U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended: December 31, 1996

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

Commission file number 0-20630

FULL HOUSE RESORTS, INC.
(Name of Small Business Issuer in Its Charter)

| DELAWARE | 13-3391527 |
|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |

DEADWOOD GULCH RESORT, HIGHWAY 85 SOUTH, DEADWOOD, SOUTH DAKOTA 57732
(Address and zip code of principal executive offices)
(605) 578-1294
(Issuer's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

| NONE | NONE |
|---|---|
| (Title of Each Class) | (Name of Each Exchange on Which Registered) |

Securities registered under Section 12(g) of the Exchange Act:

COMMON STOCK, $.0001 PER SHARE
(Title of class)

Check whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. [X]

State issuer's revenues for its most recent fiscal year: $7,670,338.

The aggregate market value of registrant's voting $.0001 par value common stock held by non-affiliates of the registrant, as of March 14, 1997, was: $22,819,188.

The number of shares outstanding of registrant's $.0001 par value common stock, as of March 14, 1997, was 10,340,380 shares.

## PART I

### 1. DESCRIPTION OF BUSINESS.

BACKGROUND

Full House Resorts, Inc. ("Full House" or the "Company") was incorporated in the State of Delaware as Hour Corp. on January 5, 1987. On November 20, 1992, Full House, through the issuance of 4,901,850 shares of common stock, par value $.0001 per share (the "Common Stock") and 1,000,000 shares of Series 1992-1 Preferred Stock, par value $.0001 per share (the "Preferred Stock"), acquired Deadwood Gulch Resort and Gaming Corp. On August 17, 1993, Full House completed a registered public offering of units, each consisting of three shares of its Common Stock and a warrant (the "Warrant") entitling the holder to purchase, for $5.00, one additional share of Common Stock during the period between August 10, 1994 and August 9, 1996 for gross proceeds of $8,000,000. During 1996, the Company extended the exercise period of the Warrants until February 10, 1997. The expiration date was not extended beyond that date. The net proceeds to Full

House of the offering, after payment of costs and expenses, were $6,742,781.

In connection with the public offering, Full House entered into an Agreement to Provide and Accept Commitment to Restructure First and Second Mortgage Loans ("Mortgage Restructuring Agreement"). In accordance with such Agreement and upon the closing of the public offering and receipt of the proceeds, two notes were issued in the amounts of $2,500,000 and $1,250,000. The notes required the payment of interest only at the rate of 12% for one year from the date of funding, payable monthly in arrears. Although the majority of the funds needed were obtained from offering proceeds, an $8,000,000 line of credit provided to Full House through an agreement with Allen E. Paulson (the Chairman of the Board of Directors of Full House) enabled Full House to repay the $2,500,000 note on March 14, 1994. In August, 1994, Full House began monthly payments of principal and interest on the other note which was held by H. Joe Frazier, a director of Full House until January, 1996. The entire principal balance was repaid on May 31, 1995.

Full House has been actively engaged in the process of identifying business opportunities in the gaming industry to expand its base and has determined that opportunities exist through the establishment of agreements with Indian Tribes and racetracks at which machine gaming is allowed.

In May 1994, Lee Iacocca brought to the attention of Full House management certain opportunities to enter into gaming agreements. Specifically, Mr. Iacocca advised Full House of his negotiations, together with Omega Properties, Inc. ("Omega"), with certain Indian Tribes (the "Organized Tribes") regarding the development of a gaming operation in the Detroit, Michigan metropolitan area. Mr. Iacocca also advised Full House of the ongoing discussions with a second Indian Tribe in Michigan (the Nottawaseppi Huron Band of Potawatomi), a tribe in southern California (the Torres Martinez Desert Cahuilla Indians) and a project at the Delaware State Fairgrounds. In each case, the other parties had entered into discussions with Mr. Iacocca based upon their perception of his integrity and ability to facilitate completion of the proposed transactions. Mr. Iacocca had conducted these negotiations through LAI Associates, Inc. ("LAI"), a corporation owned by him.

In addition, LAI owned a 25% interest in a total of 21 acres in Branson, Missouri, consisting of a 1.75 acre parcel ("Parcel 15"), a 7.76 acre site ("Parcel 16") and an 11.51 acre site ("Parcel BB") (collectively, the



"Branson Real Estate") and a 50% interest in royalties receivable pursuant to an agreement (the "Royalty Agreement") which provided for receipt by LAI of $100 per apartment unit (2,353 units) and $250 per residential ownership unit (951 units) sold after October 25, 1993 in Branson Hills, a mixed use planned community located in Taney County, Missouri.

Following extensive discussions with the principals of LAI and Omega, Full House determined that a merger transaction involving Full House, LAI and Omega would provide Full House with the advantages of both the real estate development opportunities in Branson and the opportunity to develop the gaming and commercial nongaming activities, the rights to which were held by LAI and Omega. During these negotiations, the parties agreed that the shareholders of LAI would receive 1,250,000 shares of Full House Common Stock and that the shareholders of Omega would receive 500,000 shares and a promissory note from Full House in the principal amount of $375,000. This decision was based upon Full House's determination that access to these four projects was only available through a merger with LAI and Omega.

Accordingly, on August 18, 1994, pursuant to a May 1994 letter of intent, Full House entered into a Merger Agreement (the "Merger Agreement") with Full House Subsidiary, Inc. ("FHS"), LAI and Omega (30% owned by William P. McComas, a director and stockholder of Full House) whereby these entities were to merge with FHS, a newly formed subsidiary of Full House. In exchange, the entities were to receive 1,750,000 shares of common stock of Full House and a note from Full House for $375,000 bearing interest at the "prime rate" of Bank of America, N.A. and due on demand, but in no event prior to August 31, 1996. Although Full House also entered into a Purchase Agreement with Mr. McComas on the same date to purchase a portion of the assets originally included in the May 1994 letter of intent in exchange for a $625,000 note from Full House, this portion of the transaction was not consummated and the note was not issued.

Subsequently, the parties determined that it was in their best interests to proceed with the merger with LAI prior to consummating the merger with Omega. On March 23, 1995, the parties amended the Merger Agreement and the Merger between LAI and FHS was consummated on the same date. As a result of the Merger, Full House obtained a 55% interest in the agreements with the Organized Tribes and the Nottawaseppi Huron Band of Potawatomi, and a 50% interest in the agreements with the Torres Martinez Desert Cahuilla Indians and the Delaware State Fair.

The parties again amended the Merger Agreement as of June 30, 1995 to provide that, rather than Omega merging into FHS, the subsidiary of Full House

into which LAI was merged, a new wholly-owned subsidiary of Full House, Full House Joint Venture Subsidiary, Inc. ("Full House Sub"), would be merged into Omega. The merger was effected on November 20, 1995. In exchange, the shareholders of Omega received an aggregate of 500,000 shares of Full House Common Stock and a promissory note of Full House in the principal amount of $375,000. The principal amount of this promissory note accrues interest, payable quarterly, at a rate equal to the "prime" rate and such principal amount, together with all accrued interest, is due and payable in full upon demand by the holder(s) of this note, but in no event before August 31, 1996. William P. McComas received the note and the other stockholder of Omega received the shares in exchange for their interests as shareholders of Omega. As a result of such merger, Full House obtained the remaining 45% interests in the agreements with the Organized Tribes and the Nottawaseppi Huron Band of Potawatomi and the remaining 50% interests in the agreements with the Torres Martinez Desert Cahuilla Indians and the Delaware State Fair.

The Omega transaction was accounted for as a purchase valued at $2,500,700. The purchase price has been allocated to the following assets and liabilities, based on their estimated relative fair values: cash $80 and gaming agreements $2,500,620. The gaming agreements were valued, as of March 23, 1995, by discounting to the net present value, as of the transaction date, the estimated future after tax cash flow for the proposed ventures and by applying a further discount based upon the expected likelihood of successfully developing the projects. In making this determination, Full House estimated the cash needs, the income and the cash flow related to its agreements with the Organized Tribes (the "Organized Tribes Agreement") and the Nottawaseppi Huron Band of Potawatomi (the "Nottawaseppi Agreement"). Through the use of these forecasts and an after-tax discount rate, Full House valued the Organized Tribes Agreement and the Nottawaseppi Agreement at $28 million and $37 million, respectively. The after-tax discount rate used was 13.8



percent. This rate was derived through use of the capital asset pricing model and/or the weighted average cost of capital model. Full House further reduced the above valuations by applying a "success factor" to account for the possibility that performance under the Organized Tribes Agreement and the Nottawaseppi Agreement would not occur on schedule due to the failure to receive or delays in the receipt of certain approvals. Although the actions of the Governor of Michigan with respect to off reservation gaming have resulted in Full House writing off the value of the Organized Tribes Agreement, Full House believes that such action has increased the value of the Nottawaseppi Agreement. Full House believes that the increase in the value of the Nottawaseppi Agreement, together with the value of the other agreements discussed above, supports the amount attributed to the gaming agreements.

In late 1995, Full House was named as a defendant in a lawsuit in Taney County, Missouri, as a result of its acquisition (through the merger of its wholly-owned subsidiary with LAI) of an interest in the Branson Real Estate and the Royalties Agreement. After negotiations with Mr. Iacocca, in March 1996 Mr. Iacocca accepted the reconveyance of the interests in the Branson Real Estate and Royalties in exchange for 193,529 shares of Common Stock to Full House which the Company believes had a value equal to the appraised value of the surrendered interests in the Real Estate and Royalty Agreement. Such action was intended to minimize the Company's exposure to the litigation.

Full House's executive offices are located at Highway 85 South, Deadwood, South Dakota 57732, telephone (605) 578-1294.

GTECH RELATIONSHIP

Full House entered into a series of agreements with GTECH Corporation, a wholly-owned subsidiary of GTECH Holdings Corporation, a leading supplier of computerized on-line lottery systems and services for government-authorized lotteries, to jointly pursue existing (except the Deadwood Gulch Resort) and future gaming opportunities. Although the agreements were dated as of December 29, 1995, the parties agreed to share equally in the equity investment, financing responsibility and in revenues and expenses of each project commencing April 1, 1995. Pursuant to the agreements, joint venture companies equally owned by Dreamport, Inc., the gaming and entertainment subsidiary of GTECH, and Full House have been formed. Full House contributed its rights (as described below) to the North Bend, Oregon facility and the rights to develop the Torres Martinez, Nottawaseppi Huron Band of Potawatomi and Delaware State Fair projects to the joint venture companies.

In payment for its interest in the joint venture companies, GTECH contributed cash and other intangible assets to the companies and committed to loan the joint venture companies up to $16.4 million to complete the North Bend, Oregon and Delaware facilities. Full House has agreed to guarantee one-half of the obligations of the joint venture companies to GTECH under these loans and at December 31, 1996 had guaranteed to GTECH one-half of a $2.0 million loan to the Tribe and one-half of a $9.1 million loan to the Delaware venture. GTECH has also agreed to make loans to Full House for its portion of the financing of

projects if Full House is unable to otherwise obtain financing. GTECH will also provide project management, technology and other expertise to analyze and develop/manage the implementation of opportunities developed by the joint venture companies. GTECH has also loaned Full House $3 million, which loan is convertible, subject to regulatory approval into 600,000 shares of Full House's Common Stock. In addition, Full House has been reimbursed by one of the joint venture companies for certain advances and expenditures made by Full House relating to the gaming development agreements. As part of the GTECH relationship, Allen E. Paulson, William P. McComas and Lee Iacocca have granted to GTECH an option to purchase their shares should they propose to transfer the same.

In March, 1997, Full House and GTECH modified their agreement to no longer require each party to present prospective business opportunities to the other.

Set forth below is a brief description of each of the gaming opportunities which have been transferred to the joint venture companies which are equally owned by Full House and Dreamport.



THE MILL CASINO--NORTH BEND, OREGON

On May 19, 1995, the first phase of the facility known as the "Mill" was opened with 250 video lottery terminals (336 as of December 31, 1996), nine blackjack tables, three poker tables, a restaurant and buffet, a saloon, a bingo hall, a gift shop and a snack bar on Tribal Trust Lands of the Coquille Indian Tribe in North Bend, Oregon. A Full House - Dreamport joint venture entity leases approximately 12.5 acres of Tribal Trust Lands from an entity owned by the Coquille Indian Tribe on which the Mill is located and subleases a portion of the land on which the casino is located back to the same entity. The master lease expires in 2019 and the sublease expires in 2002 with options to renew.

On July 19, 1995, an addendum to the agreement with the Coquille Indian Tribe was signed by Full House and Dreamport, which reduced the obligations of the joint venture company to provide financing to $10.4 million, extended the date when repayments begin and modified the method of computing participating rents and loan repayments. Lease and debt payments commenced on August 19, 1995 and September 19, 1995, respectively. In October, 1996, the Tribe secured a new $17.5 million loan to refinance certain outstanding indebtedness, finance the acquisition of gaming equipment and finance certain improvements to the gaming facility. The joint venture company was repaid 100% of its original development loan from the refinancing. GTECH Corporation purchased a $2 million participation in that new loan, half of which is guaranteed by Full House. As part of the loan, the joint venture company subordinated its rights to receive a percentage of Gross Gaming Revenues. As rental under the sublease to the Tribal entity, from October 8, 1996 through October 7, 1999, the joint venture company will receive 13% of Gross Gaming Revenue. The monthly percentage rental will be reduced to 12% from October 8, 1999 until October 8, 2000 when it will reduce to 11% until October 8, 2001. Thereafter, it will be 10% of Gross Gaming Revenue. No Annual Percentage Rental will be paid after August 19, 2002; provided, however, in the event Gross Gaming Revenue for any twelve month period exceeds $20,000,000, 10% of amounts in excess of such threshold will be paid as rent under the sublease.

The Mill is located in North Bend, Oregon on the Port of Coos Bay. In 1996, the Coos County population, which includes the Bay area, was approximately 65,000. The Bay area's economy is primarily based on forestry and fishing. Oregon's Coos Bay area is located on the Pacific Coast midway between San Francisco, California and Seattle, Washington. The communities of Coos Bay, North Bend and Charleston are approximately 115 miles from Eugene, Oregon's second largest city. The North Bend Municipal Airport is Southwestern Oregon's regional air terminal that provides commercial air service to and from Portland.

The Mill Casino is one of six Indian casinos presently operating in Oregon with one additional Indian casino under construction. The closest competing casino is located approximately 90 miles from North Bend and operates 230 devices, a card room, bingo and keno. The other casinos are located approximately 140, 160, 265 and 435 miles from North Bend. The two facilities which are 140 and 160 miles from North Bend are located closer to Portland, Oregon. Full House believes that there are other Indian casinos presently being contemplated in Oregon.

MIDWAY SLOTS AND SIMULCAST--HARRINGTON, DELAWARE

On August 20,1996 Midway Slots and Simulcast, owned by Harrington Raceway, Inc., was opened. The 35,000 square foot facility located near Dover, Delaware, was developed and financed and is managed by a Full House-Dreamport joint venture company. The facility employs approximately 250 people, and features 500 gaming devices and a 150-seat simulcast parlor and racebook. Individual screens for players broadcast horse racing from harness and thoroughbred tracks around the world. The facility also features a 150-seat Las Vegas-style buffet, lounge, and gift shop. The joint venture provided over $11 million in financing,

developed the project and acts as manager of the gaming facility pursuant to a 15-year contract. As of December 31, 1996, $9.1 million of the development loan remained outstanding.

Midway Slots and Simulcast is located in Harrington, Delaware on Route 13, south of Dover, Delaware between Philadelphia and Baltimore/Washington, D.C. Midway Slots and Simulcast is one of three facilities



presently operating in Delaware. The closest competing casino is located approximately 20 miles from Harrington and operates 1,000 devices. The other facility is located approximately 60 miles from Harrington.

Under the 15-year management agreement with the joint venture company, the venture receives a percentage of Gross Revenues and Operating Profits, as defined in the agreements. The joint venture company developed and constructed the gaming facility and provided financing through a capital lease arrangement.

NOTTAWASEPPI HURON BAND OF POTAWATOMI--BATTLE CREEK, MICHIGAN

Full House entered into a series of agreements in January, 1995, with the Nottawaseppi Huron Band of Potawatomi, a Michigan Indian Tribe, to develop gaming and non-gaming commercial opportunities for the Tribe and to construct and manage Class II and Class III gaming facilities. The Tribe's state reservation lands are located in Southcentral Michigan. If developed, the facility will target the Ft. Wayne, Indiana and Lansing and Detroit, Michigan metropolitan areas. The Tribe intends to apply to have its existing State reservation land as well as additional land in its ancestral territory taken into trust by the Bureau of Indian Affairs. The agreements gave Greenhouse Management, Inc., an entity 85% owned by Full House, the exclusive right to provide financing and casino management expertise to the Tribe in exchange for a defined percentage of net profits and certain other considerations from any future gaming or related activities of the Tribe. These rights have been assigned to a Full House-Dreamport joint venture company.

In late 1996, the joint venture company formed by Full House and Dreamport in Michigan renegotiated its management contract with the Nottawaseppi Huron Band of Potawatomi, and with Green Acres Casino Management, originally a 15% owner of Greenhouse Management, Inc. Under the new contract, the joint venture company will finance, develop and manage Class III gaming for the Tribe on reservation lands to be acquired near Battle Creek, Michigan. Green Acres Casino Management will be paid a royalty fee in lieu of its original 15% ownership interest in earlier contracts with the Tribe. The Huron Potawatomi achieved final federal recognition as a tribe in April, 1996, and won a Class III Gaming Compact from Michigan's governor early in 1997, to operate an unlimited number of electronic gaming devices as well as roulette, Keno, dice and banking card games and other Class III games. Legislative ratification of the Compact remains pending, as does approval by the U. S. Department of the Interior and National Indian Gaming Commission. On November 5, 1996, Michigan voters approved licenses for three gaming facilities within the City of Detroit, approximately 100 miles from the Battle Creek area. That legislation has been challenged in Michigan courts. The Company does not believe that operation of three gaming facilities in Detroit will adversely impact the proposed Huron Potawatomi casino.

TORRES MARTINEZ BAND OF DESERT CAHUILLA INDIANS--THERMAL, CALIFORNIA.

On April 21, 1995, Full House entered into a Gaming and Development Agreement with the Torres Martinez Desert Cahuilla Indians. The agreement grants Full House certain rights to develop, manage and operate gaming activities for the Tribe and the right to receive 40% of the net revenues from gaming activities subject to the obligation of Full House to pay the costs of the same. For all non-gaming activities, Full House is to provide 50% of the financing for development and will receive 50% of the net revenues from said activities, subject to the obligation of Full House to lend funds to the Tribe prior to commencement of gaming operations. On April 23, 1995, Full House and the Tribe entered into a Gaming Management Agreement further defining Full House's and the Tribe's rights and obligations under the Gaming and Development Agreement. As noted above, the rights to these agreements have been assigned to a Full House-Dreamport joint venture company.

During 1996, the Tribe reached a settlement in its litigation with the Department of Justice and two water districts, pursuant to which the Tribe will be paid $14 million in compensation, and will have the right to select up to 11,200 acres of new reservation land to be taken into trust in replacement for the same quantity of land which was flooded by the rising level of the Salton Sea. That settlement, which requires legislative enactment, was approved by the U. S. House of Representatives but stalled in the Senate as a result of opposition from Nevada senators. The Tribe intends to seek enactment of a similar bill during the current session of Congress.

ORGANIZED TRIBES

Pursuant to a September 16, 1994 agreement with the Organized Tribes in the State of Michigan, Full House obtained the right to pursue off-reservation gaming and related non-gaming activities. On June 28, 1995, the Governor of the State of Michigan determined to prohibit off-reservation gaming in the State of Michigan. As a result of this action and reimbursement of certain costs to Full House by GTECH, Full House wrote off project costs of $1,867,730 in 1995.

DEADWOOD GULCH RESORT.

Full House operates Deadwood Gulch Resort in Deadwood, South Dakota. The Deadwood Gulch Resort consists of a 56-acre complex which includes a 98-room hotel (including an outdoor pool/recreation area) with two small casinos, a freestanding restaurant and saloon, a freestanding 8,000 square foot conference center, a convenience store/gas mart, a recreational vehicle park and campground and the Gulches of Fun family center. DGR's hotel casinos occupy 1,575 square feet and the Gulches of Fun occupies 2,400 square feet. The Recreational Vehicle Campground contains 92 RV sites of which 90 are full service and an additional 30 tent sites. The Gulches of Fun family center includes an 18-hole miniature golf course, a go-kart track, bumper boat pond, batting cages, kiddie playland and rides and arcade and redemption games. Full House currently operates 96 slot machines, two blackjack tables and three video lottery devices within the resort complex.

New management at Deadwood Gulch Resort has successfully increased revenues and cut expenses, resulting in improved operating results. The Company continues to actively market the Resort for sale, having determined that its ownership is inconsistent with the Company's future plans which are to focus on gaming facilities in areas of higher population density and at locations which permit higher stakes and more types of gambling than are allowed in Deadwood, South Dakota. On April 9, 1996, the Company signed a non-binding letter of intent for the purchase of the Resort by RGB Deadwood Gulch LLC. Negotiations under that letter of intent terminated unsuccessfully on May 15, 1996. From the time of its acquisition through the end of 1996, the Resort had a cumulative operating deficit of approximately $3.91 million and the Company has recognized an impairment loss of $4.15 million through such date, including $1,051,070 in 1996. Any sale will be subject to a suitability finding by the South Dakota Commission on Gaming, and there can be no assurance that a sale will ultimately be consummated. Full House intends to continue to take steps to increase the Resort's profitability while attempting to consummate a sale.

