Redeemable Preferred Stock ceased to be outstanding and to accrue dividends. As of February 9, 2011, the holders of 4.3 million shares of the Exchangeable Redeemable Preferred Stock have surrendered their shares and received payment of the redemption price; while 0.2 million shares have yet to be surrendered and still have the right to receive their payment due without interest. As of December 31, 2010 and September 30, 2010, exchangeable redeemable preferred stock – unredeemed was \$0.8 million and \$0.8 million, respectively.

On August 27, 2007, a group of institutional investors filed an action against the Company in the United States District Court, entitled DE Shaw Laminar Portfolios et al. v. Archon Corporation, District of Nevada, Case No. 2:07-cv-1146. The Complaint was subsequently amended to add an additional party plaintiff (collectively, the "Plaintiffs"). The Amended Complaint: (i) seeks a finding by the Court that the Company has breached its obligations under the Company's Certificate of Designation of the Preferred Stock, dated September 30, 1993 (the "Certificate"), and awarding the Plaintiffs full compensation of any and all available damages suffered by the Plaintiffs as a result of the Company's breach of the Certificate; (ii) seeks a finding by the Court that the Company's issuance of its redemption notice with an improper redemption price is an anticipatory breach of a material term of the Certificate and awarding the Plaintiffs full compensation of any and all available damages suffered as a result of the Company's anticipatory breach of the Certificate; (iii) seeks a declaration by the Court that the dividends be properly calculated and compounded per the terms of the Certificate in an amount not less than \$7.2 million up through and including the date of final judgment; (iv) seeks an order from the Court calling for the Company to reimburse the Plaintiffs' attorneys' fees, expenses and costs incurred in enforcing their rights; and (v) seeks such other and further relief as the Court may deem appropriate.

The Plaintiffs, thereafter, filed a motion for partial summary judgment, seeking a ruling from the court that the Company breached its obligations under the Certificate by calculating the redemption price as it did. The Court granted that motion on August 8, 2008, finding the language of the Certificate to be unambiguous and that the redemption price should have been calculated differently. Subsequent to the Court's ruling on the motion for partial summary judgment, Plaintiffs filed a motion for entry of final judgment, seeking entry of judgment that the redemption price for the preferred shares should have been \$8.69 per share. On December 22, 2010, the District Court granted that motion and entered judgment against the Company in the amount of \$9.5 million. The District Court based its decision primarily on its order from August of 2008. The Company has filed a motion for reconsideration of the District Court's December 22, 2010 order. That motion has been fully briefed and is pending before the District Court. In the event the motion for reconsideration is denied, the Company intends to appeal the District Court's decision to the Ninth Circuit Court of Appeals.

The Company has initiated proceedings against a third-party law firm concerning that firm's potential liability related to the drafting of the Certificate of Designation. This third-party action has subsequently been removed by the defendant law firm to Federal Court in April, 2009 and is at an early stage of resolution. The defendant law firm has moved to compel arbitration of the dispute. The Magistrate Judge issued an order that the matter be referred to arbitration and the District Court confirmed that order. The

Table of Contents

Company intends to pursue its claims against the defendant law firm in arbitration. The Company is also considering rights and remedies it may have with regard to other parties who participated in the issuance of the Preferred Stock in the event that the Company does not prevail on its interpretation of the Certificate.

Also, two other holders of the Exchangeable Redeemable Preferred Stock filed Complaints, both alleging essentially the same claim as the first complaint related to the case set forth immediately above. The two other lawsuits brought by former holders of the Exchangeable Redeemable Preferred Stock are entitled Raincro v. Archon Corporation, District of Nevada, Case No. 2:07-cv-01553, and Leeward Capital, L.P. v. Archon Corporation, District of Nevada Case No. 2:08-cv-00007. If the plaintiffs in these two additional actions are correct, the redemption price as of August 31, 2007 should have been \$8.69 per share and not \$5.241 per share as calculated by the Company. If applied to all the then outstanding shares of Exchangeable Redeemable Preferred Stock, including the shares held by the Company's officers and directors, valuation of the redemption price at \$8.69 per share would increase the redemption price in excess of \$15.2 million.

In the Leeward Capital matter, both the Leeward Plaintiffs and the Company have filed motions for summary judgment. The Leeward Plaintiffs made arguments similar to the Laminar Plaintiffs in their motion. On December 22, 2010, the District Court issued an order granting the Leeward Plaintiffs' motion for summary judgment on the same grounds as the Laminar order and denying Archon's motion without analysis. Contemporaneous with the filing of the December 22, 2010 order, the District Court entered judgment in favor of the Leeward Plaintiffs and against the Company in the amount of \$0.3 million. The Company has filed a motion for reconsideration of the District Court's December 22, 2010 order. That motion has been fully briefed and is pending before the District Court. In the event the motion for reconsideration is denied, the Company intends to appeal the District Court's decision to the Ninth Circuit Court of Appeals.