DESCRIPTION OF RESORT. Deadwood is located in western South Dakota, approximately 50 miles northwest of Rapid City and had a population of 1,800 in 1990. Deadwood originated in the 1870's with the discovery of gold nearby and was the home of numerous gambling establishments, saloons and brothels, serving the gold miners and prospectors. Statehood in 1889 brought constitutional prohibitions against gambling. South Dakota amended its constitution to permit limited gambling exclusively in Deadwood, commencing on November 1, 1989.

Full House's management estimates that a large proportion of its customers at Deadwood Gulch Resort are derived from the tourists, primarily families, who visit Deadwood, South Dakota. Many of these tourists are attracted to the Black Hills area of South Dakota and the Mount Rushmore National Memorial. Since the Deadwood Gulch Resort significantly relies on the tourist trade, business at Deadwood Gulch Resort has tended to be seasonal. Approximately 56% of the operating revenues (net of promotional allowances) for the year ended December 31, 1996 were received in the four-month period from June through September. While business probably will remain somewhat seasonal, Deadwood Gulch Resort has attempted to market itself as a year-round destination resort by attracting tourists who use the Black Hills for winter recreation such as skiing and snowmobiling. Deadwood Gulch Resort is principally marketed through printed brochures and advertising, billboards, radio, television and direct mail promotions within a 600 mile market radius of Deadwood, South Dakota, including the States of South Dakota, North Dakota, Wyoming, Colorado, and Iowa, and the Province of Saskatchewan, Canada. In addition, Deadwood Gulch Resort promotes group travel, including charter bus tours and gaming junkets, utilizing independent travel agents, and trade and travel advertising. Deadwood Gulch Resort also promotes periodic gaming tournaments and features entertainment during selected periods.



The following table sets forth the percent of total operating revenues (net of promotional allowances) generated by the Deadwood Gulch Resort Casino, Hotel/RV, Retail, Food and Beverage and Gulches of Fun operations for the indicated periods.

PERCENT OF TOTAL OPERATING

| | REVENUES YEAR ENDED DECEMBER 31, | |
|---|---|---|
| REVENUE SOURCE | 1995 | 1996 |
| Casino | 27% | 26% |
| Hotel/RV | 26 | 27 |
| Retail | 22 | 23 |
| Food and beverage | 10 | 11 |
| Gulches of Fun | 15 | 13 |
| | 100% | 100% |

Since the commencement of the Resort's gaming operations, most of its gaming revenues have been derived from its operation of slot machines. For the years ended December 31, 1995 and 1996, 95% and 94%, respectively, of the Resort's gaming revenue was from slot machines. The remainder was from blackjack.

The average hotel occupancy rate for the years ended December 31, 1995 and 1996 were 63% and 72%, respectively, and the average daily hotel room rates for such periods were $56.85 and $51.44, respectively.

COMPETITION. Gaming operations at the Deadwood Gulch Resort are in competition with a significant number of existing and proposed gaming operations in South Dakota and Colorado, many of which are, or will be, owned or operated by organizations which are significantly better capitalized than Full House, which have or may have significantly larger facilities, and which may employ personnel who have more experience in the gaming industry than those currently employed, or proposed to be employed, by Full House. In addition, the Resort is in competition with other businesses which provide opportunities for gambling, such as racetracks and lotteries, or which provide entertainment which may divert the spending of discretionary income from gaming activities. Furthermore, the gaming industry is expanding rapidly, with more establishments competing for a customer base which may not be expanding as rapidly, if at all.

Gaming may be legally conducted in accordance with the South Dakota Gaming Act by licensed operators in the City of Deadwood, South Dakota, and may also be conducted by American Indian Tribes located in South Dakota under the Federal Indian Gaming Regulatory Act of 1988. As of December 31, 1996 there were 97 licensed gaming establishments in Deadwood which operated approximately 2,367 slot machines and 61 table games, including poker and blackjack. The revenues derived from the Resort's gaming operations accounted for approximately 3.1% and 3.3% of all gaming revenues in Deadwood, South Dakota for 1995 and 1996, respectively. Factors which affect gaming competition in Deadwood are location in relation to Deadwood's historic main street, proximity to motel rooms and parking, and the ability to serve alcoholic beverages. Six gaming locations in Deadwood offer a full range of alcoholic beverages, including Deadwood Gulch Resort. Gaming in Deadwood is conducted primarily in establishments along a four block long area on historic Main Street. Deadwood Gulch Resort is approximately one mile south of this highly concentrated area, which may limit the pedestrian traffic which passes Deadwood Gulch Resort. Full House's principal competitors in Deadwood are the Mineral Palace, First Gold Hotel, the Franklin Hotel, the Bullock Hotel, the Gold Dust Casino, the Silverado Casino and the Four Aces Casino. In addition, a well known actor and others have commenced construction of a large, upscale resort near the north entrance to Deadwood. Additional groups of investors have also proposed other resorts for the north entrance to Deadwood. No construction has commenced on these projects. Such resorts, if completed, may have significantly larger facilities, including hotel and meeting rooms, entertainment facilities, and more gaming devices than Deadwood Gulch Resort and would likely offer significant direct competition for Deadwood Gulch Resort.



While Deadwood Gulch Resort may also be in competition with gaming operations conducted by American Indian Tribes at or near Watertown, Flandreau, Fort Randall, Pine Ridge and Lower Brule, South Dakota, all of these locations are 250 miles or more from Deadwood, except for Pine Ridge, which is approximately 100 miles from Deadwood. Although all operations in Deadwood, and three of the four American Indian operations currently are subject to $5.00 bet limits by law, the Sisseton Wahpeton Sioux Tribe at Watertown, South Dakota, 400 miles from Deadwood, is permitted to have up to $100 bet limits. In addition, there are three other Indian tribes with reservations located within 100, 150 and 200 miles, respectively, from Deadwood, that could establish gaming operations in the future.

Deadwood Gulch Resort is also in competition with establishments throughout the State of South Dakota holding beer and wine licenses or liquor licenses, which may operate up to 10 "video lottery" gaming devices per establishment. The video lottery devices allow customers to play electronic versions of blackjack, poker, keno and bingo. Full House believes that there are approximately 1,445 establishments with over 8,000 such video lottery devices

installed in the State of South Dakota. Full House currently operates three video lottery devices.

ROUTE OPERATION AGREEMENT. On July 1, 1995 the Company entered into a route operation agreement with a new operator to place eight of the Company's gaming devices in its convenience store/gas mart and pay him 5% of the net profit from the machines. In February 1997, 13 gaming devices were added to the existing agreement.

Full House intends to seek additional such route operation agreements in the future. However, there can be no assurance that Full House will be successful in obtaining any such additional route operation agreements on terms acceptable to Full House.

FUEL SUPPLY AGREEMENT. DGR purchases its requirements of various fuels for use and sale at its gas mart. The current term of the agreement is through June, 1997, and is renewable thereafter from year to year, provided that DGR may cancel the agreement at the end of any such year by giving at least 30 days prior written notice. In addition, the supplier may cancel the agreement at any time on 10 days prior written notice. DGR pays $.01 per gallon above the supplier's Rapid City, South Dakota posted Conoco prices, plus the then current published freight charges from Rapid City to Deadwood. DGR has agreed to comply with the brand and image/signage standards established for Conoco-branded retail outlets.

GOVERNMENT REGULATION.

The ownership and operation of a gaming business by Full House, wherever conducted in the United States, will be subject to extensive and complex governmental regulation and control under federal, state and/or local laws and regulations.

INDIAN GAMING. Gaming on Indian Lands (lands over which Indian tribes exercise jurisdiction and which meet the definition of Indian Lands under the Indian Gaming Regulatory Act of 1988 ("IGRA")) is extensively regulated by federal, state and tribal governments. The current regulatory environment regarding Indian gaming is evolving rapidly. Changes in federal, state or tribal law or regulations may limit or otherwise affect Indian gaming or may be applied retroactively and could therefore have a material, adverse effect on the Company or its operations.

The terms and conditions of management contracts and collateral agreements, and the operation of casinos on Indian Land, are subject to IGRA, which is implemented by the National Indian Gaming Commission (the "Gaming Commission"), and also are subject to the provisions of statutes relating to contracts with Indian tribes, which are overseen by the Secretary of the U.S. Department of the Interior (the "Secretary"). IGRA is subject to interpretation by the Secretary and the Gaming Commission and may be subject to judicial and legislative clarification or amendment. Under IGRA, the Gaming Commission has the power to inspect and examine certain Indian gaming facilities, to conduct background checks on persons associated with Indian gaming, to inspect, copy and audit all records of Indian gaming facilities, and to hold hearings, issue subpoenas, take



depositions, and adopt regulations in furtherance of its responsibilities. IGRA authorizes the Gaming Commission to impose civil penalties for violations of the IGRA or the regulations promulgated thereunder (the "Regulations"), including fines, and to temporarily or permanently close gaming facilities for violations of the law or the Regulations. The Department of Justice may also impose federal criminal sanctions for illegal gaming on Indian Lands and for theft from Indian gaming facilities.

IGRA also requires that the Gaming Commission review tribal gaming ordinances and approve such ordinances only if they meet certain requirements relating to the ownership, security, personnel background, recordkeeping, and auditing of the tribe's gaming enterprises; the use of the revenues from such gaming; and the protection of the environment and the public health and safety.

IGRA also regulates Indian gaming management contracts, requiring the Gaming Commission to approve management contracts and collateral agreements, which include agreements such as promissory notes, loan agreements and security agreements. A management contract can be approved only after determination that the contract provides for: (i) adequate accounting procedures and verifiable financial reports, which must be furnished to the tribe; (ii) tribal access to the daily operations of the gaming enterprise, including the right to verify daily gross revenues and income; (iii) minimum guaranteed payments to the tribe, which must have priority over the retirement of development and constructions costs; (iv) a ceiling on the repayment of such development and constructions costs; and (v) a contract term not exceeding five years and a management fee not exceeding 30% of profits if the Chairman of the Gaming Commission determines that the fee is reasonable considering the circumstances; provided that the Gaming Commission may approve up to a seven year term and a management fee not to exceed 40% of net revenues if the Gaming Commission is satisfied that the

capital investment required or the income projections for the particular gaming activity justify the larger profit allocation and longer term.

Under IGRA, the Company must provide the Gaming Commission with background information on each person with management responsibility for a management contract, each director of the Company and the ten persons who have the greatest direct or indirect financial interest in a management contract to which the Company is a party (an "Interested Party"), including a complete financial statement and a description of such person's gaming experience. Such a person must also agree to respond to questions from the Gaming Commission.

The Gaming Commission will not approve a management company and may void an existing management contract if a director, key employee or an Interested Party of the management company is (i) an elected member of the Indian tribal government that owns the facility being managed; (ii) has been or is convicted of a felony or misdemeanor gaming offense; (iii) has knowingly and willfully provided materially false information to the Gaming Commission or a tribe; (iv) has refused to respond to questions from the Gaming Commission; or (v) is a person whose prior history, reputation and associations pose a threat to the public interest or to effective gaming regulation and control, or create or enhance the chance of unsuitable, unfair or illegal activities in gaming or the business and financial arrangements incidental thereto. In addition, the Gaming Commission will not approve a management contract if the management company or any of its agents has attempted to unduly influence any decision or process of tribal government relating to gaming, or if the management company has materially breached the terms of the management contract, or the tribe's gaming ordinance, or, if a trustee, exercising the skill and diligence to which a trustee is commonly held, would not approve such management contract.

IGRA divides games that may be played on Indian Land into three categories. Class I Gaming includes traditional Indian games and private social games and is not regulated under IGRA. Class II Gaming includes bingo, pull tabs, lotto, punch boards, tip jars, instant bingo, and other games similar to bingo, if those games are played at a location where bingo is played. Class III Gaming includes all other commercial forms of gaming, such as video casino games (e.g., video slots, video blackjack); so-called "table games" (e.g., blackjack, craps, roulette); and other commercial gaming (e.g., sports betting and pari-mutuel wagering).

Class II Gaming is permitted on Indian Land if conducted in accordance with a tribal ordinance which has been approved by the Gaming Commission and the state in which the Indian Land is located permits such gaming for any purpose. Class II Gaming also must comply with several other requirements, including a requirement that key management officials and employees be licensed by the tribe.



Class III Gaming is permitted on Indian Land if the conditions applicable to Class II Gaming are met and, in addition, if the gaming is conducted in compliance with the terms of a written agreement between the tribe and the host state. IGRA requires states to negotiate in good faith with Indian tribes that seek to enter into tribal-state compacts, and grants Indian tribes the right to seek a federal court order to compel such negotiations. The negotiation and adoption of tribal-state compacts is susceptible to daily legal and political developments that may impact the Company's future revenues and securities prices. The Company cannot predict which additional states, if any, will approve casino gaming on Indian Land, the timing of any such approval, the types of gaming permitted by each tribal-state compact, any limits on the number of gaming machines allowed per facility or whether states will attempt to renegotiate or take other steps that may affect existing compacts.

Under IGRA, Indian tribal governments have primary regulatory authority over gaming on Indian Land within the tribe's jurisdiction unless a tribal-state compact has delegated this authority. Therefore, persons engaged in gaming activities, including the Company, are subject to the provisions of tribal ordinances and regulations on gaming.

The Gaming Commission has determined that provisions of IGRA relating to management agreements do not govern the current operations of Full House in North Bend, Oregon.

Tribal-State Compacts have been the subject of litigation in several states, including California. Among the issues being litigated is the constitutionality of the provision of IGRA that entitles tribes to sue in federal court to force states to negotiate Tribal-State Compacts. On March 27, 1996, the United States Supreme Court ruled that the portion of IGRA permitting tribes to sue states for failing to negotiate in good faith over compacts was unconstitutional. In addition, several bills have been introduced in Congress which would amend IGRA. If IGRA were amended, the amendment could change the governmental structure and requirements within which Indian tribes may conduct gaming.

SOUTH DAKOTA. The ownership and operation of a gaming business in South

Dakota is subject to gaming laws established by the State of South Dakota (the "South Dakota Laws"), and regulations (the "South Dakota Regulations") promulgated by the South Dakota Commission on Gaming (the "South Dakota Commission") established by the South Dakota Laws. Except for gaming which may be conducted on American Indian Lands, and except for any establishment holding a beer and wine license or liquor license in South Dakota which may operate up to 10 video lottery machines, gaming in South Dakota can be legally conducted only in the City of Deadwood.

The South Dakota Laws require that each retailer who maintains gaming at his place of business, each operator of gaming devices, and each route operator (including any corporation or other entity) must have a gaming license in order to conduct gaming operations in Deadwood. The South Dakota Laws also require that key employees of the licensee, and support persons who are directly engaged in the gaming operation, such as dealers, be licensed through the South Dakota Commission. A license will be approved only if the applicant and the location where gaming is to be conducted, after an in-depth investigation, are found suitable by the South Dakota Commission. Under the South Dakota Laws, each licensee, and any officer, director or shareholder owning in excess of 5% of any corporation (or others which the Commission, in the exercise of its discretion, elects to review) engaged in the retail operation of the gaming establishment (i) is required to be of good character, honesty and integrity, (ii) shall not have been convicted of a felony or found to have violated the South Dakota Laws and Regulations, and (iii) may not be viewed as posing a threat to public interest or the conduct of gaming by reason of any prior activities, criminal record, reputation, habits or associations. All such licenses must be renewed annually.

The South Dakota Laws specify that no one person may hold a financial interest in more than three retail licenses. However, one person may operate under an unlimited number of additional gaming licenses pursuant to Route Operation Agreements, if approved by the South Dakota Commission. Each retail licensee is limited to 30 gaming devices (for example, 25 slot machines, three blackjack and two poker tables). Full House has three retail licenses covering its operations in the two hotel casinos and in the Gulches of Fun family center. Full House has



leased the Casino space in the convenience store to Richard Cleveland, who has obtained a retail license in his name which permits him to conduct gaming on these premises. Full House has entered into a Route Operation Agreement with Mr. Cleveland whereby Full House furnishes the gaming equipment and employees and conducts the gaming operations. See "-- Route Operation Agreement."

Gaming in Deadwood is limited under the South Dakota Regulations to slot machines, and with respect to card games, to blackjack and poker. Currently, each wager on any game is limited (in the case of poker per betting round) to $5.00. The $5.00 limit will stay in effect until at least December, 1997. The South Dakota Laws prohibit the extension of credit to another person for participation in gaming.

The South Dakota Commission is vested with broad enforcement powers, and upon an opportunity for hearing, may suspend or revoke any gaming license for cause, including a violation of the South Dakota Laws or South Dakota Regulations, or conviction of a crime of moral turpitude or a felony. In addition, the South Dakota Commission can fine any licensee who operates a retail gaming establishment up to $12,500, any key employee licensee up to $5,000, and any support licensee up to $2,500, for violations. The South Dakota Commission may inspect all premises where gaming is conducted or gaming equipment is located, without notice to the interested parties. The South Dakota Commission may also seize and remove gaming equipment or supplies without notice for purposes of inspection, as well as inspect or remove papers, books or records at any time. A suspension of all gaming activities is within the discretion of the South Dakota Commission after a disaster, such as a flood, fire or earthquake, or in the event of war or national emergency. Moreover, a retail operating licensee must report to the South Dakota Commission at least quarterly the full name and address of every person who has a right to share in the revenue of licensed games or to whom any interest or share in the profits of a licensed game has been pledged or deposited as security.

Each retail gaming licensee who operates a gaming establishment must pay an annual license fee of $100 and an annual license stamp fee of $2,000 upon each slot machine or card game located on a licensed premise. In addition, each operator who places slot machines upon his own business premises or engages in the business of placing and operating slot machines or gaming within Deadwood must pay an annual license fee of $200. South Dakota also imposes an 8% gaming tax on adjusted gross gaming receipts (gross receipts less payouts to customers as winnings) subject to change by the South Dakota Commission. However, if the South Dakota Commission proposes to change the tax, the rate may not be decreased to less than 5% or increased to more than 15%. The gaming taxes are in lieu of any sales, use or amusement tax which might otherwise be imposed on gaming activity.

EMPLOYEES

As of March 15, 1997, the Company and its subsidiaries had approximately 57 full-time employees, three of which are executive officers of the Company, and 26 part-time employees. The Company's management believes that its relationship with its employees is good. None of the Company's employees are currently represented by a labor union, although such representation could occur in the future.

2. DESCRIPTION OF PROPERTY.

A Full House-Dreamport joint venture company leases approximately 12.5 acres of Tribal Trust Lands from an entity owned by the Coquille Indian Tribe on which the Mill is located. The joint venture company subleases the land on which the casino is located back to the same entity. The master lease expires in 2019 and the sublease expires in 2002 with options to renew. Pursuant to a July 19, 1995 addendum, the joint venture company receives a percentage of "Gross Gaming Revenues" (as defined) of the casino. Payments commenced August 19, 1995. See "--Description of Business."

A Full House-Dreamport joint venture company has a lease and leaseback agreement with Harrington Raceway, Inc. The lease encumbers the land on which the gaming facility is located. The lease is treated as a capital lease and payments commenced on August 20, 1996. See "Description of Business."



Full House currently owns approximately 56 acres of property and the improvements thereon, consisting primarily of Deadwood Gulch Resort.

Full House was made aware, in November 1993, of claimed easements over a portion of its RV Resort and Campground property with respect to access to property at higher elevations. Management is in the process of negotiating the scope of the easement and does not believe that there will be any material financial expense or other material adverse impact on Full House as a result of these claims.

3. LEGAL PROCEEDINGS.

In October 1995, litigation was filed against Full House relating to ownership and access pertaining to a portion (approximately 1,200 square feet) of the Deadwood Gulch Resort hotel and parking lot property. That litigation has been settled by the Resort's purchase of the disputed encroachment of the parking lot onto neighboring property, and the acknowledgment of the unspecified easement to properties behind the hotel, and payment of nominal attorney's fees.

In October 1994, Full House filed an action for declaratory relief in Mississippi, seeking a determination by the court that no relationship exists between it and Lone Star Casino Corporation regarding the potential acquisition of a riverboat casino on the Mississippi gulf coast (FULL HOUSE RESORTS, INC. V. LONE STAR CASINO CORPORATION V. ALLEN E. PAULSON, Second Judicial District of the Chancery Court of Harrison County, Mississippi). Lone Star filed a counterclaim alleging breaches of fiduciary duty, breach of contract, conspiracy to breach contract and to breach fiduciary duty and common law fraud. The trial court granted summary judgment in favor of all defendants on that counterclaim, and Lone Star's appeal of that judgment is currently pending in the Mississippi appellate court. A decision is expected by the end of 1997. Management is unable to determine the outcome of this litigation, but does not believe the outcome will have a material adverse effect on Full House's financial condition.

In late 1995, Branson Hills Associates, L.P. (the "Plaintiff") filed a lawsuit in the Circuit Court of Taney County, Missouri, naming Lee Iacocca, William P. McComas, Ron Richey, and the Company and certain of its subsidiaries as defendants (collectively, the "Defendants"). The suit involves a claim that Messrs. Iacocca and McComas failed to use their best efforts to find a developer and financing for the Plaintiff in connection with the development of properties owned by the Plaintiff. The Plaintiff seeks rescission of the contract granting certain property rights to Iacocca and McComas in consideration of said best efforts, and further seeks damages for fraud and breach of contract arising out of Mr. McComas' loaning of funds to Plaintiff when alternative financing could not be arranged. Mr. Richey and the Company are further named in a count of conspiracy. A portion of the property rights involved in the lawsuit were briefly held by the Company subsequent to the merger involving LAI as described above, and have since been returned to Mr. Iacocca. The Company no longer holds any interest in such property. See "Business - Background." All Defendants vigorously dispute liability. The lawsuit is currently in the discovery phase, and no trial date has been set. Management is unable to determine the outcome of this litigation, but does not believe the outcome will have a material adverse effect on Full House's financial condition or results of operations.

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

None

PART II

5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

(A) MARKET INFORMATION.

The Company's Common Stock is listed on the Nasdaq SmallCap Market under the symbol FHRI. Set forth below are the high and low bid sales price of the Company's Common Stock as reported on the Nasdaq SmallCap Market System for the periods indicated.

| | HIGH | LOW |
|---|---|---|
| YEAR ENDED DECEMBER 31, 1995 | | |
| First Quarter | $6-1/8 | $4-3/8 |
| Second Quarter | 7-7/8 | 5-1/8 |
| Third Quarter | 6-1/4 | 2-3/4 |
| Fourth Quarter | 4-7/8 | 2-1/2 |
| YEAR ENDED DECEMBER 31, 1996 | | |
| First Quarter | $5-1/8 | $2-5/8 |
| Second Quarter | 4-1/2 | 3 |
| Third Quarter | 5-1/16 | 2-11/16 |
| Fourth Quarter | 4-13/16 | 2-7/8 |

The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions. On March 14, 1997, the last sale price of the Common Stock as reported by the Nasdaq SmallCap Market was $3-15/16.

(B) HOLDERS.

As of March 14, 1997 the Company had approximately 200 holders of record of its Common Stock. The Company believes that there are over 2,000 beneficial owners of its Common Stock.

(C) DIVIDENDS.

The Company has paid no dividends on its Common Stock or Preferred Stock since its inception. Holders of the Company's Common Stock are entitled to receive such dividends as may be declared by the Board of Directors out of funds legally available therefor.

Holders of the Company's Series 1992-1 Preferred Stock (each share of which is convertible at the option of the holder into one share of Common Stock) are entitled to receive dividends, when, as and if declared by the Board of Directors out of funds legally available therefor, in the annual amount of $.30 per share, payable in arrears semi-annually on the 15th day of December and June, in each year. Dividends on the Series 1992-1 Preferred Stock commenced accruing on July 1, 1992 and are cumulative. The Company did not declare or pay the accrued dividends on its Preferred Stock which were payable on December 15, 1992, June 15 and December 15,



1993, June 15 and December 15, 1994, June 15 and December 15, 1995, and June 15 and December 15, 1996, totaling $945,000 and, accordingly, is in default in regard thereto.

If the Company is in default in declaring, setting apart for payment or paying dividends on the Preferred Stock, it is restricted from paying any dividend or making any other distribution or redeeming any stock ranking junior to the Preferred Stock.

The Company intends to retain future earnings, if any, to provide funds for the operation of its business, retirement of its debt and payment of preferred stock dividends and, accordingly, does not anticipate paying any cash dividends on its common stock in the reasonably foreseeable future.

(D) REGISTRATION RIGHTS

The Company has granted certain demand and piggyback registration rights with respect to 700,000 shares of its Common Stock which might be acquired upon the conversion of the 700,000 outstanding shares of its Series 1992-1 Preferred

Stock.

(E) WARRANTS

In August 1993, Full House issued an aggregate of 800,000 Warrants comprising a portion of the Units sold in its initial public offering. Each Warrant originally entitled the holder to purchase one share of Full House Common Stock for $5.00. As a result of certain adjustments, the exercise price of the Warrants was lowered to $4.20 and the payment of such amount entitled the holder to purchase 1.1894 shares. The period during which Warrants could be exercised, which originally expired on August 9, 1996, was extended until February 10, 1997. The expiration date was not extended beyond February 10, 1997. A total of 22,166 Warrants to purchase 26,356 shares were exercised.

The underwriters in the Company's initial public offering hold warrants to purchase 22,500 Units which currently consist of three shares of Common Stock. The exercise price is $13.17 per Unit and the warrants may be exercised through August 9, 1998.

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

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995

Revenues for the year ended December 31, 1996 increased $2,037,192 to $7,670,338, as compared with revenues of $5,633,146 for the year ended December 31, 1995. The increase was due to additional revenues from joint ventures of $1,948,809 and additional Resort revenues of $88,383. Earnings before interest, taxes, depreciation and amortization (EBITDA) improved by $2,470,048 over 1995 to $1,363,181 after exclusion of the abandoned project cost (Detroit gaming cost) and impairment of long-lived assets (sale of Deadwood Gulch Resort). This was primarily due to the increase in joint venture revenues of $1,948,809, a reduction of 16.6% in non-resort general and administrative costs of $301,633 and net improved operating results at Deadwood Gulch Resort as a whole of $219,606.

JOINT VENTURES. During 1995, four limited liability joint venture companies were formed by Full House and GTECH to pursue gaming opportunities and to which Full House transferred its present gaming ventures excluding the Deadwood Gulch Resort. Full House and GTECH each have a 50% interest in each limited liability company. Full House's share of the income generated by those companies was $160,224 and $2,109,033 for the years ended December 31, 1995 and 1996, respectively. The increase in income in 1996 was due to the inclusion of the fees from the Mill Casino for a full year, reimbursement of prior year's expenses by Dreamport, Inc. (the



other participant in the joint venture companies) and management fees received by the joint venture company from the Delaware State Fair project which opened in August 1996.

CASINO OPERATIONS. Total Deadwood, South Dakota gaming revenues decreased 6.1% in 1996 as compared to 1995. In an effort to increase market share, Full House incurred additional expenditures to attract tour bus business. As a result of these factors, revenues from casino operations decreased $8,286 or 0.6% for the year ended December 31, 1996 over the same period in 1995. Departmental expenses increased $15,546 or 1.5% for the year ended December 31, 1996 from 1995. As a result of the decrease in revenues and the increase in expenses, departmental profit decreased by $23,832 as compared to the same period in 1995.

HOTEL/RV RESORT. Hotel occupancy increased 14.2% for the year ended December 31, 1996, and the average daily rate decreased 9.5% to $51.44. As a result, revenues for the year increased $39,983 or 3.0% for the Hotel. Campground revenues increased $59,011 or 54.3% in 1996 over 1995. As a result, Hotel/RV Resort departmental profit increased $134,126 or 17.0%. Management attributes the improvements to an aggressive promotion of Tour Bus business and a full operating season for the Campground in 1996 as compared to 1995 when a flood impacted operations.

RETAIL. Although revenues increased by $21,387 or 1.7% for the year ended December 31, 1996 from 1995, expenses increased by $65,553 or 6%. As a result, departmental profit decreased by $44,166 for the year ended December 31, 1996 from 1995. This decline in profits was due to increased competition and the Company's attempt to maintain its market share.

FOOD AND BEVERAGE. Revenues for 1996 were $766,442 (which includes $132,292 of promotional allowances), an increase of $38,577 or 5.3% from 1995 revenues of $727,865 (which included $176,742 of promotional allowances). The departmental profit after subtracting promotional allowances increased $49,726 from a loss in 1995. Management attributes the improvement to better cost of sales management.

GULCHES OF FUN FAMILY CENTER. Although revenues for the year ended December 31, 1996 decreased $118,685 or 14.4% from 1995 due principally to closure of the Center during the winter season of 1996, a 5% decrease in area visitation and poor weather during major holidays. Departmental expenses decreased $127,903 or 20.2% from 1995 and, as a result, departmental profit increased $9,218 over the previous year.

SALES AND MARKETING EXPENSES. Sales and Marketing expenses increased $35,465 or 15.8% due to an aggressive tour bus program for the year ended December 31, 1996 from 1995.

GENERAL AND ADMINISTRATIVE EXPENSES - RESORT. Expenses decreased $46,761 or 7.4% for the year ended December 31, 1996 from 1995.

NON-RESORT GENERAL AND ADMINISTRATION EXPENSES. Non-Resort expenses for the year ended December 31, 1996 totaled $1,519,100, a decrease of $301,633 or 16.6% over the prior year. This decline is due to centralization of the Company's administrative offices, partially offset by increases in administrative staff. In 1996, the Company continued to incur costs related to the investigation, due diligence and pre-development of various ongoing opportunities for expansion of its business and the increase in the Company's corporate structure necessary to administer the Company's expansion.

DEPRECIATION. Depreciation and amortization decreased $728,862 or 58.8% for the year ended December 31, 1996 over 1995. This decrease was due to suspension of depreciation of the Resort offset by the amortization of goodwill.

IMPAIRMENT OF LONG LIVED ASSETS. In January, 1996, the Company announced its intent to dispose of the Deadwood Gulch Resort. The Company adopted the provisions of SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF, during the fourth quarter of the year ended December 31, 1995. Under SFAS No. 121, the Company reviews the carrying values of its long-lived



and identifiable intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Based upon available information which indicates that an additional loss may be incurred upon disposition, the Company further reduced the carrying value of the Deadwood Gulch Resort in 1996 by $1,051,070.

INTEREST EXPENSE AND DEBT ISSUE COSTS. Interest expense and debt issue costs decreased by $189,992 primarily due to reduced borrowings which was offset by debt discount.

INTEREST AND OTHER INCOME. Interest and other income decreased by $570,564 or 68.9% in 1996 as compared to 1995, as a result of the joint venture company reimbursing Full House for its interest-bearing advances to the owner of The Mill Casino in North Bend, Oregon.

INCOME TAX BENEFIT. The income tax benefit decreased to -0- in 1996 from $1,944,710 in 1995. At December 31, 1996, the Company had net operating loss carryforwards for income tax purposes of approximately $3,166,000, which may be carried forward to offset future taxable income. The loss carryforwards expire in 2007 through 2010. The availability of the loss carryforwards may be limited in the event of a significant change in ownership of the Company or its subsidiaries.

YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994

Revenues for the year ended December 31, 1995 decreased $59,374 to $5,633,146, as compared with revenues of $5,692,520 for the year ended December 31, 1994. The decrease was offset by income from joint venture companies of $160,224.

JOINT VENTURES. During 1995, four limited liability joint venture companies were formed by Full House and GTECH to pursue gaming opportunities and to which Full House transferred its present gaming ventures excluding the Deadwood Gulch Resort. Full House and GTECH each have a 50% interest in each limited liability company. Full House's share of the income generated by those companies was $160,224.

CASINO OPERATIONS. Revenues decreased $218,951 or 13.1% for the ended December 31, 1995 over the same period in 1994. Departmental expenses decreased $3,292 or .3% for the year ended December 31, 1995 from 1994. As a result of the decrease in revenues, departmental profit decreased by $215,659 or 34.8% as compared to the same period in 1994. Management attributes the decrease in revenues to the decline in gaming activity in the entire Deadwood market as reported by the South Dakota Commission on Gaming.

HOTEL/RV RESORT. Although hotel occupancy declined 10.7% for the year ended December 31, 1995, the average daily rate increased 8.6% to $56.85. As a result, revenues for the period decreased $57,891 or 4.2% for the hotel. Revenues at the RV Resort increased $18,211 for the year ended December 31, 1995 from $90,553 for the same period in 1994. The combination of these factors resulted in an increase in Hotel/RV Resort departmental profit of $25,305 or 3.0%. Management attributes the decline in revenues of the Hotel to a decline in tourism due to snowfall levels of approximately 60% of normal in the Black Hills during the first and second quarters of 1995, compared to snowfall of 175% of normal in 1994.

RETAIL. Revenues declined by $7,697 or .6% for the year ended December 31, 1995 from 1994 due to the poor 1995 winter skiing and snowmobiling conditions. Departmental profit increased $22,543 for the year ended December 31, 1995 from 1994. Management attributes the increase in departmental profit to more aggressive pricing, as well as increased productivity.

FOOD AND BEVERAGE. Revenues for 1995 were $727,865 (which includes $176,742 of promotional allowances), an decrease of $16,844 or 2.3% from 1994 revenues of $744,709 (which included $166,632 of promotional allowances). The departmental loss after subtracting promotional allowances decreased $21,128 over



1994. Management attributes the improvement to better cost of sales management and the development of a new menu, repositioning the restaurant in the market.

GULCHES OF FUN FAMILY CENTER. Although revenues for the year ended December 31, 1995 increased $65,983 from 1994, departmental profit decreased $90,581 from 1994. The summer season of 1995 was one of the three wettest in the recent history of the Black Hills and management attributes the decrease in departmental profit to adverse weather conditions during peak operating times for the outdoor activities.

GENERAL AND ADMINISTRATIVE EXPENSES - RESORT. Expenses increased $33,833 for the year ended December 31, 1995 from 1994. Resort general and administrative expenses reflect increased property taxes and insurance as a result of the completion of the Gulches of Fun Family center and the RV Resort. All other Resort specific general and administrative expenses declined as compared to the prior periods.

NON-RESORT GENERAL AND ADMINISTRATION EXPENSES. Non-Resort expenses for the year ended December 31, 1995 totaled $1,820,733, an increase of $756,011 over the prior year. In 1995, the Company continued to incur costs related to the investigation, due diligence and pre-development of various ongoing opportunities for expansion of its business and the increase in the Company's corporate structure necessary to administer the Company's expansion.

DEPRECIATION. Depreciation and amortization increased $735,235 for the year ended December 31, 1995 over 1994. This increase is primarily due to the amortization of goodwill in 1995 which totaled $615,307.

ABANDONED PROJECT COST. On June 28, 1995, the Governor of the State of Michigan determined to prohibit off-reservation gaming in the State of Michigan. As a result, the Company recognized a loss of $1,867.730 relating to costs associated with its proposed gaming project in Detroit, Michigan.

IMPAIRMENT OF LONG LIVED ASSETS. In January, 1996, the Company announced its intent to dispose of the Deadwood Gulch Resort. The Company adopted the provisions of SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF, DURING THE FOURTH QUARTER OF THE YEAR ENDED DECEMBER 31, 1995. Under SFAS No. 121, the Company reviews the carrying values of its long-lived and identifiable intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Based upon available information which indicates a loss may be incurred upon disposition, the Company reduced the carrying value of the Deadwood Gulch Resort in 1995 and recognized an impairment loss of $3,100,000.

INTEREST EXPENSE AND DEBT ISSUE COSTS. Interest expense and debt issue costs increased by $187,061 due to refinancing the first mortgage on the Deadwood Gulch Resort, use of the Company's line of credit and the $4,000,000 loan from GTECH (which was repaid in 1996). This increase was offset by reduced levels of debt issue costs in 1995 versus 1994.

INTEREST AND OTHER INCOME. Interest and other income increased to $828,302 in 1995 as compared to $57,645 in 1994, principally as a result of $804,390 of interest income relating to Full House's advances in connection with certain gaming agreements.

INCOME TAX BENEFIT. The income tax benefit increased to $1,944,710 in 1995 from $2,000 in 1994. This tax benefit is a result of the Company's 1995 net loss of $5,550,888.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended December 31, 1996, cash flow from operating activities was negative in the amount of $496,352. Included was the net loss of $760,600, more fully explained above, reduced by depreciation and amortization of $511,584 and recognition of impairment in long-lived assets of $1,051,070 but increased by the equity earnings of joint ventures of $1,274,663 and other net changes of $23,743. Cash flow from investing activities was positive in the



amount of $9,580,137 as a result of payments from the joint venture companies. Cash flows used by financing activities were the result of borrowings of $3 million from GTECH Corporation, reduced by repayment of debt totaling $11,391,356. As a result of the above factors, there was a net increase in cash and cash equivalents of $692,429.

On March 24, 1994, Allen E. Paulson purchased 1,000,000 shares of Full House's common stock for $800,000. Full House also issued 500,000 shares of its Common Stock to Mr. Paulson in exchange for his agreement to individually provide or to take such actions as were required for a financial institution to provide a commercial line of credit to Full House in the minimum amount of $8 million. Full House valued the shares of stock at $.80 per share based upon the size of the transaction, the fact that the shares were not registered and are not subject to registration rights. In addition, a large block of shares was repurchased by the Company from an unaffiliated then principal stockholder at a price per share and time sequence reasonably close to the transaction with Mr. Paulson. The 500,000 shares issued to Mr. Paulson as compensation for securing the $8 million financing were charged as a period cost in Full House's results of operation for 1994. On June 7, 1994, Bank of America, as a result of the joint and several guarantees of the full amount of the loan by Mr. Paulson and the other directors of Full House, provided Full House with a line of credit in the amount of $8 million at the "reference rate" of Bank of America, N.A. All amounts outstanding under this line were repaid in 1996 and the line was cancelled. Full House believes that it would have been unable to obtain this line of credit without the actions of Mr. Paulson, as its financial condition would not have supported such an extension of credit.

On November 20, 1995, Full House merged a wholly-owned subsidiary into Omega Properties Inc. (30% owned by William P. McComas, a director/stockholder of the Company). In exchange, the shareholders of Omega received an aggregate of 500,000 shares of Full House Common Stock and a promissory note of Full House in the principal amount of $375,000. The principal amount of this promissory note accrues interest, payable quarterly, at a rate equal to the "prime" rate and such principal amount, together with all accrued interest, is due and payable in full upon demand by the holder(s) of this note, but in no event before August 31, 1996. William P. McComas received the note and Mr. Fugazy, the other stockholder of Omega, received the shares in exchange for their interests as shareholders of Omega.

Full House entered into a series of agreements with GTECH Corporation, a leading supplier of computerized systems and services for government-authorized lotteries, effective as of December 29, 1995 to jointly pursue certain gaming opportunities. Pursuant to the agreements, joint venture companies equally owned by GTECH and Full House have been formed. Full House has contributed its rights to the North Bend, Oregon facility and the rights to develop the Torres Martinez, Nottawaseppi Huron Band of Potawatomi and Delaware State Fair projects to the joint venture companies. See "Business." GTECH has contributed cash and other intangible assets and has agreed to loan the joint venture entities up to $16.4 million to complete the North Bend, Oregon and Delaware facilities. Full House has agreed to guarantee one-half of the obligations of the joint venture companies to GTECH under these loans and at December 31, 1996 had guaranteed to GTECH one-half of $10.4 million of such loans to the North Bend, Oregon joint venture company. GTECH will also provide project management, technology and other expertise to analyze and develop/manage the implementation of opportunities developed by the joint venture entities. GTECH has also loaned Full House $3 million, which loan is convertible, subject to regulatory approval into 600,000 shares of Full House's Common Stock. In addition, Full House has been reimbursed by one of the joint venture companies for certain advances and expenditures made by Full House relating to the gaming development agreements. As part of this transaction, Allen E. Paulson, William P. McComas and Lee Iacocca have granted to GTECH an option to purchase their shares should they propose to transfer the same. The agreement with GTECH was modified in February 1997 to provide that the parties would no longer be required to present gaming opportunities to the other for joint development.

The Company advanced funds to the Delaware joint venture company during 1996 and 1995 totaling $1,886,498. Such amount bears interest at prime plus 1% (9.25% at December 31, 1996) and is payable from available operating cash flow of the joint venture company. The note is secured by a similar receivable from Midway Slots and Simulcast, a division of Harrington Raceway, Inc. to the Delaware joint venture company with the same terms and interest rate. As the note is payable to FHRI based upon available cash flows, the current portion as

of December 31, 1996 reflects payments made through March 1997.



As part of its agreement with GTECH and in addition to the amounts referred to above, Full House borrowed $4 million from GTECH and repaid the same on January 29, 1996. Interest expense was $270,517.

As a result of its agreements with GTECH, receipt by Full House of revenues from the operations of projects (other than the Deadwood Gulch Resort) is governed by the terms of the joint venture agreements applicable to such projects. These contracts provide that net cash flow (after certain deductions) is to be distributed monthly to Full House and GTECH. While Full House does not believe that this arrangement will adversely impact its liquidity, no assurances of the same can be given based upon the lack of operating experience with this structure.

Full House has determined that continued ownership of the Deadwood Gulch Resort is not consistent with its future growth plans. It has therefore listed the Resort for sale. No assurance can be given that a sale will ultimately be consummated.

On July 19, 1995, an addendum to the agreement with the Coquille Indian Tribe was executed. Pending regulatory approval, the addendum will reduce the obligation of the Full House-Dreamport joint venture company to provide financing to $10.4 million, extend the date when repayments begin and modify the method of computing participating rents (from net revenues to modified gross revenues) and loan repayments. Lease and debt payments commenced on August 19, 1995, and September 19, 1995, respectively.

Pursuant to a September 16, 1994 agreement with the Organized Tribes in the State of Michigan, Full House obtained the rights to pursue off-reservation gaming and related non-gaming activities. On June 28, 1995, the Governor of the State of Michigan determined to prohibit off-reservation gaming in the State of Michigan. As a result of this action and after reimbursement of certain costs incurred by Full House from GTECH, Full House wrote off project costs of $1,867,730 in 1995.

On May 31, 1995, DGR borrowed $5 million, secured by its real property. The proceeds from the loan were used to repay its obligation to H. Joe Frazier, a stockholder and a then director of the Company, and to repay a portion of the revolving note payable to Bank of America. The note bears interest at 10.25% through May, 1996, and at prime plus 2-1/4% for the period June 1, 1996 through May 1, 2002. Payments are due in monthly installments of principal and interest based on a ten-year amortization with the remaining balance due on May 31, 2002. A portion of the loan has been guaranteed by Messrs. Frazier, McComas and Paulson. The agreements executed by DGR in connection with the note limit payments by DGR to Full House. The agreements included financial covenants which require maintenance of minimum tangible net worth and debt service coverage ratios. The Company was not in compliance with these covenants at December 31, 1996. However, the lender has waived these defaults for the year ended December 31, 1996. The Company prepaid $751,827 of this indebtedness in March, 1996.

As of December 31, 1996, Full House had cumulative undeclared and unpaid dividends in the amount of $945,000 on the 700,000 outstanding shares of its 1992-1 Preferred Stock. Such dividends are cumulative whether or not declared, and are currently in arrears.