The Raincro action is purported to be brought on behalf of David Raincro individually as well as a class of all former preferred shareholders, although a class has not yet been certified by the District Court. Plaintiff Raincro filed a motion for class certification in December of 2010 which the Company intends to oppose. The Company's opposition brief to the motion for class certification is due February 15, 2011. Mr. Raincro was deposed in early January of 2011.

The Company plans to appeal the District Court's decisions to the Ninth Circuit Court of Appeals. The Company believes that it has valid bases in law and fact to overturn or appeal these verdicts. As a result, the Company believes that affirmation of the judgments is possible but not probable, and, accordingly, that the amount of any loss cannot be reasonably estimated at this time. Because the Company believes that this potential loss is not probable or estimable, it has not recorded any reserves or contingencies related to this legal matter. In the event that the Company's assumptions used to evaluate this matter as neither probable nor estimable change in future periods, it will be required to record a liability for an adverse outcome, which may include post-judgment interest.

Table of Contents**Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities**

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

-37-

Table of ContentsItem 6. Exhibitsa. Exhibits.

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

-38-

Table of ContentsSIGNATURES

Persuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ARCHON CORPORATION,
Registrant

By: /s/ Paul W. Lowden
Paul W. Lowden
Chairman of the Board, President and
Principal Executive Officer

Date: February 18, 2011

-39-

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DISTRICT COURT

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CLARK COUNTY, NEVADA

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STEPHEN HABERKORN,

)

CASE NUMBER: A-16-732619

8

Plaintiff,

)

9

vs.

)

DEPT. NUMBER: XV

10

ARCHON CORPORATION, SUZANNE

)

Transcript of Proceedings

11

LOWDEN, PAUL LOWDEN,

)

12

Defendants.

)

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BEFORE THE HONORABLE JOE HARDY, DISTRICT COURT JUDGE

14

15

DEFENDANTS' MOTION TO DISMISS

16

WEDNESDAY, JUNE 22, 2016

17

APPEARANCES:

18

For the Plaintiff:

STEPHEN R. HACKETT, ESQ.

19

20

For the Defendants:

JUSTIN J. BUSTOS, ESQ.

21

22

RECORDED BY:

MATTHEW YARBROUGH

23

TRANSCRIBED BY:

KRISTEN LUNKWITZ

24

25

Proceedings recorded by audio-visual recording, transcript
produced by transcription service.

1 WEDNESDAY, JUNE 22, 2016 AT 9:58 A.M.

2

3 THE CLERK: A732619, Stephen Haberkorn versus
4 Archon Corporation.

5 MR. HACKETT: Good morning, Your Honor. Stephen
6 Hackett for the plaintiff.

7 MR. BUSTOS: Good morning, Your Honor. Justin
8 Bustos on behalf of the defendants.

9 THE COURT: Good morning. So, be grateful I'm
10 paying attention. No. So this is Defendants' Motion to
11 Dismiss Complaint, which I've reviewed, along with
12 Plaintiff's Opposition and the Reply. I don't know if I
13 mentioned when you guys were here before, but just so you
14 know and if you need time to consider what I'm going to
15 say, you're welcome to it. I don't know Mr. Bustos at all
16 but one of the partners in his law firm, Michael Fetter,
17 and I are friends and Mr. Fetter's on my recusal list,
18 which I don't think should affect -- well, it would not
19 affect my judgment in this case.

20 Additionally, I know the Lowdens, although that's
21 just through various events on the campaign trails. So,
22 Mr. Hackett, you would probably be the one affected by
23 that. If you need time to consider that, let me know.
24 Otherwise, I'm ready to go forward.

25 MR. HACKETT: I have no problem with Your Honor

1 hearing the case.

2 THE COURT: Okay. Thank you.

3 Like I said, I reviewed the briefs. Let me -- I
4 think the class action tolling is something I definitely
5 want to hear from and the subparts of that such as the --
6 what did you call it? Cross-jurisdictional or whatever the
7 term was that I was not familiar with. And then on the
8 other arguments, whether those are for a Motion to Dismiss
9 or more properly on a summary judgment type of issue. But,
10 Mr. Bustos, you're welcome to go.

11 MR. BUSTOS: Thank you, Your Honor.

12 Our Motion to Dismiss seeks to dismiss the entire
13 Complaint. The only issue we've raised is the statute of
14 limitations. It's our position that all of these claims
15 are time-barred and should be dismissed.