Full House had a working capital surplus of $966,250 as of December 31, 1996.

Additional financing will be required for the Company to effect its business strategy and no assurance can be given that such financing will be available upon commercially reasonable terms.

7. FINANCIAL STATEMENTS.

The following financial statements are filed as part of this Report

/bullet/ Independent Auditors' Report



/bullet/ Consolidated Balance Sheet as of December 31, 1996

/bullet/ Consolidated Statements of Operations for the years ended December 31, 1996 and 1995

/bullet/ Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 1996 and 1995

/bullet/ Consolidated Statements of Cash Flows for the Years Ended December 31, 1996 and 1995

/bullet/ Notes to Consolidated Financial Statements

8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None



PART III

9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.

(a) DIRECTORS OF THE COMPANY

The information required regarding the identification of the Company's directors is incorporated by reference to the information in the Proxy Statement for the 1997 Annual Meeting of Stockholders of the Company.

(b) EXECUTIVE OFFICERS OF THE COMPANY

The executive officers of the Company and their ages as of March 21, 1997 are as follows:

| NAME | AGE | POSITIONS |
|---|---|---|
| Robert L. Kelley | 64 | President and Chief Operating Officer |
| William R. Jackson | 47 | Executive Vice President-Corporate Finance |
| Megan G. McIntosh | 41 | Secretary |

ROBERT L. KELLEY has been the President and Chief Operating Officer of the Company since August 10, 1994. Mr. Kelley was the Executive Vice President in charge of casino operations for Lone Star Casino Corporation from May, 1993 until beginning employment with Full House. Mr. Kelley was a partner in a consulting partnership that evaluated hotel casinos from April, 1990 until May, 1991. Prior to that, Mr. Kelley had over 20 years experience as a senior executive of Las Vegas hotel casinos including the Las Vegas Hilton, Flamingo Hilton and Tropicana Hotel and Casino.

WILLIAM R. JACKSON has been Executive Vice President--Corporate Finance of Full House since June, 1994. Mr. Jackson was the Chief Financial Officer of Westinghouse Communities, Inc. for over 6 years. Mr. Jackson received a Bachelor of Business Administration Degree in Accounting from Stetson University in Deland, Florida. He is a member of the American Institute of Certified Public Accountants and the Florida Institute of Certified Public Accountants.

MEGAN G. MCINTOSH has been employed by Full House since December 1, 1994 and has been the Secretary of Full House since November 20, 1995. From April 1991 until she joined Full House, Ms. McIntosh was an administrative assistant for a civil engineering firm located in California. Prior to that time, Ms. McIntosh was an administrative assistant for a real estate development firm located in Southern California.

10. EXECUTIVE COMPENSATION.

The information required in response to this item is incorporated by reference to the information contained in the Proxy Statement for the 1997 Annual Meeting of Stockholders of the Company.

11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required in response to this item is incorporated by reference to the information contained in the Proxy Statement for the 1997 Annual Meeting of Stockholders of the Company.



12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required in response to this item is incorporated by reference to the information contained in the Proxy Statement for the 1997 Annual Meeting of Stockholders of the Company.

13. EXHIBITS AND REPORTS ON FORM 8-K.

(A) EXHIBITS.

2.1 Letter of Intent (Incorporated by reference to Exhibit 2.1 to the Company's Amended Registration Statement on Form 10)

2.2 Stock Acquisition Agreement Among Full House Resorts, Inc., Deadwood Gulch Resort and Gaming Corp. and the Stockholders thereof, dated November 6, 1992 (Incorporated by reference to Exhibit 2.2 to the Company's Amended Registration Statement on Form 10)

2.3 Agreement Among Joint Venturers of Deadwood Hotel Joint Venture, dated June 30, 1992 (Incorporated by reference to Exhibit 2.3 to the Company's Amended Registration Statement on Form 10)

2.4 Agreement for Transfer of Property to Corporation Pursuant to Section 351 of the Internal Revenue Code, dated June 30, 1992 (Incorporated by reference to Exhibit 2.4 to the Company's Amended Registration Statement on Form 10 )

3.1 Certificate of Incorporation of Full House Resorts, Inc. (Incorporated by reference to Exhibit 3.1 to the Company's Amended Registration Statement on Form 10)

3.2 Bylaws of Full House Resorts, Inc. (Incorporated by reference to Exhibit 3.2 to the Company's Amended Registration Statement on Form 10)

4.1 Certificate of Designation of Series 1992-1 Preferred Stock of Full House Resorts, Inc., dated November 6, 1992 (Incorporated by reference to Exhibit 4.1 to the Company's Amended Registration Statement on Form 10)

4.2 Form of Underwriter's Warrant (incorporated by reference to Exhibit (4)(c) to the Registration Statement on Form S-18 (No. 33-15292-NY) of Full House Resorts, Inc. (Incorporated by reference to Exhibit 4.2 to the Company's Amended Registration Statement on Form 10)

10.1 1992 Non-Employee Director Stock Plan of Full House Resorts, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Amended Registration Statement on Form 10)

10.2 1992 Incentive Plan of Full House Resorts, Inc. (Incorporated by reference to Exhibit 10.2 to the Company's Amended Registration Statement on Form 10)

10.3 Mortgage-180 Day Redemption, dated August 30, 1991, Between Deadwood Hotel Joint Venture and Eugene V. Gatti (Incorporated by reference to Exhibit 10.3 to the Company's Amended Registration Statement on Form 10)

10.4 Mortgage-180 Day Redemption, dated January 27, 1992, Among Deadwood Hotel Joint Venture, Eugene V. Gatti, William P. McComas, Hotel Properties, Inc. and Kober Corporation (Incorporated by reference to Exhibit 10.4 to the Company's Amended Registration Statement on Form 10)

10.5 Debt Reduction Agreement, dated July 27, 1991, among Westdak Limited Partnership, Gatti & McComas, Inc., Eugene V. Gatti, William P. McComas, James E. Hosch, William J. Durst, and James E. Hosch as Trustee of the Interest of William J. Durst in Westdak Limited Partnership (Incorporated by reference to Exhibit 10.5 to the Company's Amended Registration Statement on Form 10)



10.6 Deadwood Hotel Joint Venture Standard Route Operation Agreement, dated June 30, 1992, Between Deadwood Hotel Joint Venture and Lucky 8 Gaming Hall (Incorporated by reference to Exhibit 10.6 to the Company's Amended Registration Statement on Form 10)

10.7 Management and Operating Agreement between Trimark Hotel Corporation and Deadwood Hotel Joint Venture, dated February 23, 1990 (Incorporated by reference to Exhibit 10.7 to the Company's Amended Registration Statement on Form 10)

10.8 Franchise Agreement Between Park Inns International, Inc. and Deadwood Hotel Joint Venture, dated February 28, 1990 (Incorporated by reference to Exhibit 10.8 to the Company's Amended Registration Statement on Form 10)

10.9 Dealer Gasoline and Franchise Agreement, dated June

8, 1992, between M.G. Oil Company and Deadwood Gulch Resort (Incorporated by reference to Exhibit 10.9 to the Company's Amended Registration Statement on Form 10)

10.10 Common Stock Purchase Warrant of Full House Resorts, Inc. issued to Generation Capital Associates, dated November 20, 1992 (Incorporated by reference to Exhibit 10.10 to the Company's Amended Registration Statement on Form 10)

10.11 Promissory Note of Full House Resorts, Inc. in the amount of $90,000, dated November 10, 1992, payable to Bearer (Incorporated by reference to Exhibit 10.11 to the Company's Amended Registration Statement on Form 10)

10.12 Employment Agreement between Full House Resorts, Inc. and David K. Cantley, dated December 1, 1992 (Incorporated by reference to Exhibit 10.12 to the Company's Amended Registration Statement on Form 10)

10.13 Letter of Intent between Full House Resorts, Inc. and Stuart, Coleman & Co., Inc., dated February 23, 1993 (Incorporated by reference to Exhibit 10.13 to the Company's Amended Registration Statement on Form 10)

10.14 Agreement to Provide and Accept Commitment to Restructure First and Second Mortgage Loans Among Full House Resorts, Inc., Deadwood Gulch Resort and Gaming Corp., Eugene V. Gatti, William P. McComas, H. Joe Frazier and Rober Corporation, dated March 15, 1993 (Incorporated by reference to Exhibit 10.14 to the Company's Amended Registration Statement on Form 10)

10.15 $1,000,000 Term Life Insurance Policy, dated March 19, 1993, on the life of David K. Cantley, issued by Federal Kemper Life Assurance Company (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1992)

10.16 Agreement dated February 11, 1994 and Amendment to Agreement dated March 13, 1994 among the Company, H. Joe Frazier, William P. McComas and Allan Paulson (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1993)

10.17 Debt Reduction Agreement, dated April 16, 1993, among the Company, Deadwood Gulch Resort and Gaming Corp., Eugene V. Gatti, William P. McComas and H. Joe Frazier (Incorporated by reference to the Company's Registration Statement on Form SB-2, No. 33-61580 as filed with the Securities and Exchange Commission)

10.18 Letter Agreement, dated May 17, 1993, between the Company and H. Joe Frazier, extending mortgage commitment expiration date to July 7, 1993 (Incorporated by reference to the Company's Registration Statement on Form SB-2, No. 33-61580 as filed with the Securities and Exchange Commission)

10.19 Letter Agreement, dated May 17, 1993, between the Company and Eugene V. Gatti, extending mortgage commitment expiration date to July 7, 1993 (Incorporated by reference to the Company's Registration Statement on Form SB-2, No. 33-61580 as filed with the Securities and Exchange Commission)



10.20 General Release and Covenant Not to Sue, dated June 7, 1993, among the Company, Deadwood Gulch Resort and Gaming Corp., Trimark Hotel Corporation and Park Inns International, Inc. (Incorporated by reference to the Company's Registration Statement on Form SB-2, No. 33-61580 as filed with the Securities and Exchange Commission)

10.21 Letter Agreement, dated July 23, 1993, between the Company and H. Joe Frazier, extending mortgage commitment expiration date to August 7, 1993 (Incorporated by reference to the Company's Registration Statement on Form SB-2, No. 33-61580 as filed with the Securities and Exchange Commission)

10.22 Letter Agreement, dated July 2, 1993, between the Company and Eugene V. Gatti, extending mortgage commitment expiration date to August 7, 1993 (Incorporated by reference to the Company's Registration Statement on Form SB-2, No. 33-61580 as filed with the Securities and Exchange Commission)

10.23 Lock-Up Agreement, dated June 16, 1993, among the Company, David K. Cantley, Thomas M. Blair, James E. Hosch, H. Joe Frazier, Eugene V. Gatti, Kober Corporation, William P. McComas, Richard M. Gawlik, George M. Bashara and the Director of the South Dakota Division of Securities (Incorporated by reference to the

Company's Registration Statement on Form SB-2, No. 33-61580 as filed with the Securities and Exchange Commission)

10.24 Stock Purchase Agreement, dated July 20, 1993, among Kober Corporation, H. Joe Frazier, William P. McComas, James E. Hosch and Peter N. Bowinski (Incorporated by reference to the Company's Registration Statement on Form SB-2, No. 33-61580 as filed with the Securities and Exchange Commission)

10.25 Master Lease between Coquille Economic Development Corporation ("CEDC") and the Company (Incorporated by reference to the Company's Post Effective Amendment No. 1 to Registration Statement on Form SB-2, No. 33-61580 as filed with the Securities and Exchange Commission on July 28, 1994)

10.26 Participating lease between CEDC and the Company (Incorporated by reference to the Company's Post Effective Amendment No. 1 to Registration Statement on Form SB-2, No. 33-61580 as filed with the Securities and Exchange Commission on July 28, 1994)

10.27 Loan Agreement between CEDC and the Company (Incorporated by reference to the Company's Post Effective Amendment No. 1 to Registration Statement on Form SB-2, No. 33-61580 as filed with the Securities and Exchange Commission on July 28, 1994)

10.28 Promissory Note from The Coquille Indian Tribe and CEDC to the Company. (Incorporated by reference to the Company's Post Effective Amendment No. 1 to Registration Statement on Form SB-2, No. 33-61580 as filed with the Securities and Exchange Commission on July 28, 1994)

10.29 Security Agreement between The Coquille Indian Tribe, CEDC and the Company (Incorporated by reference to the Company's Post Effective Amendment No. 1 to Registration Statement on Form SB-2, No. 33-61580 as filed with the Securities and Exchange Commission on July 28, 1994)

10.30 Absolute Assignment of Rents and Leases from The Coquille Indian Tribe to the Company (Incorporated by reference to the Company's Post Effective Amendment No. 1 to Registration Statement on Form SB-2, No. 33-61580 as filed with the Securities and Exchange Commission on July 28, 1994)

10.31 Escrow Agreement by and among the Company, CEDC, The Coquille Indian Tribe, Sun Plywood, Inc. and Ticor Title Insurance Company of California (Incorporated by reference to the Company's Post Effective Amendment No. 1. to Registration Statement on Form SB-2, No. 33-61580 as filed with the Securities and Exchange Commission on July 28, 1994)



10.32 Purchase Agreement between the Company and William P. McComas dated August 18, 1994 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1994)

10.33 Agreement among the Company, Hannahville Indian Community, Lac Vieux Desert Band of Lake Superior Chippewa Indians, Grand Traverse Band of Ohawa and Chippewa Indians and Keween and Bay Indian Community dated September 10, 1994 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1994)

10.34 Agreement between Green Acres Casino Management Company, Inc. and the Company dated January 4, 1995 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1994)

10.35 Agreement for Commercial Development between the Nottawaseppi Huron Band of Potawatomi, Green Acres Casino Management Company, Inc. and the Company dated January 11, 1995 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1994)

10.36 Addendum to Class II and III Management Agreements among the Nottawaseppi Huron Band of Potawatomi, Green Acres Casino Management Company, Inc. and the Company dated January 12, 1995 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1994)

10.37 Gaming and Development Agreement between the Company and the Torres Martinez Desert, Cahuilla, Indiana dated March 21, 1993 (incorporated by reference to the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 1995)

10.38 Gaming Management Agreement between the Company and the Torres Martinez Desert, Cahuilla, Indiana dated April 23, 1993 (incorporated by reference to the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 1995)

10.39 Agreement between the Company and GTECH Corporation dated May 20, 1995 (Incorporated by reference to the Company's Post Effective Amendment No. 2 to Registration Statement on Form SB-2, No. 33-61580 as filed with the Securities and Exchange Commission on May 26, 1995)

10.40 Promissory Note dated November 20, 1995 in the original principal amount of $375,000 from the Company to William P. McComas (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1995)

10.41 Master Agreement dated as of December 29, 1995 by and between GTECH Corporation and the Company (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1995)

10.42 Option Agreement dated as of December 29, 1995 by and among GTECH Corporation, the Company, Lee Iacocca, William P. McComas and Allen E. Paulson (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1995)

10.43 Convertible Note dated July 26, 1996 in the original principal amount of $3,000,000 payable by the Company to GTECH Corporation (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1995)

10.44 Guaranty Agreement dated as of December 29, 1995 from the Company to GTECH Corporation pursuant to which the Company guarantees 50% of the obligations of Gaming Entertainment, L.L.C. to GTECH under a Promissory Note of even date therewith in the amount of $10,400,000 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1995)

10.45 Guaranty Agreement dated as of December 29, 1995 from the Company to GTECH Corporation pursuant to which the Company guarantees 50% of the obligations of Gaming



Entertainment (Delaware), L.L.C. to GTECH in an amount not to exceed $6,000,000 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1995)

10.46 Loan Agreement dated as of May 31, 1995 between Deadwood Gulch Resort and Gaming Corp. and Miller & Schroeder Investment Corporation; Guaranty dated as of May 31, 1995 by Allen E. Paulson, H. Joe Frazier and William P. McComas; Subordination Agreement dated as of May 31, 1995 among Miller & Schroeder Investment Corporation, Deadwood Gulch Resort and Gaming Corp. and the Corporation; Waiver of Breach of Covenants and Amendment Number 1 to Loan Agreement dated March 28, 1996; and Guaranty dated March 28, 1996 by the Company (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1995)

10.47 Subordination and Participation Agreement dated as of October 8, 1996 between Gaming Entertainment L.L.C. and Miller & Schroeder Investments Corporation*

10.48 First Amended and Restated Participating Lease dated as of October 8, 1996 between Gaming Entertainment L.L.C. and Coquille Economic Development Corporation*

10.49 First Amended and Restated Master Lease dated as of October 8, 1996 between Gaming Entertainment L.L.C. and Coquille Economic Development Corporation*

10.50 Agreement dated as of November 18, 1996 by and among Green Acres Casino Management Company, GTECH Corporation, Gaming Entertainment (Michigan) L.L.C. and the Company

10.51 Amended and Restated Class III Management Agreement dated November 18, 1996 between Nottawaseppi Huron Band of Potawatomi and Gaming Entertainment (Michigan) L.L.C.

21 List of Subsidiaries of Full House Resorts, Inc.*

23.1 Consent of Deloitte & Touche LLP, Certified Public Accountants*

27.1 Financial Data Schedule

- ---

* Filed herewith.

(B) REPORTS ON FORM 8-K.

None.



SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

FULL HOUSE RESORTS, INC.

Date: March 28, 1997

/s/ ROBERT L. KELLEY
By: ---
Robert L. Kelley, President

In accordance with the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| NAME AND CAPACITY | DATE |
|---|---|
| /s/ ALLEN E. PAULSON<br>- ---<br>Allen E. Paulson, Chairman of the Board | March 28, 1997 |
| /s/ WILLIAM P. MCCOMAS<br>- ---<br>William P. McComas, Director | March 28, 1997 |
| /s/ RONALD K. RICHEY<br>- ---<br>Ronald K. Richey, Director | March 28, 1997 |
| /s/ ROBERT L. KELLEY<br>- ---<br>Robert L. Kelley, President and Chief Operating Officer | March 28, 1997 |
| /s/ WILLIAM R. JACKSON<br>- ---<br>William R. Jackson, Executive Vice-President-Corporate Finance (Principal Financial and Accounting Officer) | March 28, 1997 |

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
of Full House Resorts, Inc.:

We have audited the accompanying consolidated balance sheet of Full House Resorts, Inc. and Subsidiaries (the "Company") as of December 31, 1996, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 1996 and 1995. 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Full House Resorts, Inc. and Subsidiaries as of December 31, 1996, and the results of their operations and their cash flows for the years ended December 31, 1996 and 1995 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Reno, Nevada
March 7, 1997



FULL HOUSE RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1996

| | |
|---|---|
| ASSETS | |
| CURRENT ASSETS: | |
| Cash and cash equivalents | $ 1,049,183 |
| Note receivable - joint venture, current-portion | 626,042 |
| Restricted cash | 585,934 |
| Accounts receivable, net of allowance of $15,000 | 20,489 |
| Inventories | 92,578 |
| Prepaid expenses | 317,724 |
| Total current assets | 2,691,950 |
| ASSETS HELD FOR SALE - net | 5,574,500 |
| INVESTMENTS IN JOINT VENTURES | 5,183,454 |
| GOODWILL - net | 2,404,785 |
| NOTE RECEIVABLE - JOINT VENTURE | 1,260,456 |
| OTHER ASSETS | 32,384 |
| TOTAL | $17,147,529 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | |
| CURRENT LIABILITIES: | |
| Current portion of long-term debt | $ 667,258 |
| Accounts payable | 130,030 |
| Accrued expenses | 411,625 |
| Payable to joint ventures | 516,787 |
| Total current liabilities | 1,725,700 |
| LONG-TERM DEBT, net of current portion | 6,290,655 |
| COMMITMENTS AND CONTINGENCIES | |
| STOCKHOLDERS' EQUITY: | |
| Cumulative, convertible preferred stock, par value $.0001, 5,000,000 shares authorized; 700,000 shares issued and outstanding; aggregate liquidation preference of $3,045,000 | 70 |
| Common stock, par value $.0001, 25,000,000 shares authorized; 10,339,549 shares issued and outstanding | 1,034 |
| Additional paid in capital | 16,853,042 |
| Accumulated deficit | (7,722,972) |
| Total stockholders' equity | 9,131,174 |
| TOTAL | $17,147,529 |

See notes to consolidated financial statements.

<TABLE>
<CAPTION>

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

| | 1996 | 1995 |
|---|---|---|
| <S> | <C> | <C> |
| OPERATING REVENUES: | | |
| Casino | $ 1,445,322 | $ 1,453,608 |
| Hotel/RV park | 1,523,422 | 1,424,428 |
| Retail | 1,270,672 | 1,249,285 |
| Food and beverage | 766,442 | 727,865 |
| Fun park | 704,208 | 822,893 |
| Joint ventures | 2,109,033 | 160,224 |
| | 7,819,099 | 5,838,303 |
| Less: promotional allowances | (148,761) | (205,157) |
| Net operating revenues | 7,670,338 | 5,633,146 |
| OPERATING COSTS AND EXPENSES: | | |
| Casino | 1,064,909 | 1,049,363 |
| Hotel/ RV park | 601,930 | 637,062 |
| Retail | 1,156,504 | 1,090,951 |
| Food and beverage | 611,985 | 578,684 |
| Fun park | 504,991 | 632,894 |
| Sales and marketing | 259,799 | 224,334 |
| General and administrative | 2,102,414 | 2,450,808 |
| Depreciation and amortization | 511,584 | 1,240,446 |
| Abandoned project cost | -- | 1,867,730 |
| Impairment of long-lived assets | 1,051,070 | 3,100,000 |
| Other | 4,625 | 75,917 |
| Total operating costs and expenses | 7,869,811 | 12,948,189 |
| LOSS FROM OPERATIONS | (199,473) | (7,315,043) |
| OTHER INCOME (EXPENSE): | | |
| Interest expense and debt issue costs (including $34,872 and $81,015 to related parties) | (818,865) | (1,008,857) |
| Interest and other income | 257,738 | 828,302 |
| LOSS BEFORE INCOME TAXES | (760,600) | (7,495,598) |
| INCOME TAX BENEFIT | -- | 1,944,710 |
| NET LOSS | (760,600) | (5,550,888) |
| Less, undeclared dividends on cumulative preferred stock | (210,000) | (210,000) |
| NET LOSS APPLICABLE TO COMMON SHARES | $ (970,600) | $(5,760,888) |
| LOSS PER COMMON SHARE | $ (0.09) | $ (0.59) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | 10,339,549 | 9,806,723 |

</TABLE>

See notes to consolidated financial statements.



FULL HOUSE RESORTS, INC. AND SUBSIDIARIES
<TABLE>
<CAPTION>

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

| | PREFERRED STOCK SHARES | PREFERRED STOCK AMOUNT | COMMON STOCK SHARES | COMMON STOCK AMOUNT | ADDITIONAL PAID-IN CAPITAL | ACCUMULATED DEFICIT | TOTAL |
|---|---|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| BALANCE, JANUARY 1, 1995 | 700,000 | $ 70 | 8,768,017 | $ 877 | $ 9,780,402 | $(1,411,484) | $ 8,369,865 |
| Net loss | -- | -- | -- | -- | -- | (5,550,888) | (5,550,888) |
| Shares issued for acquisition of LAI Associates, Inc. ("LAI") | -- | -- | 1,250,000 | 125 | 5,312,375 | -- | 5,312,500 |
| Return of shares issued for acquisition of LAI | -- | -- | (193,529) | (19) | (822,481) | -- | (822,500) |
| Shares issued for acquisition of Omega Properties, Inc. | -- | -- | 500,000 | 50 | 2,124,950 | -- | 2,125,000 |
| Exercise of warrants, net of $45,189 in registration costs | -- | -- | 15,061 | 1 | 18,069 | -- | 18,070 |
| BALANCE, DECEMBER 31, 1995 | 700,000 | 70 | 10,339,549 | 1,034 | 16,413,315 | (6,962,372) | 9,452,047 |
| Issuance of convertible debt | -- | -- | -- | -- | 439,727 | -- | 439,727 |
| Net loss | -- | -- | -- | -- | -- | (760,600) | (760,600) |
| BALANCE, DECEMBER 31, 1996 | 700,000 | $ 70 | 10,339,549 | $1,034 | $16,853,042 | $(7,722,972) | $ 9,131,174 |

</TABLE>

See notes to consolidated financial statements.



FULL HOUSE RESORTS, INC. AND SUBSIDIARIES

<TABLE>
<CAPTION>

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

| | 1996 | 1995 |
|---|---|---|
| <S> | <C> | <C> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $ (760,600) | $ (5,550,888) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 511,584 | 1,240,446 |
| Debt issue costs and debt discount | 238,790 | 41,170 |
| Abandoned project costs | -- | 1,867,730 |
| Impairment of long-lived assets | 1,051,070 | 3,100,000 |
| Loss on disposition of assets | 4,625 | -- |
| Equity in earnings of joint ventures | (1,274,663) | (160,224) |
| Changes in assets and liabilities: | | |
| Increase in restricted cash | (361,159) | (224,775) |
| (Increase) decrease in accounts receivable | 4,470 | (207,505) |
| Increase in inventories | (1,848) | (588) |

| | | |
|---|---|---|
| (Increase) decrease in prepaid expenses | 55,495 | (177,380) |
| Increase in other assets | (24,305) | -- |
| Increase in accounts payable and accrued expenses | 60,189 | 582,933 |
| Decrease in deferred tax liability | -- | (1,944,710) |
| Net cash used in operating activities | (496,352) | (1,433,791) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Increase in assets held for sale | (107,110) | (431,495) |
| Increase in notes receivable | (1,736,498) | (150,000) |
| (Increase) decrease in receivables from GTECH and joint ventures | 10,314,817 | (9,769,079) |
| Gaming development costs | -- | (607,245) |
| Acquisition of businesses, net of cash acquired | -- | (172,736) |
| Distributions from joint ventures | 1,383,298 | -- |
| Investments in joint ventures | (274,370) | -- |
| Net cash (used in) provided by investing activities | 9,580,137 | (11,130,555) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance of debt | 3,000,000 | 14,306,285 |
| Repayment of debt | (11,391,356) | (1,527,107) |
| Payment of debt issue costs | -- | (260,818) |
| Proceeds from sale of common stock and exercise of warrants, net of offering costs | -- | 18,070 |
| Net cash provided by (used in) financing activities | (8,391,356) | 12,536,430 |

</TABLE>

(Continued)



FULL HOUSE RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

| | 1996 | 1995 |
|---|---|---|
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 692,429 | (27,916) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 356,754 | 384,670 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $1,049,183 | $356,754 |

See notes to consolidated financial statements.



FULL HOUSE RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF OPERATIONS

Full House Resorts, Inc. ("FHRI") was incorporated in the State of Delaware as Hour Corp. on January 5, 1987. FHRI is currently pursuing various gaming opportunities throughout North America and the U.S. Virgin Islands.

On November 20, 1992, FHRI acquired 100% of the outstanding common stock of Deadwood Gulch Resort and Gaming Corp. ("DGR"). DGR currently operates a 98-room hotel, a recreational vehicle park and campground, conference center, convenience store/gas mart, restaurant, lounge, family entertainment facility and two small casinos in Deadwood, South Dakota. During January 1996, the Company announced its intent to dispose of DGR and is actively seeking a buyer. The Company has classified the assets of DGR as assets held for sale. (See Note 4).

Effective December 29, 1995, FHRI entered into a series of agreements with GTECH Corporation ("GTECH") to jointly pursue gaming opportunities. Pursuant to the agreements, four limited liability companies were formed. FHRI has a 50% interest in the joint ventures, which interest is accounted for using the equity method.

The consolidated financial statements include the accounts and operations of FHRI and its wholly owned and majority owned subsidiaries (the "Company"). All significant intercompany accounts and transactions have been eliminated

in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company conform to generally accepted accounting principles. The following is a summary of the more significant of such policies.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents include cash required for gaming operations. Cash in excess of daily requirements is invested in short-term investments with maturities of three months or less when purchased. Such investments are stated at cost, which approximates market, and are deemed to be cash equivalents for purposes of the consolidated statements of cash flows.

The cash of DGR is recorded as restricted cash pursuant to covenants of the first mortgage note payable (Note 6) which restrict the uses of substantially all of DGR's cash to operations and debt service of DGR.

At December 31, 1996, the Company had bank deposits exceeding federally insured limits by $1,410,523.

INVENTORIES - Inventories consisting principally of fuel, groceries, food and beverage items are recorded at the lower of first-in, first-out cost or market.

INVESTMENTS IN JOINT VENTURES - Investments in joint ventures are accounted for using the equity method of accounting.



GOODWILL - Goodwill represents the excess cost over the net assets of businesses acquired during 1995 (See Note 3). Goodwill is being amortized on the straight-line basis over 6 years. The Company reviews the carrying value of goodwill quarterly to determine whether any impairment has occurred. Amortization expense for 1996 and 1995 totaled $507,914, and $615,307 respectively.

GAMING RIGHTS AND DEVELOPMENT COSTS - Costs associated with gaming rights and gaming development activities for which the Company has signed agreements are capitalized until the project begins operations and are thereafter amortized over the term of the respective agreements. If a project is unsuccessful, and its value is determined to be impaired, the related deferred costs are charged to expense at the time of impairment. The Company reviews each project in process and the costs capitalized on a quarterly basis for accounting purposes to determine whether any impairment of the assets has occurred. The Company had no such capitalized costs at December 31, 1996.

CASINO REVENUES - Casino revenue is the net win from gaming activities, which is the difference between gaming wins and losses.

PROMOTIONAL ALLOWANCES - Food and beverage furnished without charge to customers is included in gross revenues at a value which approximates retail and then deducted as complimentary services to arrive at net revenues. The estimated cost of such complimentary services is charged to the casino department and was $40,916 and $57,912 for the years ended December 31, 1996 and 1995.

IMPAIRMENT OF LONG-LIVED ASSETS - Statement of Financial Accounting Standards ("SFAS") No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF, was issued by the Financial Accounting Standards Board ("FASB") in March 1995, and established accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. The Company adopted the provisions of SFAS No. 121 during the fourth quarter of the year ended December 31, 1995. The Company reviews the carrying values of its long-lived and identifiable intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable.

FAIR VALUE OF FINANCIAL INSTRUMENTS - The carrying value of the Company's cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued expenses, and payable to joint ventures approximates fair value because of the short maturity of those instruments. The Company estimates the fair value of its note receivable and long-term debt based on the current rates offered to the Company for loans of the same remaining maturities. The estimated fair values of the Company's note receivable and long-term debt approximate their recorded values at December 31, 1996.

INCOME TAXES - The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109 ACCOUNTING FOR INCOME TAXES, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have

been reflected in the financial statements or tax returns. Deferred income taxes reflect the net effect of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating loss and tax credit carryforwards.

LOSS PER COMMON SHARE - Loss per common share is computed based upon the weighted average number of common and common equivalent shares outstanding during the year. The common



equivalent shares resulting from stock options and warrants have not been included in the computations since their inclusion would have an anti-dilutive effect.

AWARDS OF STOCK-BASED COMPENSATION - The FASB issued in October, 1995 SFAS No. 123 "ACCOUNTING FOR AWARDS OF STOCK-BASED COMPENSATION". This statement, effective for the Company's fiscal year ending December 31, 1996, establishes financial accounting and reporting standards for stock-based employee compensation plans and for transactions where equity securities are issued for goods and services. This statement defines a fair value based method of accounting for an employee stock option or similar equity instrument and encourages all entities to adopt that method of accounting for all of their employee stock compensation plans. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by APB Opinion No. 25, "ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES". The Company will continue to apply APB Opinion No. 25 to its stock based compensation awards to employees and will disclose the required pro forma effect on net loss and net loss per common share (see Note 14).

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS - Certain 1995 amounts have been reclassified to conform to the current year presentation.

3. ACQUISITIONS

On March 23, 1995, LAI (a company owned 100% by Lee A. Iacocca) merged into the Company's wholly-owned subsidiary, FHS. Pursuant to the merger, Mr. Iacocca received 1,250,000 shares of the Company's restricted common stock. In late 1995, the Company was named as a defendant in a lawsuit in Taney County, Missouri, as a result of its acquisition through the LAI merger of certain assets. After negotiations with Mr. Iacocca, in March 1996 Mr. Iacocca accepted the reconveyance of the interests in the assets in exchange for 193,529 shares of common stock of the Company, which the Company believes had a value equal to the book value of the surrendered interest in the assets. Such action was intended to minimize the Company's exposure to the litigation. As a result, the book value of the assets returned was reduced by $822,500 at December 31, 1995, the value assigned to the assets in the acquisition, and no gain or loss was recorded on the transaction. In addition, as of December 31, 1995, stockholders' equity has been reduced by $822,500 for the shares of stock returned, and the number of common shares outstanding has been reduced by 193,529 shares.

On November 20, 1995, FHJVS merged into Omega (a company owned 30% by a director and stockholder of the Company). Pursuant to this agreement the stockholders of Omega received 500,000 shares of the Company's restricted common stock and a note from the Company in the amount of $375,000.

The transactions have been recorded using the purchase method.



The purchase price of the acquisitions and related allocation (as adjusted for the return of assets and stock discussed above) consist of the following:

| | |
|---|---|
| Purchase price | |
| Issuance of 1,556,471 unregistered shares of common stock of the Company valued at $4.25 per share: | |
| Common stock | $ 156 |
| Additional paid-in capital | 6,614,844 |
| Issuance of note payable | 375,000 |
| Transaction costs | 181,858 |
| Total purchase price | $ 7,171,858 |

| Allocation of purchase price | |
|---|---|
| Current assets | $ 9,122 |
| Goodwill | 3,555,634 |
| Gaming rights | 5,556,313 |
| Current liabilities | (4,501) |
| Deferred tax liability | (1,944,710) |
| Total | $ 7,171,858 |

The operating results of the acquired businesses are included in the Company's consolidated results of operations from the respective dates of acquisition.

4. ASSETS HELD FOR SALE / IMPAIRMENT OF LONG-LIVED ASSETS

Because of the Company's intent to dispose of DGR, the Company has reclassified certain assets of DGR to other assets - assets held for sale.

The Company has determined that the carrying amount of the assets held for sale may not be recoverable. The calculated impairment of long-lived assets as of December 31, 1996, was $4,151,070 based upon available information which indicates the estimated loss which could be incurred upon disposition, based on estimated fair value of the assets, less costs of disposition.

During the years ended December 31, 1996 and 1995, DGR incurred net losses before taxes of $769,479 and $3,586,446, including the impairment losses of $1,051,070 and $3,100,000 respectively.

5. INVESTMENTS IN JOINT VENTURES

GTECH RELATIONSHIP

The Company entered into a series of agreements with GTECH to jointly pursue gaming opportunities. Pursuant to the agreements, the following limited liability companies, equally owned by Dreamport, Inc. ("Dreamport"), a subsidiary of GTECH, and the Company were formed: Gaming Entertainment L.L.C. ("GELLC"), Gaming Entertainment (Delaware) L.L.C. ("GEDLLC"), Gaming Entertainment (Michigan) L.L.C. ("GEMLLC"), and Gaming Entertainment (California) L.L.C. ("GECLLC").

Although the agreements were dated December 29, 1995, the joint venture participants agreed to share equally in the equity investment, financing responsibility, and revenues and expenses commencing



April 1, 1995. Therefore, revenues received or expenses paid by participants on behalf of the joint ventures from April 1, 1995 were to be collected from or repaid to the participants by the joint ventures. In addition, the participants agreed to reimburse each other directly, such that certain costs and expenses were shared equally. The Company contributed to capital its rights to the North Bend, Oregon facility and the rights to develop the Torres Martinez, Nottawaseppi Huron Band of Potawatomi and Delaware State Fair projects to the joint ventures.

In payment for its interest in the joint ventures, GTECH contributed cash and other intangible assets to the companies and committed to loan the joint ventures up to $16.4 million to complete the North Bend, Oregon, and Delaware facilities. The Company has agreed to guarantee one-half of the obligations of the joint ventures to GTECH under these loans. At December 31, 1996, the Company had guaranteed one-half of a $2.0 million loan to GELLC and one-half of a $9.1 million loan to GEDLLC. GTECH has also agreed to make loans to the Company for its portion of the financing of projects if the Company is unable to otherwise obtain financing. GTECH will also provide project management, technology and other expertise to analyze and develop/manage the implementation of opportunities developed by the joint ventures.

As part of the formation of the joint ventures, certain directors of the Company and Mr. Iacocca have granted to GTECH an option to purchase their shares should they propose to transfer the same.

In March 1997, the Company and GTECH modified their agreement to no longer require each party to present prospective business opportunities to the other.

The following is a summary of each of the gaming opportunities and the items which have been contributed at book value to capital of the joint ventures by the Company.

GELLC

During 1994, the Company entered into a series of agreements with the

Coquille Indian Tribe to finance and develop a gaming and entertainment facility in North Bend, Oregon. The financing obligation and the gaming agreements (which had no recorded book value), gaming development costs of $152,321, and an obligation to contribute cash of $12,500 were contributed to capital by the Company. The Company had advanced $10,169,079 to the tribe through December 29, 1995. The advances were converted to a promissory note, bearing interest at prime plus 2% and receivable in installments through August 2002, which note was transferred by the Company to GELLC. The Company was reimbursed for these advances by GELLC from funding received by the joint venture from GTECH. GELLC leases approximately 12.5 acres of Tribal Trust Lands from an entity owned by the tribe on which the gaming facility is located and subleases a portion of the land back to the same entity. The master lease expires in 2019 and the sublease expires in 2002 with options to renew. In July 1995, an addendum to the agreement with the tribe was signed by the Company and Dreamport, which reduced the obligations of GELLC to provide financing to $10.4 million, extended the date when payments begin and modified the method of computing participating rents and loan repayments. During 1995, the facility began operations. During 1996, the Company contributed to capital additional gaming development costs of $5,467.

In October 1996, the tribe secured a new $17.5 million loan to refinance certain outstanding indebtedness, finance the acquisition of gaming equipment and finance certain improvements to the gaming facility. GELLC was repaid 100% of its original development loan from the financing. As part of the loan, the joint venture subordinated its rights to receive a percentage of Gross Gaming Revenues,



as defined. As rental under the sublease to the tribal entity, GELLC will receive rental payments based on a schedule of percentages of Gross Gaming Revenues through 2002.

GEDLLC

On April 12, 1995, the Company entered into an agreement with the Delaware State Fair, Inc. to provide management services and funding for the development of a gaming entertainment center at Harrington Raceway in Harrington, Delaware. The Company agreed to provide $6.3 million in financing. The Company contributed to capital of GEDLLC gaming development costs of $23,548, the financing obligation and the gaming agreement (which had no recorded book value), an obligation to contribute cash of $12,500, and notes receivable of $160,806. GEDLLC developed, constructed and equipped the gaming facility and provided financing through a capital lease arrangement. GEDLLC has a 15 year management agreement and is compensated based upon a percentage of Gross Revenues and a percentage of Operating Profits, as both are defined. The facility began operations in August 1996.

Through December 31, 1996, the Company has advanced funds to GEDLLC totaling $1,886,498. This note receivable bears interest at prime plus 1% (9.25% at December 31, 1996) and is payable from available operating cash flows. The note is secured by a similar receivable from Midway Slots and Simulcast, a division of Harrington Raceway, Inc., with the same terms and interest rate. The current portion of the note receivable recorded at December 31, 1996 is based upon cash payments received through March 1997.

GEMLLC

As a result of the acquisitions discussed in Note 3, the Company acquired an 85% interest in a series of agreements with the Nottawaseppi Huron Band of Potawatomi, a Michigan Indian Tribe, to finance, develop, construct and manage gaming and non-gaming commercial opportunities for the tribe. The Company agreed, subject to the approval of the tribe, to assign the development rights to GEMLLC. The financing obligation, gaming development costs of $252,214 and an obligation to contribute cash of $12,500 were contributed to capital of GEMLLC by the Company.

In late 1996, GEMLLC renegotiated its management contract with the tribe and with the 15% owner of the interests in the agreements. Under the new contract, the joint venture will finance, develop and manage gaming operations on reservation lands to be acquired near Battle Creek, Michigan. The 15% owner will be paid a royalty fee in lieu of its original 15% ownership in earlier contracts with the tribe. The assignment of the development rights was approved by the tribe, and gaming development costs of $4,372,446 were contributed to capital of GEMLLC by the Company. GEMLLC is a development stage company as of December 31, 1996.

GECLLC

On April 21, 1995, the Company entered into a Gaming and Development Agreement with the Torres Martinez Desert Cahuilla Indians. The agreement grants the Company certain rights to develop, manage and operate gaming activities for the Tribe and the right to receive 40% of the net revenues from gaming activities subject to the obligation of the Company to pay the

costs of the same. For all non-gaming activities, the Company is to provide 50% of the financing for development and will receive 50% of the net revenues from said activities, subject to the obligation of the Company to lend funds to the Tribe prior to commencement of gaming operations. The financing obligation, gaming



development costs of $63,397, the gaming agreement (which had no recorded book value), and an obligation to contribute cash of $12,500 were contributed to capital of GECLLC by the Company.

During 1996, the Company contributed additional gaming development costs of $51,670 to capital of GECLLC. GECLLC is a development stage company as of December 31, 1996.

The following is a summary of condensed financial information for the joint ventures as of December 31, 1996 and for the years ended December 31, 1996 and 1995:

<TABLE>
<CAPTION>
1996
CONDENSED BALANCE SHEETS

| | GELLC | GEMLLC | GEDLLC | GECLLC | TOTAL |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Current assets | $ 256,792 | $ -- | $ 2,930,644 | $ -- | $ 3,187,436 |
| Noncurrent assets | 214,012 | 5,094,106 | 7,448,316 | 208,569 | 12,965,003 |
| Total | $ 470,804 | $ 5,094,106 | $ 10,378,960 | $ 208,569 | $ 16,152,439 |
| Current liabilities | $ 67,092 | $ 125,960 | $ 2,299,569 | $ 40,358 | $ 2,532,979 |
| Noncurrent liabilities | -- | -- | 7,407,762 | -- | 7,407,762 |
| Members' capital | 403,712 | 4,968,146 | 671,629 | 168,211 | 6,211,698 |
| Total | $ 470,804 | $ 5,094,106 | $ 10,378,960 | $ 208,569 | $ 16,152,439 |
| Company's equity in net assets | $ 201,856 | $ 4,561,679 | $ 335,814 | $ 84,105 | $ 5,183,454 |

1996
CONDENSED STATEMENTS OF OPERATIONS

| | | | | | |
|---|---|---|---|---|---|
| Revenues | $ 1,755,646 | $ -- | $ 3,069,516 | $ -- | $ 4,825,162 |
| Net income (loss) | $ 1,655,498 | $ (79,037) | $ 1,038,223 | $ (65,358) | $ 2,549,326 |
| Company's equity in net income (loss) | $ 827,749 | $ (39,519) | $ 519,11 | $ (32,679) | $ 1,274,663 |

</TABLE>

Revenues from joint ventures in 1996 include the Company's equity in net income of the joint ventures of $1,274,663 and reimbursements of $834,370 from GTECH for prior year costs pursuant to the joint venture agreements with GTECH.