16 So, preliminarily, Your Honor, I'll state that
17 this entire case is based on Archon's redemption of its
18 preferred stock. As part of that redemption, Archon was
19 required to calculate the amount of the accrued but unpaid
20 dividends that had accumulated on the preferred stock. And
21 that calculation was done pursuant to the Certificate of
22 Designation, which is the contract that sets forth how this
23 is going to work. That document is a publically filed
24 document. It was filed with the Nevada Secretary of State
25 in 1993, Your Honor.

1 So because every single claim in this case is
2 fundamentally based on the argument that that calculation,
3 the time of redemption, August 31st, 2007, was incorrect,
4 it's our position that every claim in this case is well
5 time-barred, many years.

6 And, so, Your Honor, based on your preliminary
7 comments, I will jump ahead to the topics that the Court
8 was most concerned about and, at the end, I'll circle
9 around to the other arguments in case there's anything
10 specific that you would like me to address.

11 So, the issue that was primarily raised in the
12 Opposition to the Motion to Dismiss was this concept of
13 cross-jurisdictional tolling.

14 THE COURT: So I got the phrase -- the term right?

15 MR. BUSTOS: Absolutely, Your Honor.

16 THE COURT: Okay.

17 MR. BUSTOS: So, in the -- in Mr. Hackett's brief,
18 he starts off with the argument that the Court should apply
19 class action tolling. Now the concept of class action
20 tolling, in general, Your Honor, is well settled. It
21 originated from a United States Supreme Court case called
22 *American Pipe* and that case has been universally adopted by
23 the Federal Courts and every State Court, that I'm aware
24 of, has adopted the general concept of class action
25 tolling.

1 But, a separate concept has arisen in case law, a
2 fairly recent development of intra-jurisdiction -- or
3 excuse me, of cross-jurisdictional tolling.

4 THE COURT: Well I don't feel too bad if I hadn't
5 heard of it before. So, --

6 MR. BUSTOS: Not at all, Your Honor. I hadn't
7 before until I --

8 THE COURT: Okay.

9 MR. BUSTOS: -- did the research associated with
10 these individuals.

11 So, when we're talking about the *American Pipe*
12 line of cases, the courts have generally referred to that
13 as what they call intra-jurisdictional tolling. So tolling
14 when a case is filed in one court system and one
15 jurisdiction, dismissed, and subsequently refiled within
16 that same system. That's not controversial. We don't
17 dispute that that's accepted doctrine.

18 But the concept of cross-jurisdictional tolling
19 is, at this point, a very, you know, is a doctrine that
20 hasn't been widely accepted, it hasn't been widely decided
21 by the State Courts, frankly. So the concept -- so we have
22 a concept of cross-jurisdictional tolling. What we're
23 talking about is a case that was filed in one jurisdiction,
24 dismissed from that jurisdiction, and then subsequently
25 refiled in another jurisdiction.

1 So, Mr. Hackett is correct that there are a couple
2 of states that have adopted, you know, this concept. And I
3 have it my notes here that the jurisdiction that he refers
4 to were Delaware and Ohio. When we did the research, it
5 actually appeared though that the majority of State Courts
6 to actually consider this issue have rejected it and the
7 cases that I've cited in the briefs are from Illinois,
8 Texas, and Tennessee. And in the briefs, we've summarized
9 three main reasons why the doctrine of cross-jurisdictional
10 tolling should not be adopted.

11 And, by the way, Your Honor, in my research, the
12 Nevada Supreme Court has never touched upon this issue.

13 THE COURT: For better or worse, huh?

14 MR. BUSTOS: For better or worse. The *Jane Roe*
15 *Dancer* case was cited, but, as we explained in the briefs,
16 that clearly was a concept of intra-jurisdictional tolling.

17 So, when we're talking about cross-jurisdictional
18 tolling, Your Honor, the first point is that there is no
19 added efficiency to a State Court by adopting this
20 doctrine, as opposed to when we're talking about intra-
21 jurisdictional tolling. With intra-jurisdictional tolling,
22 the idea is that it leads to efficiencies within the court
23 system because people aren't running to file placeholder
24 suits while the main suit is still pending in the
25 jurisdiction.

1 Now, when we have intra-jurisdictional -- or
2 cross-jurisdictional tolling, you don't have that same
3 efficiency because, at that point, the State is not
4 interested in what's hearing in Federal Court. And, so, as
5 -- I believe it was the *Mastas* [phonetic] Court, the case
6 we cited in the brief, unless every jurisdiction was to
7 adopt this concept at the same time, the fear is that there
8 would be a run of cases to the jurisdiction that has the
9 more favorable tolling rules and they would get a
10 disproportionate number of cases that were not certified as
11 class actions. And, so, the idea that courts have feared
12 is that would actually burden a single state to adopt this
13 doctrine unless it was one of these uniform laws that apply
14 to every state.