<TABLE>
<CAPTION>

| | GELLC | GEMLLC | GEDLLC | GECLLC | TOTAL |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| 1995 CONDENSED BALANCE SHEETS | | | | | |
| Current assets | $ 1,666,850 | $ 25,000 | $ 25,000 | $ 25,000 | $ 1,741,850 |
| Noncurrent assets | 9,347,147 | 504,427 | 368,706 | 126,794 | 10,347,074 |
| Total | $11,013,997 | $ 529,427 | $ 393,706 | $ 151,794 | $12,088,924 |
| Current liabilities | $10,289,178 | $ 71,923 | $ 2,806 | $ -- | $10,363,907 |
| Members' capital | 724,819 | 457,504 | 390,900 | 151,794 | 1,725,017 |

| | | | | | |
|---|---|---|---|---|---|
| Total | $11,013,997 | $ 529,427 | $ 393,707 | $ 151,794 | $12,088,924 |
| Company's equity in net assets | $ 362,40 | $ 228,752 | $ 195,450 | $ 75,897 | $ 862,508 |
| 1995 CONDENSED STATEMENTS OF OPERATIONS | | | | | |
| Revenues | $ 527,557 | $ -- | $ -- | $ -- | $ 527,557 |
| Net income (loss) | $ 395,176 | $ (71,923) | $ (2,806) | $ -- | $ 320,447 |
| Company's equity in net income (loss) | $ 197,588 | $ (35,962) | $ (1,402) | $ -- | $ 160,224 |

</TABLE>



6. DEBT

Debt consists of the following at December 31, 1996:

<TABLE>
<CAPTION>

| <S> | <C> |
|---|---|
| Note payable, secured by a first mortgage on all real property of DGR (included in assets held for sale) and partially secured by the guarantee of FHRI, the personal guarantee of certain stockholders and the Company's Chief Executive Officer; interest at prime plus 2 1/4% for the period of June 1, 1996 through May 31, 2002 (10.5% at December 31, 1996); principal and interest due in monthly installments of $57,089 through May 31, 2002, at which time all unpaid principal and interest are due. | $3,821,098 |
| Convertible, unsecured note payable to GTECH Corporation; original principal amount of $3,000,000, no payments or accrued interest until January 25, 1998 at which point interest will accrue at the lesser of the maximum lawful rate of interest, or the prime rate; interest due monthly beginning February 1, 1998 through January 25, 2001, at which time all unpaid principal and interest are due. The note is convertible, subject to regulatory approval, at the holders option in whole or part at any time prior to January 25, 1998 into common stock of the Company at a conversion price of five dollars principal amount of the note for one share of stock (less unamortized discount of $238,185 based on imputed interest rate of 8.25%). | 2,761,815 |
| Note payable to stockholder; interest at prime (8.25% at December 31, 1996) payable quarterly commencing on January 31, 1996; principal payable on demand. | 375,000 |
| Total | 6,957,913 |
| Less current portion | (667,258) |
| Long-term portion | $6,290,655 |

</TABLE>

The first mortgage note payable includes certain financial covenants which restrict the uses of DGR's cash to the operations and debt service of DGR and which require DGR to maintain a certain tangible net worth and debt service coverage ratio. DGR was not in compliance with the tangible net worth requirement and the debt service coverage ratio at December 31, 1996. However, DGR has obtained a waiver of the tangible net worth ratio through December 31, 1997 and for the debt service coverage ratio through March 31, 1997. The debt service coverage ratio will next be measured on March 31, 1997. The Company's interim operating results have approximated budgeted amounts through February 1997. Based upon the budgeted operations through March 31, 1997, and principally due to the retirement of certain debt and associated payments which were present at the last measurement date, management believes the Company will be in compliance with the debt service coverage ratio requirement at March 31, 1997.



The scheduled maturities of debt are as follows:

| YEAR ENDING DECEMBER 31, | |
|---|---|
| 1997 | $ 667,258 |
| 1998 | 324,936 |

| | |
|---|---|
| 1999 | 361,267 |
| 2000 | 401,661 |
| 2001 | 3,208,386 |
| Thereafter | 1,994,405 |
| Total | $6,957,913 |

7. STOCKHOLDERS' EQUITY

As part of a public offering in August 1993, warrants to purchase shares of the Company's common stock were issued. The exercise price of the warrants and the number of shares issuable per warrant are based on a dilution agreement and, as of December 31, 1996, 778,534 warrants to purchase 925,988 shares of common stock at $4.20 per share were exercisable through February 10, 1997. The Company may redeem the warrants on not less than 30 days notice at $.05 per warrant provided the Company's stock trades at $5.04 per share for at least twenty consecutive days and there is an effective registration statement under the Securities Act of 1933, as amended, covering the warrants. In February 1997, 700 warrants were exercised for 831 common shares of the Company, with net proceeds of $3,500. The remaining warrants expired on February 10, 1997.

The Company also sold to the underwriters of the Company's public offering warrants at $.01 per warrant to acquire 80,000 units, each unit consisting of three shares of the Company's common stock and a warrant to purchase additional shares of the Company's common stock. The exercise price of warrants to purchase the units and the exercise price and number of shares issuable per warrant for the warrants issuable upon purchase of the unit are based upon a dilution agreement. As of December 31, 1996, warrants to purchase 22,500 units were exercisable at $13.17 per unit through August 9, 1998 and 57,500 warrants to purchase 68,393 shares of common stock at $4.20 per share were exercisable through February 10, 1997. The warrants included in the 22,500 units and the 57,500 warrants to purchase 68,393 shares expired on February 10, 1997.

Additionally, options to purchase 150,000 shares of common stock at $3.69 per share (market value on date of grant) were issued in 1994 to the Company's General Counsel. All these options were exercisable at December 31, 1996.

During the year ended December 31, 1995, the Company issued 15,061 shares of its common stock at an average price of $4.20 per share upon exercise of warrants for a total consideration of $63,259.

During the year ended December 31, 1995, the Company issued 1,556,471 shares of restricted common stock to finance certain business acquisitions. See Note 3.

The Company's preferred stock may be converted, at the option of the holder, to common stock on a one-for-one basis, has a $.30 per share cumulative dividend rate, and has a liquidation preference equal to $3.00 per share plus all unpaid dividends. If the Company is in default in declaring or setting apart



for payment of dividends on the preferred stock, it is restricted from paying any dividend, making any other distribution, or redeeming any stock ranking junior to the preferred stock. The stockholders' right to the $.30 per share cumulative dividends on the preferred stock commenced as of June 30, 1992 and totaled $945,000 at December 31, 1996. Through December 31, 1996, no dividends have been declared or paid.

8. INCOME TAXES

The income tax benefit recognized in the consolidated financial statements consists of the following:

| | 1996 | 1995 |
|---|---|---|
| Deferred benefit | $ - | $ 1,944,710 |

A reconciliation of the income tax benefit with amounts determined by applying the statutory U.S. Federal income tax rate to consolidated loss before income taxes is as follows:

| | 1996 | 1995 |
|---|---|---|
| Tax benefit at U.S. statutory rate | $ 266,000 | $2,623,459 |
| Change in valuation allowance | (87,000) | (457,237) |
| Non-taxable/deductible items | (179,000) | (221,512) |

| | |
|---|---|
| Total | $ - $1,944,710 |

The Company's deferred tax items as of December 31, 1996 are as follows:

| | CURRENT | NON-CURRENT | TOTAL |
|---|---|---|---|
| Deferred tax assets: | | | |
| Net operating loss carryforward | $ - | $ 1,339,000 | $1,339,000 |
| Difference between book and tax basis of assets held for sale | - | 1,086,000 | 1,086,000 |
| Accrued expenses | 56,000 | - | 56,000 |
| Total deferred tax assets | 56,000 | 2,425,000 | 2,481,000 |
| Deferred tax liabilities - Difference between book and tax basis of gaming rights | - | (1,454,000) | (1,454,000) |
| Valuation allowance | (56,000) | (971,000) | (1,027,000) |
| Net deferred tax liability | $ - | $ - | $ - |

At December 31, 1996, the Company had net operating loss carryforwards for income tax purposes of approximately $3,825,000, which may be carried forward to offset future taxable income. The loss carryforwards expire in 2007 through 2010. The availability of the loss carryfowards may be limited in the event of a significant change in ownership of the Company or its subsidiaries.



9. RELATED PARTY TRANSACTIONS

During 1995, the Company repaid a note payable to a stockholder in the amount of $1,244,981.

Total interest expense and debt issue costs charged to operations in 1996 and 1995 related to the note payable to a stockholder were $34,872 and $81,015.

See Note 3 for a discussion of a business combination with a company owned 30% by a director and stockholder of the Company.

See Notes 5 and 12 for a discussion of transactions with joint ventures.

See Note 7 for other issuances of the Company's common stock to and the purchase of common and preferred stock from related parties.

10. BENEFIT PLAN

On January 1, 1994, the Company adopted a 401(k) plan that covers all eligible employees. Participants may contribute a percentage of eligible wages up to 15% of their annual salaries, with the Company matching up to a maximum of 50% of the first 4% of participant wages contributed. The Company's matching contributions were $22,447 and $19,415 for the years ended December 31, 1996 and 1995.

11. ABANDONED PROJECT COST

On June 28, 1995, the Governor of the State of Michigan determined to prohibit off-reservation gaming in the State of Michigan. As a result, during 1995 the Company recognized a loss of $1,867,730 relating to the write-off of costs of the gaming agreement acquired in the acquisitions of LAI and Omega discussed in Note 3, and other costs.

12. SUPPLEMENTAL STATEMENT OF CASH FLOWS INFORMATION

Cash payments for interest for the years ended December 31, 1996 and 1995 were $694,602 and $814,002, respectively.

The following noncash investing and financing activities are not reflected in the consolidated statements of cash flows:

During the year ended December 31, 1996, the Company increased its investment in the joint ventures by assigning and/or contributing gaming rights and gaming development costs of $4,429,583.

During the year ended December 31, 1996 the Company recorded an increase in additional paid-in capital and an increase in debt discount of $439,727.

During the year ended December 31, 1995, the Company increased its investments in joint ventures by $702,284 by contributing gaming development

costs of $103,596 and recording capital contributions payable of $598,688.



During the year ended December 31, 1995, the Company recorded a receivable from joint ventures of $10,211,703, which is net of capital contributions payable of $598,688. The receivable resulted from transfers of notes receivable of $10,169,079 and other costs of $42,624 to the joint ventures.

During the year ended December 31, 1995, the Company recorded a receivable from GTECH of $896,377, and a reduction in gaming rights of $896,377. The receivable is a result of the joint venture agreement between the Company and GTECH.

13. LEGAL MATTERS

The Company is party to legal proceedings arising in the normal conduct of business. Management believes that the final outcome of these matters, will not have a material adverse effect upon the Company's consolidated financial position, results of operations or cash flows.

In October 1995, litigation was filed against Full House relating to ownership and access pertaining to a portion (approximately 1,200 square feet) of the Deadwood Gulch Resort hotel and parking lot property. That litigation has been settled by the Resort's purchase of the disputed encroachment of the parking lot onto neighboring property, and the acknowledgment of the unspecified easement to properties behind the hotel, and payment of nominal attorney's fees.

In October 1994, Full House filed an action for declaratory relief in Mississippi, seeking a determination by the court that no relationship exists between it and Lone Star Casino Corporation regarding the potential acquisition of a riverboat casino on the Mississippi gulf coast (FULL HOUSE RESORTS, INC. V. LONE STAR CASINO CORPORATION V. ALLEN E. PAULSON, Second Judicial District of the Chancery Court of Harrison County, Mississippi). Lone Star filed a counterclaim alleging breaches of fiduciary duty, breach of contract, conspiracy to breach contract and to breach fiduciary duty and common law fraud. The trial court granted summary judgment in favor of all defendants on that counterclaim, and Lone Star's appeal of that judgment is currently pending in the Mississippi appellate court. A decision is expected by the end of 1997. Management is unable to determine the outcome of this litigation, but does not believe the outcome will have a material adverse effect on Full House's financial condition.

In late 1995, Branson Hills Associates, L.P. (the "Plaintiff") filed a lawsuit in the Circuit Court of Taney County, Missouri, naming Lee Iacocca, William P. McComas, Ron Richey, and the Company and certain of its subsidiaries as defendants (collectively, the "Defendants"). The suit involves a claim that Messrs. Iacocca and McComas failed to use their best efforts to find a developer and financing for the Plaintiff in connection with the development of properties owned by the Plaintiff. The Plaintiff seeks rescission of the contract granting certain property rights to Iacocca and McComas in consideration of said best efforts, and futher seeks damages for fraud and breach of contract arising out of Mr. McComas' loaning of funds to Plaintiff when alternative financing could not be arranged. Mr. Richey and the Company are further named in a count of conspiracy. A portion of the property rights involved in the lawsuit were briefly held by the Company subsequent to the merger involving LAI as described above, and have since been returned to Mr. Iacocca. The Company no longer holds any interest in such property. All Defendants vigorously dispute the liability. The lawsuit is currently in the discovery phase, and no trial date has been set. Management is unable to determine the outcome of this litigation, but does not believe the outcome will have a material adverse effect on Full House's financial condition or results of operations.



14. STOCK-BASED COMPENSATION PLANS

At December 31, 1996, the Company has two stock-based compensation plans which are described below. The Company applies APB Opinion No. 25 and related interpretations in accounting for these plans. Because options have been granted with exercise prices equal to market value on the grant date, no compensation cost has been recognized for options granted under the Nonemployee Director Stock Plan and Incentive Stock Plan (except as disclosed below related to options granted under the Incentive Stock Plan to a consultant/principal shareholder). Had compensation cost for options granted under the Company's two stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS Statement 123, the Company's net loss and loss per common share would have been increased to the pro forma amounts indicated below:

| | 1996 | 1995 |
|---|---|---|

| | | | |
|---|---|---|---|
| Net loss | As reported | $ 760,600 | $5,550,888 |
| | Pro forma | $1,116,827 | $5,550,888 |
| Loss per common share | As reported | $ 0.09 | $ 0.59 |
| | Pro forma | $ 0.13 | $ 0.59 |

The Company has reserved 300,000 shares of its common stock for issuance under the Nonemployee Director Stock Plan. The Plan allows for options to be granted at prices not less than fair market value on the date of grant and are generally exercisable over a term of five years. No options have been issued under the Plan.

The Company has reserved 1,000,000 shares of its common stock for issuance under the 1992 Incentive Plan. The Plan allows for the issuance of options and other forms of incentive awards, including qualified and non-qualified incentive stock options. Incentive stock options may be granted at prices not less than fair market value on the date of grant, while non-qualified incentive stock options may be granted at a price less than fair market value on the date of grant. The persons eligible for such plan include employees and officers of the Company (whether or not such officers are also directors of the Company) and consultants and advisors to the Company, who are largely responsible for the management, growth and protection of the business of the Company. Options issued under the Incentive Plan are generally exercisable over a term of ten years.

The fair value of each option grant for the pro forma disclosure was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1996: expected volatility of 80 percent, risk-free interest rate of 6.1 percent, and expected life of 2.5 years. There were no grants during 1995. For purposes of this calculation, the 210,000 options for which the exercise price was changed to $3.31 during April 1996, were treated as if granted during 1996 for vested options. Nonvested options were treated similarly, however, only the incremental increase in fair value was included in the fair value calculation.

On December 20, 1996, a consultant, who is also a principal shareholder, was granted an option to purchase 250,000 common shares at $3.69 in return for consulting services to be provided over an approximate three year period. The options vested immediately. The fair value of $302,826 for the options was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: expected volatility of 80 percent, risk-free interest rate of 6.0 percent, and



expected life of 2.0 years. As the options were granted to a nonemployee in return for services, consulting expense will be recognized ratably over the three year service period commencing in 1997. These options have not been included in the disclosures related to stock-based compensation. The total options outstanding under the Incentive Plan including the consulting options at December 31, 1996 and 1995 was 510,000 and 210,000, respectively.

A summary of the status of the Company's incentive stock option plan (excluding options mentioned above which were issued to a consultant/principal shareholder) as of December 31, 1996 and 1995, and changes during the years ending on those dates is presented below:

<TABLE>
<CAPTION>

| | 1996 | | 1995 | |
|---|---|---|---|---|
| | SHARES | WEIGHTED - AVERAGE EXERCISE PRICE | SHARES | WEIGHTED - AVERAGE EXERCISE PRICE |
| <S> | <C> | <C> | <C> | <C> |
| Outstanding at beginning of year | 210,000 | $ 6.35 | 235,000 | $ 6.24 |
| Granted | 50,000 | $ 3.31 | - | |
| Exercised | - | | - | |
| Forfeited | - | | (25,000) | $ 5.34 |
| Outstanding at end of year | 260,000 | $ 3.31 | 210,000 | $ 6.35 |
| Options exercisable at year-end | 190,000 | $ 3.31 | 70,000 | $ 6.35 |
| Weighted-average fair value of options granted during the year | $ 2.02 | | - | |

</TABLE>

As of December 31, 1996, the 260,000 incentive options outstanding under the Incentive option plan all have an exercise price of $3.31 and a weighted-average remaining contractual life of 7.9 years. Effective April 9, 1996 the exercise price of the 210,000 options which had been outstanding at December 31, 1995 was decreased from a weighted-average of $6.35 to $3.31, the market price of the stock at that date.

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INDEX TO EXHIBITS

<TABLE>
<CAPTION>

| EXHIBIT NUMBER | DESCRIPTION | SEQUENTIALLY NUMBERED PAGE |
|---|---|---|
| <S> | <C> | <C> |
| 10.47 | Subordination and Participation Agreement dated as of October 8, 1996 between Gaming Entertainment L.L.C. and Miller & Schroeder Investments Corporation* | |
| 10.48 | First Amended and Restated Participating Lease dated as of October 8, 1996 between Gaming Entertainment L.L.C. and Coquille Economic Development Corporation* | |
| 10.49 | First Amended and Restated Master Lease dated as of October 8, 1996 between Gaming Entertainment L.L.C. and Coquille Economic Development Corporation* | |
| 10.50 | Agreement dated as of November 18, 1996 by and among Green Acres Casino Management Company, GTECH Corporation, Gaming Entertainment (Michigan) L.L.C. and the Company | |
| 10.51 | Amended and Restated Class III Management Agreement dated November 18, 1996 among Nottawaseppi Huron Band of Potawatomi and Gaming Entertainment (Michigan) L.L.C. | |
| 21 | List of Subsidiaries of Full House Resorts, Inc.* | |
| 23.1 | Consent of Deloitte & Touche LLP, Certified Public Accountants* | |
| 27.1 | Financial Data Schedule | |

</TABLE>

EXHIBIT 10.47

SUBORDINATION AND PARTICIPATION AGREEMENT

THIS SUBORDINATION AND PARTICIPATION AGREEMENT is made and entered into as of October 8, 1996, and is by and between GAMING ENTERTAINMENT L.L.C., a Delaware limited liability company ("GELLC") and MILLER & SCHROEDER INVESTMENTS CORPORATION, a Minnesota corporation ("M&S").

RECITALS:

A. M&S, as Lender, and the Coquille Economic Development Corporation, as Borrower ("CEDCO"), a tribally-chartered corporation wholly owned by the Coquille Indian Tribe (the "Tribe"), have entered into a certain Loan Agreement, dated as of the date hereof (the "Loan Agreement"), pursuant to which M&S will lend to CEDCO $17,500,000 (the "Loan") to refinance the development, construction and equipping of a casino facility (the "Casino Project") located on the Tribe's reservation and trust lands in North Bend, Oregon, to finance the purchase of equipment for the casino facility and to finance certain other improvements in connection with the casino facility. CEDCO's payment obligations under the Loan Agreement will be evidenced by Promissory Notes, Series 1996A (the "Notes") of even date herewith.

B. In connection with the Casino Project, Full House Resorts, Inc. ("FHR") has subleased certain land located on the Tribe's reservation and trust lands (the "Premises") to CEDCO pursuant to a Participating Lease, dated February 9, 1995, as amended and supplemented (the "Original Participating Lease"), and CEDCO is obligated to pay to FHR certain rental payments (the "Rental Payments"). FHR has assigned its interest in the Original Participating Lease and the Rental Payments to GELLC. GELLC, as landlord, and CEDCO, as tenant, have entered into a First Amended and Restated Participating Lease, dated October 8, 1996 (the "Participating Lease"), whereby they have amended and restated the Original Participating Lease, as theretofore amended.

C. As contemplated by Section 9.06 of the Loan Agreement, M&S will be selling participation interests in the Loan, and GELLC will purchase from M&S a participation interest of $2,000,000 in the Loan (the "GELLC Participation").

D. In order to induce M&S to enter into the Loan Agreement and to assure M&S the priority of all payments due M&S under the Notes and the Loan Agreement, and in recognition that, but for this Agreement, M&S would not enter into the Loan Agreement, the parties hereto are executing and delivering this Agreement.

NOW, THEREFORE, in consideration of the Loan pursuant to the Loan Agreement and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged by each of the parties hereto, it is hereby agreed as follows:



1. Notwithstanding anything in the Participating Lease to the contrary, GELLC agrees that it will have no right to receive Rental Payments under the Participating Lease, unless and until and only so long as the required monthly debt service on the Notes have been fully paid and no Event of Default (as defined in the Loan Agreement) nor any event which with the passing of time or the giving of notice or both would constitute an Event of Default, has occurred and is then existing (other than an Event of Default due solely to the failure of CEDCO to pay the Rental Payments).

2. Any payments received by GELLC in violation of this Agreement shall be held in trust for the benefit of M&S and will be paid over to M&S upon demand to be applied to payments with respect to the Notes then delinquent or due and to cure any defaults under the Loan Agreement. Absent an Event of Default (or an event which with the passage of time or the giving of notice would constitute an Event of Default), any payments received by M&S in excess of required monthly debt service on the Notes and any other amounts due pursuant to Section 2.02 or 2.05 of the Loan Agreement shall be held in trust for the benefit of GELLC and shall be paid over to GELLC upon demand to be applied to Rental Payments then delinquent or due and to cure any defaults under the Participating Lease.

3. GELLC subordinates and subjects to the right of M&S to receive required payments under the Notes its sub-leasehold interest in the Premises pursuant to the First Amended and Restated Master Lease dated October 8, 1996, between CEDCO, as landlord, and GELLC, as tenant. For so long as the Notes are outstanding, GELLC will not initiate any action to terminate the Participating Lease or to accelerate any Rental Payments due under the Participating Lease, without the prior written consent of M&S; provided, however, that:

(a) if CEDCO is in default under the Participating Lease, GELLC may at

its option request CEDCO or the Tribe to enter into a contract with a management company as described in Section 25(c)(vii) of the Participating Lease, subject to the approval of M&S pursuant to Section 6.27 of the Loan Agreement; and

(b) if the Tribe's Class III gaming operations (as defined under the Indian Gaming Regulatory Act) at the Casino Project have terminated and CEDCO is in default under the Participating Lease, GELLC may pursue any and all of its remedies under the Participating Lease.

4. (a) No renewal, modification or extension of the Loan Agreement or payment of the Notes and no releases or surrender of any security therefor, nor the obligations of any endorsers, sureties or guarantees thereof, nor any delay or omission in exercising any right or power contained therein shall in any event impair or affect the subordinations contained herein and/or the rights and obligations of the parties hereunder. M&S, in its uncontrolled discretion, may waive or release any right or option under the Loan Agreement and may exercise or



refrain from exercising any right thereunder. The parties waive notice of the creation, existence, renewal, modification or extension of time and payment of the Loan Agreement and any modifications or amendments thereof. The parties agree that M&S, at any time or from time to time, may enter such agreement or agreements with CEDCO as M&S may deem appropriate, extending the time of payment or renewing or otherwise altering the terms of any or all of the obligations of CEDCO to M&S without notice to GELLC and without in any way impairing or affecting the rights of M&S under this Agreement.

(b) Notwithstanding anything to the contrary set forth in Section 4(a) hereof, M&S shall not, without the prior written consent of GELLC, agree to any modification, amendment or waiver of any provision of, or give a consent requested to be given under, the Loan Agreement, the Depository Agreement (as defined in the Loan Agreement) or the Notes, if the effect thereof might reasonably be expected to affect the ability of CEDCO to pay the Rental Payments under the Participating Lease when and as due, including, without limitation, any modification, amendment, waiver or consent that: (i) increases the principal amount, interest rate or other fees due under or with respect to the Notes; (ii) accelerates the time at which amounts are due under or with respects to the Notes (other than an acceleration due to the occurrence of an Event of Default); (iii) is with respect to Section 6.26 ("NO MERGER"), Section 6.27 ("MANAGEMENT CONTRACT"), Section 6.28 ("LOANS OR ADVANCES"), Section 6.29 ("GUARANTIES"), Section 6.33 ("OPERATION OF CASINO FACILITIES"), Section 6.34 ("NET WORTH"), Section 6.35 ("DEBT SERVICE COVERAGE RATIO") or Section 6.36 ("INDEBTEDNESS").

5. Without obtaining the prior written consent of GELLC, M&S agrees not to exercise any rights or remedies with respect to any Event of Default under the Loan Agreement or the Notes if such Event of Default has occurred solely as a result of a CEDCO default under the Participating Lease, except in such circumstances as are described in Section 3(b) hereof.

6. In connection with the GELLC Participation, GELLC and M&S agree that M&S shall act as agent for GELLC and other purchasers of participation interests in the Loan and shall exercise such powers on behalf of GELLC and such others as are specifically delegated to it under the Loan Agreement and related documents, together with such other powers as are reasonably incidental thereto. Without limiting the foregoing, M&S shall promptly pay to GELLC its PRO RATA, PARI PASSU portion of any amount received with respect to the Loan or under the Loan Agreement.

7. M&S acknowledges that it has, based upon such documents, information and investigations as M&S has deemed appropriate, and, independently of GELLC and any affiliate of GELLC (including Full House Resorts, Inc. and GTECH Corporation) or any information supplied or representations made by any of the foregoing, made its own credit decision to make the Loan.



8. To further evidence the subordinations contained herein, GELLC shall execute and deliver to M&S the Consent, Estoppel, Attornment, Subordination and Non-Disturbance Agreement dated the date hereof, between the Tribe, CEDCO, GELLC and M&S.

9. This Agreement and each and every covenant, agreement and other provision hereof shall be binding upon each of the parties hereto and their successors and assigns and shall inure to the benefit of each of the parties hereto and their successors and assigns. Notice of acceptance of this Agreement is hereby waived on behalf of all parties and their successors and assigns.

10. This Agreement is made in and shall be construed in accordance with the laws of the State of Delaware.

11. This Agreement may be changed only by an instrument in writing executed by the parties hereto. No waiver, amendment or modification by custom, usage or by implication shall be effective unless in writing signed by the parties.

12. Any notices and other communications permitted or required by the provisions of this Agreement (except for telephonic notices expressly permitted) shall be in writing and shall be deemed to have been properly given or served by depositing the same with the United States Postal Service, or any official successor thereto, bearing adequate postage, or delivery by reputable private carrier such as Federal Express, Airborne, DHL, or similar overnight delivery service, and addressed as provided below. Each such notice shall be effective upon being deposited as aforesaid.



IN WITNESS WHEREOF, the parties hereto have caused this Subordination Agreement to be executed as of the date first above written.

GAMING ENTERTAINMENT L. L. C.,
By its Members, as follows:

Dreamport, Inc. (formerly known as
GTECH Gaming Subsidiary 1 Corporation)

By: /s/ JOHN E. TAYLOR, JR.
---
Name: John E. Taylor, Jr.
Title: President

GTECH Gaming Subsidiary 2 Corporation

By: /s/ JOHN E. TAYLOR, JR.
---
Name: John E. Taylor, Jr.
Title: President

Full House Subsidiary, Inc.

By: /s/ WILLIAM R. JACKSON
---
Name: William R. Jackson
Title: Vice President

Full House Joint Venture Subsidiary, Inc.

By: /s/ WILLIAM R. JACKSON
---
Name: William R. Jackson
Title: Vice President

Address:

Gaming Entertainment L.L.C.
55 Technology Way
West Greenwich, Rhode Island 02817
Attn: John Taylor

with copies to:
Mary V. Brennan, Esq.
Full House Resorts, Inc.
12555 High Bluff Drive, Suite 380
San Diego, California 92130

Office of the General Counsel
GTECH Corporation
55 Technology Way
West Greenwich, Rhode Island 02817



MILLER & SCHROEDER INVESTMENTS
CORPORATION, a Minnesota corporation

By: /s/ EDWARD J. HENTGES
---
Its: President
---

Address:

300 Pillsbury Center
220 South Sixth Street
Minneapolis, Minnesota 55402

EXHIBIT 10.48

COQUILLE ECONOMIC DEVELOPMENT CORPORATION

GAMING ENTERTAINMENT L.L.C.

FIRST AMENDED AND RESTATED PARTICIPATING LEASE

THIS FIRST AMENDED AND RESTATED PARTICIPATING LEASE dated as of October 8, 1996 (this "Lease"), restates and amends that certain Participating Lease made as of February 9, 1995, as amended, by and between GAMING ENTERTAINMENT L.L.C., a Delaware limited liability company ("GELLC" or "Lessor;" successor in interest to FULL HOUSE RESORTS, INC., a Delaware corporation ("FHR")), whose address is 55 Technology Way, West Greenwich, Rhode Island 02817 and COQUILLE ECONOMIC DEVELOPMENT CORPORATION, a corporation chartered by the Coquille Indian Tribe ("Lessee" or "CEDCO"), whose address is 3201 Tremont, North Bend, Oregon 97459.

1. RECITALS.

WHEREAS, the Coquille Indian Tribe (the "Tribe") has been reorganized pursuant to the Coquille Restoration Act of 1989, (25 U.S.C. Section 715 through 715g) and has the authority to direct the Secretary of the Interior to acquire land in trust;

WHEREAS, the Tribe has organized CEDCO pursuant to its laws for the purpose of developing projects for the general economic welfare of the Tribe and has vested CEDCO with the right and authority to contract for the transactions set forth herein;

WHEREAS, CEDCO operates a gaming facility on a portion of the Premises in compliance with Indian Gaming Regulatory Act of 1988, P.L. 100-497, 25 U.S.C. Section 2701 et seq. and its gaming compact with the State of Oregon;

WHEREAS, CEDCO leases the Premises from the Tribe pursuant to the Business Lease;

WHEREAS, FHR subleases the Premises from CEDCO pursuant to a Master Lease dated as of February 9, 1995, as amended (the "Old Master Lease") pursuant to which CEDCO expanded, reconstructed, improved and built-out the Premises sufficient to accommodate the gaming facility which is presently operated by CEDCO;

WHEREAS, pursuant to the Loan Agreement dated as of February 9, 1995, as amended (the "Old Loan Agreement"), FHR agreed to loan to CEDCO up to $10,400,000 (such amounts as are outstanding with respect to such loans as of the date hereof, the "Existing Indebtedness"), subject to the terms and conditions of the Old Loan Agreement for the purpose of, among other things, permitting CEDCO to finance the expansion, reconstruction, improvement and build-out referenced above of the Premises;



WHEREAS, FHR sub-subleases the Premises to CEDCO pursuant to a Participating Lease dated as of February 9, 1995, as amended (the "Old Participating Lease");

WHEREAS, in December 1995, FHR assigned to GELLC its interest in the Old Master Lease, the Old Loan Agreement, the Old Participating Lease and related documents and agreements;

WHEREAS, in connection with the execution of a Loan Agreement of even date herewith between CEDCO and Miller & Schroeder Investments Corporation and related documents and agreements, Miller & Schroeder Investments Corporation has agreed to lend to CEDCO $ 17,500,000 for the purpose of permitting CEDCO to retire the Existing Indebtedness and to finance the acquisition of certain equipment and of certain improvements with respect to the Premises; and

WHEREAS, GELLC and CEDCO wish to amend and restate the Old Participating Lease in light of the events and transactions described above.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, GELLC and CEDCO hereby agree as follows:

2. DEFINITIONS.

The following terms will have the following meanings for all purposes of this Lease:

"ANNUAL PERCENTAGE RENTAL" means with respect to any twelve month period commencing on October 8, 1996, an amount equal to thirteen percent (13%) of Gross Gaming Revenue for such twelve month period, and continuing for each consecutive twelve month period thereafter for the term of this Lease, provided however, that such annual percentage rental shall be reduced: (i) on October 8, 1999 to 12% of Gross Gaming Revenue; (ii) on October 8, 2000 to 11 % of Gross Gaming Revenue; and (iii) on October 2001 to 10% of Gross Gaming Revenue. No Annual Percentage Rental shall accrue with respect to any period after August 19, 2002. Notwithstanding the above, in the event Gross Gaming Revenue for any twelve month period exceeds $20,000,000, ten percent (10%) shall be the applicable percentage to all amounts in excess of such threshold.

"BASE ANNUAL RENTAL" means: (i) $45,000 for each Lease Year, plus a one-time rental payment equal to $455,000 which will be payable (a) on or before the first day of the seventh full Lease Year in the event the Lease Term is not extended pursuant to Section 4, or (b) on or before the first day of the fourteenth full Lease Year in the event the Lease Term is extended pursuant to Section 4 or (ii) in the event CEDCO effectuates a buy-down pursuant to Section 5(e), $1.00 for any Lease Year thereafter.



"BASE MONTHLY RENTAL" means an amount equal to 1/12 of the Base Annual Rental.

"BUSINESS LEASE" means that certain lease agreement dated February 9, 1995 between CEDCO, as Lessee, and the Coquille Indian Tribe, as Lessor.

"CASINO IMPROVEMENTS" means the improvements to the gaming facility to be constructed upon the Premises, as described on Exhibit B.

"COMMENCEMENT DATE" means May 19, 1995, which was the date the Premises were opened to the public and gaming activities commenced.

"COMMERCIAL ACTIVITIES" means any commercial activities conducted on the Premises, including, without limitation, gaming activities, collateral economic activities, other commercial activities and the rental or leasing of the Premises, any improvements thereon or any portion thereof.

"COMPACT" means the compact dated December 8,1994, as amended, entered into by and between the Coquille Indian Tribe and the State of Oregon as required by IGRA.

"DAILY PERCENTAGE RENTAL" means with respect to each day during the term of the Lease commencing on October 8, 1996, an amount equal to thirteen percent (13%) of Gross Gaming Revenue for such day, provided however, that such daily percentage rental shall be reduced: (i) on October 8, 1999 to 12% of Gross Gaming Revenue for each such day; (ii) on October 8, 2000 to 11% of Gross Gaming Revenue for each such day; and (iii) on October 8, 2001 to 10% of Gross Gaming Revenue for each such day. No Annual Percentage Rental shall accrue with respect to any period after August 19, 2002. Notwithstanding the above, in the event Gross Gaming Revenue for any twelve month period exceeds $20,000,000, ten percent (10%) shall be the applicable percentage to all amounts in excess of such threshold.

"GAMING LAWS" means the Compact, IGRA and the Ordinance.

"GELLC" means Gaming Entertainment L.L.C., a Delaware limited liability company.

"GROSS GAMING REVENUE" means all revenues, sales or other gross proceeds (after payment of cash prizes and after payment of non-cash prizes which non-cash prizes shall be treated the same as cash prizes for the purpose of determining Gross Gaming Revenue provided that the hold percentage is set to cover the cost of such non-cash prizes) derived from or with respect to the operation of electronic and mechanical gaming devices (slot machines and/or video lottery terminals) now possessed by CEDCO or hereafter acquired by CEDCO pursuant to a lease or otherwise, live keno, live bingo and electronic bingo machines, and/or wagering with pull-tabs, but excluding revenues from all other table games. Complimentary plays, chips, token or any other complementary charges shall be deemed an

operating expenses and shall not be deducted from gross revenues for purposes of calculating Gross Gaming Revenue.

"IGRA" means the Indian Gaming Regulatory Act of 1988, P.L. 100-497, 25 U.S.C. /section/ 2701 ET SEQ. and any and all rules, ordinances and guidelines promulgated pursuant to any such laws, and any amendments, substitutions or replacements of any of the foregoing.

"LAWS" means collectively the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. /section/ 9601, ET SEQ., the Hazardous Materials Transportation Act, 49 U.S.C. /section/ 1801, ET SEQ., the Toxic Substances Control Act, 15 U.S.C. /section/ 2601, ET SEQ., the Resource Conservation and Recovery Act, 42 U.S.C. /section/ 6901, ET SEQ., the Petroleum Marketing Practices Act, 15 U.S.C. /section/ 2801, ET SEQ., the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. /section/ 9601, ET SEQ., any applicable federal, state, county or local laws applicable to or regulating hazardous substances, toxic wastes, pollutants or similar environmental or safety subjects, any rules, ordinances and guidelines promulgated pursuant to any one or more or such laws, and any amendments, substitutions or replace-ments of any of the foregoing.

"LEASE TERM" means the period described in Section 4 hereof.

"LEASE YEAR" means: (i) for the first year, the approximately twelve (12) month period commencing on the Commencement Date of this Lease and ending on the last calendar day of the month in which the anniversary date of this Lease occurs; and (ii) for each year thereafter, the twelve (12) month period commencing on the first calendar day of the month subsequent to the anniversary date of this Lease and ending on the last calendar day of the month in which the anniversary date of this Lease occurs.

"LESSEE" means Coquille Economic Development Corporation, a corporation wholly owned by and chartered by the Coquille Indian Tribe.

"LESSOR" means GELLC, as successor in interest to FHR, or its successors or assigns.

"LOAN AGREEMENT" means that certain loan agreement executed by and between CEDCO and Miller & Schroeder Investments Corporation of even date herewith.

"LEASEHOLD MORTGAGEE" means the beneficiary of an instrument encumbering this Lease.

"MASTER LEASE" means that certain First Amended and Restated Master Lease dated of even date herewith between CEDCO, as Lessor and GELLC, as Lessee.

"MONTHLY PERCENTAGE RENTAL" means with respect to month commencing on October 8, 1996 and for each month thereafter through the term of the Lease, an amount



equal to thirteen percent (13%) of Gross Gaming Revenue for such month, provided however, that such monthly percentage rental shall be reduced: (i) for months commencing on and after October 8, 1999 to 12% of Gross Gaming Revenue for each such month; (ii) for months commencing on and after October 8, 2000 to 11% of Gross Gaming Revenue for each such month; and (iii) for months commencing on and after October 8, 2001 to 10% of Gross Gaming Revenue for each such month. No Annual Percentage Rental shall accrue with respect to any period after August 19, 2002. Notwithstanding the above, in the event Gross Gaming Revenue for any twelve month period exceeds $20,000,000, ten percent (10%) shall be the applicable percentage to all amounts in excess of such threshold.

"ORDINANCE" means the ordinance enacted by the Tribe in compliance with the Compact between the Tribe and the State of Oregon and the Indian Gaming Regulatory Act ("IGRA") for the operation, conduct of gaming in order to fund the Tribe's government operations and programs, including, without limitation, programs which provide for the general welfare of the Tribe and its members, promote the economic development of the Tribe and provide employment and training opportunities for Tribal members, Indians generally and persons who reside in the surrounding communities. As used herein, the term "Ordinance" means the ordinance enacted by the Tribe in compliance with the Compact and IGRA or as amended or modified hereafter.

"PLANS AND SPECIFICATIONS" means the plans and specifications respecting the Casino Improvements, all as required pursuant to Section 12 of the Master Lease.

"PREMISES" means the real property together with all buildings, structures, fixtures and improvements located thereon or thereunder or to be located thereon or thereunder, in Coos County, Oregon, commonly known as the

Mill Casino, a legal description and map which is contained in Exhibit A, together with such other parcels, rights of way and easements acquired or leased by CEDCO, the Tribe, and or their affiliates to enhance the businesses operated at the Mill Casino.

"REGULATED SUBSTANCE" means any term as described or defined in any of the Laws or any applicable federal, state, county or local laws applicable to or regulating UST.

"RENTAL PAYMENTS" means all current or accrued Daily Percentage Rental, Base Monthly Rental and Monthly Percentage Rental and other sums due and payable pursuant to Section 5.

"UST" means any one or combination of underground tanks (including underground pipes connected thereto) that are used to contain an accumulation of Regulated Substances and the volume of which (including the pipes connected thereto) are ten (10) percent or more beneath the surface of the ground.



3. DEMISE OF PREMISES.

In consideration of the rentals and other sums to be paid by CEDCO and of the other terms, covenants and conditions on CEDCO's part to be kept and performed, GELLC hereby leases to CEDCO, and CEDCO hereby takes and hires the Premises.

4. LEASE TERM.

(a) This Lease will be effective and enforceable from the date hereof (the "Effective Date"). Subject to earlier termination as provided herein, the primary term of this Lease (the "Primary Lease Term") will commence as of the Effective Date and, unless terminated sooner as provided in this Lease, will expire on the later of:

(i) midnight on August 19, 2002; or

(ii) until GELLC has received all Rental Payments due under this Lease and all principal and interest due under the Loan Agreement.

(b) [RESERVED]

(c) The Lease will be for an initial term of seven (7) years ("Primary Lease Term") pursuant to the terms and conditions provided in the Lease. GELLC hereby grants to CEDCO the right to extend the Primary Lease Term for three additional terms. If the Primary Lease Term is extended, the first additional term will be for seven (7) years. If extended thereafter, the second additional term will be for seven (7) years and if extended thereafter, the third additional term will be for four (4) years. The terms and conditions of any additional term will be mutually agreed upon by GELLC and CEDCO and may differ to the terms and conditions provided in this Lease. The Lease will be automatically extended, as described above, unless CEDCO gives written notice to GELLC within ninety (90) days of the expiration of the Lease of its intention to renegotiate the Lease. If the parties are unable to agree on the terms and conditions of any additional term, CEDCO will have the right to renew the Lease on the same terms and conditions set forth herein for three additional terms as described above, provided however, that the Lease payments will be $1.00 per year.

5. RENTAL AND OTHER PAYMENTS.

(a) Commencing as of the first (1st) day of the third (3rd) month following the Commencement Date, CEDCO will pay the Base Monthly Rental each month on or before the first (1st) day of the month for which it is due, and with respect to the first payment, such payment will include all Base Monthly Rental accruing from the date of disbursement of the Advance Rental (as defined and set forth in the Master Lease). If the Commencement Date commences other than on the first (1st) day of a calendar month, the Base Monthly



Rental for the first (1st) month will be prorated from the date on which the Commencement Date commences to and including the last day of said month.

(b) [Reserved.]

(c) CEDCO acknowledges and consents to formation of the tenant association pursuant to Section 30(c) of the Master Lease. CEDCO agrees to pay

all charges assessed by the tenant association with the Monthly Percentage Rental due for each month.

(d) CEDCO shall furnish to GELLC a written statement setting forth the amounts paid and/or payable pursuant to this Lease at the time each payment is due. In the event CEDCO has not paid the amounts due for that month, or any other charges due for that month, it shall pay the deficiency at the time the written statement is due together with interest at the Prime Rate (as defined in the Loan Agreement) plus 2%. To the extent that the Monthly Percentage Rental Payments actually paid is in excess of the amounts due hereunder or under the other Transaction Documents (as defined in the Loan Agreement), such excess shall be credited against future amounts due and owing from CEDCO with interest accruing at the Prime Rate (as defined in the Loan Agreement) plus two percent (2%) from the date of any such excess.