15 The second concept is that Nevada simply doesn't
16 have an interest in furthering the efficiencies of other
17 court systems except out of maybe comity.

18 But the most important point, Your Honor, that we
19 discussed in the brief, which, I think, is really -- is key
20 as to why this Court should not be the first Court in
21 Nevada to adopt this doctrine is that when we're talking
22 about limitations periods, it really is the role of the
23 Legislature to determine what limitation period applies to
24 a specific case. And when we're talking about cross-
25 jurisdictional tolling and, of this case, from a federal

1 case ultimately to a State Court case, really what the
2 Nevada -- Nevada would be doing is it would be
3 [indiscernible] the ability of the Legislature to decide a
4 limitations period to the federal system because the
5 limitations period would then be determined entirely by how
6 long the Federal Court decided to deny class certification.
7 And, Your Honor, we really believe that that is an issue
8 that's best left to the Nevada Legislature.

9 Now I didn't make this point in the briefs, it's a
10 little bit of a comparison, it's not directly on point, but
11 Nevada has a statute, NRS 11.500, and that talks about the
12 concept of if a case is dismissed in Federal Court for lack
13 of jurisdiction, it can only be refiled within the state
14 system within the original limitations period on the claim
15 or within 90 days. So it serves as a statute of repose and
16 as a savings provision.

17 And, so, in that situation, the Nevada Legislature
18 has shown that if it has cases filed in one jurisdiction
19 going to another, it can decide what to set the time period
20 to when those cases should be applied. And so we would
21 submit that in the event that a Nevada Legislature wanted
22 to have this doctrine of cross-jurisdictional class action
23 tolling, it could adopt a similar statute to 11.500 to deal
24 with that directly and we believe that this issue really is
25 more appropriately decided from the Legislature considering

1 that the Nevada Supreme Court has not adopted it, the
2 majority of State Courts to decide it have not adopted it,
3 and, at this point, it still is a controversial doctrine.

4 So, is Your Honor interested in the equitable
5 tolling [indiscernible]?

6 THE COURT: You know, on that one, I don't think
7 it applies, but --

8 MR. BUSTOS: Okay. I would agree with you.

9 THE COURT: You can save and see if Mr. Hackett
10 can persuade me otherwise and you can --

11 MR. BUSTOS: I will do that to save time, Your
12 Honor. Thank you.

13 So the second point you mentioned in your opening
14 comments is whether the arguments are made by defendants in
15 this case are really appropriate for a Motion to Dismiss.
16 We believe they are, Your Honor. The case we cited in the
17 briefs is the *Brelient* case, B-R-E-L-I-E-N-T, which talks
18 about the appropriate types of information that a Court can
19 consider on a Motion to Dismiss.

20 THE COURT: Now on -- yeah, I -- I mean, on that
21 specific ground, I agree with you. I think some of your
22 colleagues, some of my colleagues may not realize that's
23 the case but I think it's fair and settled and appropriate.

24 MR. BUSTOS: And, so, in this case, we're talking
25 about the documents that are attached to the Complaint,

1 which are incorporated by reference under *Breliant*, and
2 then also the defendants have asked you to take judicial
3 notice of a few things. We've asked you to take judicial
4 notice of the public docket in the previous cases filed in
5 Federal Court. That was the *D.E. Shaw* [phonetic] case and
6 the *Lewar* [phonetic] case. That was -- those are all
7 public filings, which is clearly a subject matter of which
8 this Court can take judicial notice. And we've also asked
9 this Court to take judicial notice of SEC filings. The SEC
10 filings are also matters of public record that are
11 assessable online through the SEC's EDGAR database.

12 And, so, I don't dispute, Your Honor, that, you
13 know, as with any question of judicial notice, you
14 certainly have discretion in deciding whether or not to
15 take judicial notice of a fact, but every single fact that
16 we're asking the Court to consider as a part of the Motion
17 to Dismiss is a matter of public record and is something
18 that's verifiable of sources whose accuracy cannot be
19 reasonably questioned. So we think that this is an
20 appropriate matter for judicial notice.

21 And, Your Honor, given the time period that -- the
22 events in question that we're talking about, we think that
23 this is an issue that needs to be decided at the outset.
24 We're talking about facts that occurred in 2007 and, since
25 that time, our client has taken numerous actions that have

1 been based off of its redemption of the preferred stock.
2 Some of those are discussed in the Complaint. Archon has
3 repurchased shares. Archon has deregistered its common
4 stock with the SEC. And Archon has not been -- you know,
5 as a result, Archon has not been reporting with the SEC and
6 it hasn't kept track of its previous shareholders because,
7 in Archon's view, we redeemed the stock back in 2007.

8 So we think that this issue is something that's --
9 that should be decided now. We believe that as a matter of
10 economy and efficiency, we should have a decision on the
11 statute of limitations and we believe the Court has all the
12 facts it needs to have in front of it to determine whether
13 or not Mr. Haberkorn knew or should have known of the facts
14 giving rise to its cause of action.

15 THE COURT: Thank you very much.

16 MR. BUSTOS: And if you'd like me to discuss any
17 of the specific causes of action, I'm happy to do it.

18 THE COURT: No. Thank you though.

19 MR. BUSTOS: Thank you.

20 MR. HACKETT: Thank you, Your Honor.

21 Let me just first address the last thing that was
22 stated, which is that -- and I think this goes back to the
23 whole premise of the Motion to Dismiss, which is that all
24 of these claims arose from the redemption of the stock in
25 2007. A plain reading of the Complaint belies that

1 characterization. As just admitted by defense counsel,
2 Archon to this day takes the position that all of the
3 shareholders were properly redeemed in 2007. Now that
4 flies with --

5 THE COURT: Hasn't another Court found otherwise?

6 MR. HACKETT: Yes.

7 THE COURT: Okay.

8 MR. HACKETT: That flies in the face of the
9 Federal Court decisions in *D.E. Shaw* [phonetic] and *Lewar*
10 [phonetic] that they appealed all the way to the Ninth
11 Circuit and yet they still maintain that position.

12 I didn't supply it because it's outside of the
13 pleadings, but when we get into the merits of this case,
14 the Court will see that this is not the only case pending
15 before the State Court involving these same issues. We
16 attached the Complaint in the *Rader* case, which was
17 recently filed in 2015, and, in that case, they take the
18 position that the redemption occurred in 2007 and was valid
19 and they are taking that position irregardless of the prior
20 findings in the other cases.

21 So, it's not correct that all of these breaches
22 and causes of action that are asserted by my client arose
23 in 2007. Most of these claims, and the reason we brought
24 this as a separate case instead of just joining into the
25 class action or, you know, waiting to see what happened in

1 those cases, was that the ongoing breaches of the rights of
2 the preferred shareholders are continuing to be committed
3 to this day by Archon Corporation and those claims are
4 breach of fiduciary duty claims. We believe the officers
5 and the directors are bound by -- they were bound, in our
6 opinion, to pay the redemption to all of the preferred
7 shareholders once it was determined that they had
8 improperly paid the shareholders back in 2007. Now that
9 didn't occur until 2012 when the Ninth Circuit affirmed,
10 but they, to this day, have not paid any of the preferred
11 shareholders and we contend that's a continuing wrong that
12 continues to harm our client to this day.

13 And, in fact, under the Certificate, the amounts
14 continue to accrue. If you accept our position that the
15 stock was not properly redeemed in 2007 and has never been
16 properly redeemed because they didn't do what was required,
17 which is pay the current amount due to all of the
18 shareholders, then that amount is accruing because the
19 dividends accrue every quarter. So, it's just not -- it's
20 simply not correct to characterize our claims as arising in
21 2007.

22 Now, going back to the Court's question about the
23 cross-jurisdictional tolling, it's actually the defendants
24 that are asking the Court to do something unique and do
25 something different. They say: We want you to adopt a

1 strange doctrine that's not universally accepted. That's
2 not necessary because, in fact, the *Jane Roe Dancer* case, I
3 think, pretty much addresses this situation --

4 THE COURT: Where is that in your brief so I can
5 follow you?

6 MR. HACKETT: In our Opposition, that is -- starts
7 on page 8. It's actually page 8, line 19.

8 THE COURT: Okay.

9 MR. HACKETT: And we go onto discuss it for the
10 next three pages, through page 10. But the focus of this
11 part of the argument is at the bottom of page 8 or page 8,
12 line 19. In *Jane Roe Dancer*, the Nevada Supreme Court
13 expressly adopted class action tolling. Now, --

14 THE COURT: Which I think they agreed --

15 MR. HACKETT: They concede that.

16 THE COURT: Okay.

17 MR. HACKETT: They concede that, but they try to
18 then characterize that that's somehow far different than
19 this cross-jurisdictional tolling between a Federal Court
20 action and a later State Court action and that, therefore,
21 because it's -- they're in different jurisdictions, these
22 doctrines are completely different and unique. And I think
23 that the facts of *Jane Roe Dancer* show that they're not.
24 And the reason why is in the *Jane Roe Dancer* case, the
25 question was: Does the Fair Labor Standards Act, a federal

1 law, apply to these wage claims of these dancers such that
2 the Fair Labor Standard Act procedural device, which was
3 the opt-in of the plaintiffs into the class, should bar the
4 substitution of the class representative in that case for
5 the original class representative.

6 So there was no question the first case was timely
7 filed, but by the time they wanted to substitute the class
8 rep, they said: Well, her claims are barred under the
9 FLSA. So the federal law would have barred the
10 substitution and the Nevada Supreme Court said: No, in
11 Nevada, these cases are governed by NRCP 23, which is an
12 opt-out procedure. In other words, -- and here it is on
13 page 275 -- let me see. Page 275 of P.3d in that case,
14 176. The Supreme Court said:

15 NRCP 23 provides an opt-out class action construct
16 under which the original filing of the Complaint tolls
17 any applicable statute of limitations.

18 And there's a footnote 21 where they go and they
19 cite footnote 2, which goes back and says: This is in
20 contrast to the opt-in under the FLSA. And, therefore, the
21 federal law didn't apply. The Nevada state law did.

22 In this circumstance, a similar analysis is
23 applicable because under FRCP, the Federal Rules of Civil
24 Procedure 23, not the Fair Labor Standards Act, that's also
25 an opt-out provision, as the Court is probably aware. And,

1 therefore, the same analysis would apply in this case. The
2 original Federal Court class action, which is called the
3 Renero [phonetic] case was filed in August or -- no, I'm
4 sorry. November of 2007. And there's been no question
5 that that was filed within the applicable statute of
6 limitations. And my client was a member of that class.
7 There's no question about that either.

8 So the only question is: Should his claim have
9 been stayed by that opt-out Rule 23 filing? And our
10 position is that *Jane Roe Dancer* shows clearly the Nevada
11 Supreme Court would apply the same analysis to our
12 subsequent claim and that case was pending in Federal Court
13 without class certification up until 2014 when it was
14 dismissed on different grounds, lack of subject matter
15 jurisdiction. The same attorneys then filed the *Rader* case
16 in 2015 and that case is in State Court here and that case
17 is in front of Judge Denton.

18 So, -- and, interestingly, almost an identical
19 motion was denied by Judge Denton in that case claiming
20 that cross-jurisdictional tolling shouldn't apply and that
21 the filing of *Renero* [phonetic], the Federal Court class
22 action, didn't apply to *Rader's* later claim and they argued
23 these are the same lawyers, they knew about it. And Judge
24 Denton didn't accept that argument there.

25 So, getting back to the cross-jurisdictional

1 tolling analysis, even if you accept the defendants', you
2 know, argument that this is somehow different -- and, by
3 the way, there are three State Courts that have expressly -
4 - that we cited in our brief -- that's at page 10, lines 14
5 through 17 of our Opposition. The three State Courts --
6 Supreme Courts are Delaware, Montana, and Ohio. So they
7 have Illinois, Texas, and Tennessee. I mean, take your
8 pick, but we think the better reasoned cases are the cases
9 that accept cross-jurisdictional tolling.

10 And we have the quote from the Delaware Supreme
11 Court, which we think is most applicable, on page 10 and it
12 points out that based on *American Pipe*, which is the Nevada
13 -- the U.S. Supreme Court class action tolling case, the
14 exact same interests in efficiency, economy of litigation,
15 and notice to the defendants all weigh in favor of
16 recognizing cross-jurisdictional tolling and this
17 presumption of a parade of horrors that will follow if a
18 State Court recognizes this doctrine just hasn't happened
19 in those jurisdictions.

20 THE COURT: So wouldn't part of that parade be me
21 still having this case?

22 MR. HACKETT: Well, if you considered that, Your
23 Honor, I -- we are asking you to keep the case, yes.

24 Now, interestingly though, I will mention that,
25 again, there are numerous other cases involving these same

1 issues pending. As I said, the Rader case is before Judge
2 Denton and that is a class action. I think my client would
3 opt-out, which is why we filed this separate case because
4 we raise some other issues. But I think that case could
5 have a bearing on this case.

6 THE COURT: Okay.

7 MR. HACKETT: I would point out that --

8 THE COURT: How about I give you another minute to
9 wrap up?

10 MR. HACKETT: Okay. I'll try and wrap it up.

11 I just want to point out that their argument on
12 the class action tolling not applying that he tried to rely
13 on it's the duty of the Legislature or the obligation of
14 the Legislature to set the limitations period and this
15 would be abandoning that and they cited NRS 11.500. That's
16 the same statute that they tried to rely on in the Rader
17 case, which Judge Denton didn't apply. In that case, they
18 said that was a statute of repose and it set an outside
19 limit when you can bring these claims. They took that on a
20 writ to the Nevada Supreme Court and they weren't
21 successful in that argument.

22 So, again, raising the argument that the
23 Legislature set a specific limitation here for this type of
24 case I think has pretty well been determined in this
25 jurisdiction as not applicable.

1 Just moving on quickly to the other aspect, I
2 agree with your comment that a lot of these factual issues
3 that they're raising are more appropriate for summary
4 judgment than a Motion to Dismiss. I don't quarrel to the
5 citation of the *Brelent* case, the *Brelent* versus
6 *Preferred Equities*. I'm familiar with that case. I worked
7 on it. In that decision, the Nevada Supreme Court said:
8 Yeah, public records, things that can't reasonably be
9 disputed, like SEC filings, you can take judicial notice
10 of. And we don't quarrel with that aspect, but when --

11 THE COURT: It's the next step that you quarrel
12 with?

13 MR. HACKETT: Right. The next step --

14 THE COURT: Okay.

15 MR. HACKETT: The next step is take those filings
16 and then make inferences about what the plaintiff knew and
17 when the plaintiff should have known it and when the
18 plaintiff should have discovered his cause of action and
19 that's what they're asking you to do in the Motion to
20 Dismiss and that's what you can't do on a Motion to
21 Dismiss.

22 Just as an example, they say --

23 THE COURT: Oh there's no need.

24 MR. HACKETT: Okay. You know, and -- I even cite
25 in the documents they attached, you can see that they're

1 subject to different inferences, as we point out.

2 Unless the Court has other questions, --

3 THE COURT: No. Thank you very much.

4 MR. BUSTOS: Your Honor, I'll limit my reply
5 comments to three or four points.

6 THE COURT: Thank you.

7 MR. BUSTOS: So, the first one, Your Honor, and
8 Mr. Hackett's initial statements, something incorrect was
9 stated and this had to do with the findings in *D.E. Shaw*
10 [phonetic]. The Court in *D.E. Shaw* [phonetic] and *Lewar*
11 [phonetic] did not find that stock wasn't redeemed. To the
12 contrary, the Court relied on the fact that the stock was
13 redeemed in ruling in favor of the *D.E. Shaw* [phonetic] and
14 *Lewar* [phonetic] plaintiffs. Yes, the Court found that
15 Archon did not calculate it correctly, but the Court based
16 that finding on the fact that stock was redeemed on August
17 31st, 2007. Absent that finding, the *D.E. Shaw* [phonetic]
18 and *Lewar* [phonetic] plaintiffs could not have prevailed in
19 those cases.

20 But, Your Honor, we're not here talking about, you
21 know, the entities that Archon certainly disagrees with
22 what occurred there, but really we're talking about the
23 timing of the -- of this case.

24 So the second case I wanted to raise, Your Honor,
25 was with respect to the cross-jurisdictional tolling and

1 the citation to *Jane Roe Dancer*. Mr. Hackett made the
2 distinction that *Jane Roe Dancer* was talking about the
3 differences between federal law and Nevada law. That's not
4 the issue of cross-jurisdictional tolling. It's that
5 jurisdiction --

6 THE COURT: I agree with you on that.

7 MR. BUSTOS: Okay. And then I would just cite the
8 Court to a quote from that case:

9 Class actions brought under NRCP 23 toll the
10 limitations period on all potential.

11 So it was referring to Nevada procedure.

12 The third point, Your Honor, is the issue of what
13 was before Judge Denton and Mr. Hackett --

14 THE COURT: And that, I have no idea. So, I
15 wouldn't worry too much about that.

16 MR. BUSTOS: Well all I wanted to point out, Your
17 Honor, is that Judge Denton did not decide these issues and
18 neither did the Nevada Supreme Court. Judge Denton did
19 decide that he had -- he essentially said he was going to
20 rule on these issues at a later time. He declined to
21 decide whether or not cross-jurisdictional tolling would
22 apply. We think it needs to be decided at the outset. We
23 did take a writ. The Nevada Supreme Court said: Well,
24 Judge Denton has to decide it conclusively first before
25 they're going to do anything. So it still is an open

1 question. As far as I know, no Court in Nevada has
2 conclusively ruled on the issue.

3 And then the final point I'll make, Your Honor,
4 with respect -- is to the *Breliant* case. Apparently, I
5 guess, I've been pronouncing it wrong. Is that what we're
6 talking about, Your Honor, when we have matters of public
7 record, it doesn't require an inference. If something is
8 the matter of public record, that as a matter of law, you
9 can say somebody should -- knew or should have known of
10 that fact. And that's all I'll comment about that point,
11 Your Honor, unless you have further questions.

12 THE COURT: No. Thank you very much. Thank you
13 both for your briefs and arguments. Very helpful and, as I
14 like to tell people, I enjoy it when attorneys do a good
15 job. SO, thank you.

16 Having said that, at the end of the day, somebody
17 wins on some points and somebody loses and may win later,
18 but -- and there's a first time for everything.

19 I'm going to deny the Motion to Dismiss without
20 prejudice based primarily on -- looking into my crystal
21 ball, I think that the Nevada Supreme Court would agree
22 with the Delaware Supreme Court as stated in that *Dow*
23 *Chemical versus Blanco* case in these circumstances of this
24 case. I'm not sure about whether it would on state to
25 state or -- but, under these circumstances, with a Federal

1 Court case being in Nevada and now this court case being in
2 Nevada State Court, I think under those circumstances it
3 makes sense and I will apply and rule that class action
4 tolling applies, as both parties have agreed, but the
5 subpart of that, that being the cross-jurisdictional
6 tolling, I believe also applies and so I'll make that
7 ruling.

8 And, Mr. Hackett, I'll continue to give you
9 further reasons, but you'll be preparing the Order. Submit
10 it to Mr. Bustos for review and approval and put that in
11 there.

12 The other arguments in favor or against dismissal,
13 to me, are better addressed, if at all, on a Motion for
14 Judgment. In particular, as defense counsel stated,
15 whether plaintiff knew or should have known of these
16 various public record filings. Yeah, they were public
17 records, but I think even then, under these circumstances,
18 not appropriate to base a dismissal on those. And, so, I'm
19 -- the denial of the Motion is without prejudice under the
20 Motion to Dismiss standards as set forth in the parties'
21 briefs.

22 Let's see. As to NRS 11.500, that's one of those
23 where it's hard for me, if not impossible, for me to rule
24 on in terms of don't recall it being raised and I'm not
25 familiar with it off the top of my head. And if it wasn't

1 raised, it's not appropriate for me to base a decision on
2 because it wasn't raised.

3 Alternatively, the -- so the main basis is the
4 cross-jurisdictional tolling. Alternatively is the,
5 quote/unquote, I forget the term of art now, but the
6 ongoing harm as alleged in plaintiff's Opposition,
7 generally set forth on pages 13 through 19. That's an
8 alternative because I don't think we even get to that based
9 on the cross-jurisdictional tolling. I'm trying to read my
10 writing up here.

11 So, yes, I agree that based on the *Renero*
12 [phonetic] case being a class action in Nevada Federal
13 Court, tolled under the cross-jurisdictional, I agree *Jane*
14 *Roe Dancer* doesn't necessarily apply given the cross-
15 jurisdictional tolling argument, but, I think, at the same
16 time, it's indicative that tolling issue, which isn't
17 necessarily addressed explicitly in the statute by the
18 Legislature, may be addressed by the Court judicially.
19 And, so, I think that kind of supports my finding that
20 cross-jurisdictional tolling would apply.

21 Thank you both.

22 MR. HACKETT: Thank you, Your Honor.

23 MR. BUSTOS: Thank you, Your Honor.

24 PROCEEDING CONCLUDED AT 10:24 A.M.

25 * * * * *

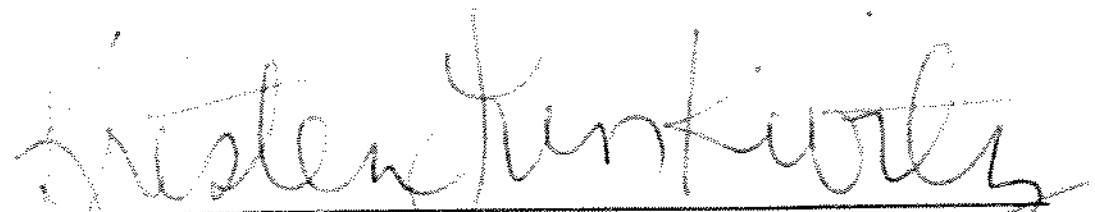
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CERTIFICATION

I certify that the foregoing is a correct transcript from the audio-visual recording of the proceedings in the above-entitled matter.

AFFIRMATION

I affirm that this transcript does not contain the social security or tax identification number of any person or entity.

A handwritten signature in cursive script, reading "Kristen Lunkwitz", is written over a horizontal line.

KRISTEN LUNKWITZ
INDEPENDENT TRANSCRIBER