(e) CEDCO acknowledges that $500,000.00 was paid by FHR as prepaid rent under the Master Lease. CEDCO utilized the loan proceeds, on August 19, 1995, to buy-down the Base Annual Rental in an amount equal to $500,000.00 which has been repaid as of even date herewith. The Base Annual Rental shall be $1.00 per year.

(f) For any partial year between the commencement of the Lease Term and the beginning of the Lease Year, calculations of Base Annual Rental will be prorated on the basis of the ratio of the number of days in such partial year to three hundred sixty-five (365). For any Lease Year in which no indebtedness remains outstanding under the Loan Agreement, calculations of Annual Percentage Rental will be prorated on the basis of the number of days in such partial year percentage rental applies to three hundred sixty-five (365).

6. RENTAL TO BE NET TO LESSOR.

The Base Annual Rental and Annual Percentage Rental payable hereunder will be net to GELLC, so that this Lease will yield to GELLC the rentals specified during the Lease Term, and that all costs, expenses and obligations of every kind and nature whatsoever relating to the Premises will be paid by CEDCO.

7. TAXES AND ASSESSMENTS, UTILITIES, INSURANCE AND TAX AND INSURANCE IMPOUND.

CEDCO will pay, as the same become due and prior to delinquency, all taxes and assessments, insurance and tax insurance impound amount which GELLC is required to pay



pursuant to Sections 6, 7 and 8 of the Master Lease which are incorporated herein by this reference or any other amount which would affect in any manner the net return realized by GELLC under this Lease. CEDCO will maintain the insurance as specified in Section 8 of the Master Lease.

8. PAYMENT OF RENTAL AND OTHER SUMS.

All rental and other sums which CEDCO is required to pay hereunder shall be payable in full when due without right of setoff against any other claim or indebtedness of GELLC. CEDCO agrees to account to GELLC for all Gross Gaming Revenue.CEDCO shall cause GELLC to be paid the Rental Payments pursuant to provisions of the Loan Agreement and the Depository Agreement.

9. PLANS, SPECIFICATIONS AND LOCATION OF IMPROVEMENTS ON THE PREMISES.

Pursuant to the Master Lease, CEDCO will prepare and forward to GELLC the Plans and Specifications regarding the Casino Improvements. Such Plans and Specifications will include detailed drawings, specifications and preliminary cost estimates for the Casino Improvements. Notwithstanding the above, GELLC shall have no duty, obligation or right to approve Plans and Specifications under this Section.

10. PERMITS.

CEDCO will make application for and attempt to procure all necessary permits from all applicable governmental agencies authorizing all activities contemplated herein including, without limitation, all necessary building, plumbing and electrical permits contemplated pursuant to the Plans and Specifications.

11. CONSTRUCTION AND IMPROVEMENTS ON THE PREMISES.

(a) CEDCO will develop a detailed construction cost estimate and proposed construction contract with respect to the Casino Improvements at the soonest practicable date after preparation of the Plans and Specifications. All contractors and subcontractors will be bonded.

(b) Notwithstanding the above, GELLC shall have no duty or obligation

nor the right to approve Plans and Specifications or other documents under this Section.

12. DELIVERY OF EQUIPMENT AND STOCK.

CEDCO will have the right to deliver and install on the Premises any equipment, trade fixtures, stock or other materials to be used by it. All equipment or other personal



property used in the improvements and on the Premises supplied or installed at the sole cost and expense of CEDCO will be the sole property of CEDCO.

13. ALTERATIONS.

CEDCO will not commit actual or constructive waste upon the Premises without the prior written consent of GELLC. Any work at any time commenced by CEDCO on the Premises will be pursued diligently to completion, will be of good workmanship and materials and will comply fully with all the terms of this Lease.

14. USE.

CEDCO will use the Premises solely for the operation of a gaming business in accordance with the Gaming Laws and for other Commercial Activities and will diligently operate such businesses during the Lease Term. CEDCO will at all times during the Lease Term diligently operate a gaming facility on the Premises in a manner which will maximize profits on the Premises. CEDCO will be deemed a fiduciary with respect to GELLC regarding enforcement of this Section 14. CEDCO will not cease diligent operation of business hereunder except by: (i) giving written notice to GELLC one hundred (100) days prior to the day CEDCO ceases operation; (ii) providing adequate protection of the Premises during any period of vacancy; and (iii) paying to GELLC all amounts advanced to develop and construct the Premises as set forth herein and the Master Lease. Notwithstanding anything herein to the contrary, CEDCO will pay monthly as Base Annual Rental and Annual Percentage Rental during any period in which CEDCO discontinues operation an amount equal to the mean average of the sum of the Base Annual Rental and Annual Percentage Rental for the three (3) Lease Years immediately preceding such period. The exceptions listed in this Section 14 will not effect CEDCO's responsibility for breach hereunder.

15. PARKING AND COMMON USE AREAS AND FACILITIES.

All common facilities, automobile parking areas, driveways, entrances, exits and other facilities furnished by CEDCO in or near the Premises, including, without limitation, employee parking areas, truck ways, loading docks, pedestrian sidewalks and ramps, landscaped areas, interior and exterior hall and stairways and other areas and improvements provided for the general and common use by the tenants, their officers, agents, employees and other invitees, will at all times be subject to the control and management of CEDCO.

16. COMPLIANCE WITH LAWS.

CEDCO's use and occupation of the Premises, and the condition thereof, will comply with the Laws, Gaming Laws or any other applicable governmental requirement, and CEDCO will comply with all of the such laws during the Lease Term and any extensions or renewals thereof, including, without limitation, any financial responsibility and assurance requirements imposed thereunder. CEDCO will, at CEDCO's sole cost and expense, comply



with all applicable directions, rules and regulations of the fire marshal, health officers, building inspectors, federal, state and local agencies and regulatory bodies, including but not limited to environmental agency having jurisdiction. CEDCO will not permit any act or condition to exist in or about the Premises which will increase any insurance rate, except when such acts are required in the normal course of its business and CEDCO will pay for such increase. CEDCO will supply GELLC with a copy of any notification or report required by the Laws or Gaming Laws and given to any federal, state or local agency in connection with the Premises within five (5) days of the date that such notification or report is sent to such agency.

17. OPERATION OF PREMISES.

CEDCO will operate and maintain the Premises in compliance with and will not cause or permit the Premises to be operated in violation of, any of the Gaming Laws or Laws. CEDCO will comply with all applicable reporting and

recordkeeping requirements imposed thereunder and will provide GELLC access to all such reports and records. CEDCO will immediately notify GELLC, in writing, of (i) any and all remedial or other governmental or regulatory actions threatened, instituted or completed pursuant to any of the Laws or Gaming Laws in respect of the Premises or the activities conducted thereon and (ii) all claims made or threatened by any third party against CEDCO or the Premises relating to any demand, cause of action, allegation, order, violation, damage, injury, judgment, penalty or fine, cost of remedial action or any other cost or expense whatsoever resulting from the violation or alleged violation of any of the Laws or Gaming Laws.

18. MAINTENANCE.

CEDCO hereby accepts the Premises "as is," with no representation or warranty of GELLC as to the condition thereof. CEDCO will at all times at its own expense maintain, repair and replace, as necessary, all improvements, personal property, equipment and fixtures located on the Premises and will keep the same in good working condition, including all portions of the Premises and the Premises, whether or not the Premises were in such condition upon the commencement of this Lease.

19. INDEMNIFICATION.

Except for negligence of GELLC or any of its members, officers, agents or employees, CEDCO will indemnify and hold harmless GELLC and any of GELLC's members, officers, directors, agents and/or employees, from and against any and all claims, demands, causes of action, suits, proceedings, liabilities, damages, losses, costs and expenses, including attorneys' fees, caused by, incurred or resulting from CEDCO's or the Tribe's or their respective officers', agents or employees' operations of or relating in any manner to the Premises, whether relating to original design or construction, latent defects, alteration, maintenance, the presence on or under, or the escape, seepage, leakage, spillage or discharge of Regulated Substances in respect of the Premises, violations of any of the



Laws or Gaming Laws, or any governmental regulations or other applicable governmental requirements, including but not limited to thereon, supervision or otherwise, or from any breach of; default under or failure to perform any term or provision of this agreement by CEDCO, its officers, employees, agents or other persons. It is expressly understood that CEDCO's obligations under this paragraph will survive the expiration or earlier termination of this Lease for any reason.

20. QUIET ENJOYMENT. [INTENTIONALLY OMITTED.]

21. CONDEMNATION OR DESTRUCTION.

(a) In case of a taking of all or any part of the Premises or the commencement of any proceeding or negotiations which might result in a taking of all or any portion of the Premises, for any public or quasi-public purpose by any lawful power or authority by exercise of the right of condemnation or eminent domain or by agreement between GELLC, CEDCO and those authorized to exercise such right ("Taking"), CEDCO will promptly give written notice thereof to GELLC, generally describing the nature and extent of such Taking. CEDCO may prosecute, if permissible under the law of the sovereign exercising condemnation jurisdiction, any award, compensation or damage resulting from a Taking, to which it is entitled but will not have the right to GELLC's award, compensation or damages. CEDCO will be entitled to any award, compensation or damages designated as CEDCO's resulting from a Taking.

(b) In case of a Taking of the whole of the Premises, other than for temporary use ("Total Taking"), this Lease will terminate as of the date of such Total Taking and all rental and other sum or sums of money and other charges provided to be paid by CEDCO will be apportioned and paid to the date of such Total Taking. Total Taking will include a taking of substantially all of the Premises if the remainder of the Premises is not useable and cannot be made useable for the purposes provided herein.

(c) In case of a temporary taking or a temporary loss of use of the whole or any part of the Premises by a Taking (a "Temporary Taking"), this Lease will remain in full force and effect without any reduction of rent or any other sum payable hereunder. CEDCO will be entitled to the entire award for a Temporary Taking, whether paid by damages, rent or otherwise, unless the period of occupation and use by the condemning authorities will extend beyond the date of expiration of this Lease, in which case the award made for such taking will be apportioned between GELLC and CEDCO as of the date of such expiration. At the termination of any such use or occupation of the Premises, CEDCO will, at its own cost and expense, promptly commence and complete the restoration of the Premises. CEDCO will not be required to make the restoration if the term of this Lease will expire prior to, or within one hundred eighty (180) days after, the

date of expiration of the Temporary Taking, and in such event GELLC will be entitled to recover all damages and awards arising out of the failure of the condemning authority to repair and restore the building at the expiration of the Temporary Taking.



(d) In the event of a Taking of less than all of the Premises other than a Temporary Taking (a "Partial Taking") or of damage or destruction to all or any part of the Premises all awards, compensation or damages will be paid to GELLC, and GELLC will have the option to terminate this Lease by notifying CEDCO in writing within sixty (60) days after CEDCO gives GELLC notice of such damage or destruction or that title has vested in the Taking authority. CEDCO will thereupon have a period of sixty (60) days in which to elect in writing to continue this Lease on the terms herein provided. If CEDCO does not elect to continue this Lease or fails during such sixty (60) day period to elect to continue this Lease, then this Lease will terminate as of the last day of the month during which such period expired. CEDCO will then immediately vacate and surrender the Premises, all obligations of either party hereunder will cease as of the date of termination and GELLC may retain all such awards, compensation or damages. If GELLC does not elect to continue this Lease, then this Lease will continue on the following terms: Rental and other sums due under this Lease will continue unabated, and CEDCO will promptly commence and diligently prosecute restoration of the Premises to the same condition, as nearly as practicable, as prior to such Partial Taking, damage or destruction as approved by GELLC in its sole discretion. GELLC will promptly make available in installments as restoration progresses an amount equal to any award, compensation or damages received by GELLC, upon written request of CEDCO accompanied by evidence reasonably satisfactory to GELLC that such amount has been paid or is due and payable and is properly a part of such costs and that there are no mechanics' or similar liens for labor and materials theretofore supplied in connection with the restoration. GELLC will be entitled to keep any portion of such award, compensation or damages which may be in excess of the cost of restoration, and CEDCO will bear all additional costs, fees and expenses of such restoration in excess of the amount of any such award, compensation or damages.

(e) Notwithstanding the foregoing, if at the time of any Taking or at any time thereafter CEDCO is in default under this Lease and such default is continuing, GELLC is hereby authorized and empowered, in the name and on behalf of CEDCO and otherwise, to file and prosecute CEDCO's claim, if any, for an award on account of any Taking and to collect such award and apply the same, after deducting all costs, fees and expenses, including attorney's fees, incident to the collection thereof, to the curing of such default and any other then existing default under this Lease.

22. INSPECTION.

GELLC and its authorized representatives will have the right, upon giving reasonable notice, to enter the Premises and the Premises or any part thereof and inspect the same and make photographic or other evidence concerning CEDCO's compliance with the terms of this Lease. CEDCO will select generally accepted security and accounting systems approved by an independent third party testing firm chosen by CEDCO. GELLC will be provided access to such systems as GELLC may from time to time determine (including, without limitation, on-line or dial up access to any such systems). CEDCO will keep full, complete and accurate books, records and accounts of all business done including any sales or other tax



reports that CEDCO may be required to furnish to any governmental agency at or from the Premises and Premises sufficient to permit GELLC to verify all statements, certificates and accounting delivered to GELLC. GELLC will have full and complete access to, and will have the right to inspect all books, records, accounts and security and accounting systems as it may from time to time determine in its discretion, provided however, that such access does not materially interfere with CEDCO's operation of the Premises. Should any audit by GELLC reveal that any statement or account rendered by CEDCO was in error by ten percent (10%) or more, then in addition to any other remedy of GELLC, CEDCO will reimburse the cost of such audit to GELLC upon demand.

CEDCO shall maintain all books and records in accordance with Generally Accepted Accounting Principles. CEDCO shall keep all funds from the gaming operation separate from all other funds maintained by CEDCO. CEDCO shall properly account to GELLC for all Gross Gaming Revenue. The parties desire to utilize electronic or telephonic technology to determine and account for the amount of Gross Gaming Revenue on a daily basis. CEDCO shall use its best efforts to provide and maintain a central accounting system utilizing such

technology that tracks and properly accounts for Gross Gaming Revenue. CEDCO shall insure GELLC has electronic, telephonic, manual or such other access as GELLC may determine, to the central accounting system and is provided not less than the same access and information as CEDCO is provided. GELLC shall have access to all information generated by the central accounting system as it may from time to time determine. Gross Gaming Revenue shall be verified by GELLC in accordance with reports generated by the central accounting system. CEDCO will acquire the central accounting system provided for in this paragraph. In the event Gross Gaming Revenue cannot be monitored by the central accounting system, CEDCO shall account to GELLC for Gross Gaming Revenue to GELLC on a daily basis.

23. TESTING.

CEDCO will have the accounting and security systems, the gaming equipment and the table game, keno and pari-mutual operations inspected and tested from time to time pursuant to industry standard audit techniques by a testing firm acceptable to GELLC. CEDCO will provide GELLC with written certified results of all tests or inspections performed on the Premises or the Premises. All costs associated with the inspection, preparation and certification of results, as well as those associated with correcting problems revealed by said inspections, will be paid by CEDCO. GELLC hereby reserves the right to require inspections more frequently than annually, but at GELLC's own expense. All inspections and tests performed in compliance with this Section 23 will be in compliance with the Gaming Laws and any other applicable governmental regulation.

24. LENDER REQUIREMENTS.

GELLC and CEDCO, in its use, occupancy and maintenance of the Premises will comply with all requirements of the Loan Agreement and the Master Lease.



25. DEFAULT AND REMEDIES.

(a) Each of the following will be deemed a breach of this Lease and a default:

(i) If any material representation or warranty of GELLC or CEDCO herein or in the Business Lease, Master Lease or Loan Agreement or any other agreement executed in connection with this Lease was false when made, or in the event that any such representation or warranty is continuing and becomes materially false at any time through no fault of the other party, or if GELLC or CEDCO renders any materially false statement or account;

(ii) If any rent or other monetary sums due remain unpaid for fifteen (15) days after the date such payment is due;

(iii) If GELLC or CEDCO fails to timely perform any of the covenants, conditions or obligations of this Lease;

(iv) If there is a breach or default hereunder or under the Business Lease, the Master Lease or the Loan Agreement, or if there is a breach or default under any security agreement executed in connection with the Loan Agreement or under any other agreement between (1) GELLC or any general or limited partnership organized by GELLC in accordance with the laws of any state of the United States or its territories or any partner, officer, director or shareholder of GELLC, or any corporation or other entity controlled by GELLC, or by any partner, officer, director or shareholder of GELLC, and (2) CEDCO;

(v) If GELLC or CEDCO becomes insolvent by reason of its inability to pay its debts as they mature, performs any act of bankruptcy, or makes an assignment for the benefit of creditors or an admission of its inability to pay its obligations as they become due;

(vi) If GELLC or CEDCO violates any Law, Gaming Law, health, safety or sanitation law, ordinance or regulation or operates the Premises in a manner that presents a material health or safety hazard to its customers or the public; and/or

(vii) If GELLC or CEDCO fails to materially comply with any of the Laws, Gaming Laws or any other federal, state and local laws relating to underground storage facilities and other applicable environmental matters.

(b) If any such breach or default does not involve the payment of any rental or other monetary sum, is not willful or intentional, does not place any rights or property of the nonbreaching party in immediate jeopardy, is not known to the breaching party (unless the nonbreaching party has given the other notice thereof) and is within the reasonable power of the breaching party to cure

within sixty (60) days after receipt of notice thereof, then such



event will not constitute a default hereunder, unless otherwise expressly provided herein, unless and until the non-breaching.party has given the other notice thereof and a period of sixty (60) days has elapsed, during which period the breaching party may correct or cure such event, upon failure of which a default will be deemed to have occurred hereunder without further notice or demand of any kind. If such breach or default cannot reasonably be cured within the sixty (60) day period, and the breaching party is diligently pursuing a cure of such breach or default, then breaching party will after receiving notice specified herein have a reasonable period to cure such breach or default not to exceed six (6) months.

(c) In the event of any breach or default, and without any notice except, if applicable, the notice prior to default required under certain circumstances by paragraph (b) above or such other notice as may be required by law and cannot be waived by CEDCO (all other notices being hereby waived), GELLC will be entitled to exercise, at is option, concurrently, successively or in any combination, all remedies available at law or in equity, including without limitation any one or more of the following:

(i) To terminate this Lease and call due any and all amounts due and owing by CEDCO under this Lease;

(ii) To reenter and take possession of the Premises or any part thereof (which reentry will not operate to terminate this Lease unless GELLC expressly so elects), of any or all personal property or fixtures of CEDCO upon the Premises related to the operation of the Mill Casino, the equipment and of all franchise, licenses, permits and other rights or privileges of CEDCO pertaining to the use and operation of the Premises and to conduct business thereon in the name of GELLC or of CEDCO but for the sole profit and benefit of GELLC and without compensation to CEDCO, provided however, GELLC will not conduct or otherwise operate any gaming on the Premises except as otherwise authorized by law;

(iii) To seize all personal property, equipment or fixtures upon the Premises which CEDCO owns or in which it has an interest related to the operation of the Mill Casino, in which GELLC will have a landlord's lien and is hereby granted a security interest, and to dispose thereof in accordance with laws prevailing at the time and place of such seizure or to remove all or any portion of such property and cause the same to be stored in a public warehouse or elsewhere at the cost of CEDCO;

(iv) To relet the Premises or any part thereof for such term or terms (including a term which extends beyond the original term of this Lease), at such rentals and upon such other terms as GELLC, in its sole discretion, may determine, with all proceeds received from such reletting being applied to the rentals and other sums due from CEDCO in such order as GELLC may, in its sole discretion, determine, with CEDCO remaining liable for any deficiency;



(v) To recover from CEDCO an amount equal to the difference between the rentals and such other sums (including all sums required to be paid by CEDCO, such as taxes and insurance) to be received from the date of such breach to the expiration of the original term hereof and the reasonable long term rental value of the Premises for the same period; and/or

(vi) To recover from CEDCO all expenses, including attorneys' fees, reasonably paid or incurred by GELLC as a result of such breach.

(vii) In order to cure a default under this Lease, avoid termination of the gaming operation at the Premises and to provide a method to pay GELLC the Rental Payments, the Tribe, CEDCO and GELLC agree that GELLC can request, but shall not require, the Tribe to continue to operate the gaming facility at the Premises under one of the following options wherein the Tribe shall: (i) remove all officers and/or directors of CEDCO who are responsible for managing the gaming operation and to appoint such officers and/or directors as GELLC may approve to manage the gaming operation on the Premises on behalf of the Tribe; (ii) charter and establish a newly formed corporation with officers and directors approved by GELLC to replace CEDCO as the entity managing the gaming operation at the Premises; (iii) appoint a receiver

on behalf of the Tribe which is acceptable to GELLC to manage the gaming operation at the premises; and/or (iv) enter into a contract on terms, and with a management company acceptable to GELLC which has been, or in GELLC's opinion is capable of being, approved by the National Indian Gaming Commission.

In addition, in the event of any breach or default by CEDCO, GELLC may, but will not be obligated to, immediately or at any time thereafter, and without notice, except as required herein, correct such breach or default without, however, curing the same for the account and at the expense of CEDCO. Any sum or sums so paid by GELLC, together with interest at the then existing maximum legal rate, but not higher than prime plus two percent (2%), and all costs and damages, will be deemed to be additional rent hereunder and will be immediately due from CEDCO to GELLC.

26. MORTGAGE AND SUBORDINATION.

(a) GELLC will acquire a lien upon the Business Lease, the Master Lease, all furnishings, fixtures, equipment, decoration, supplies, accessories and other personal property which CEDCO owns or in which it has an interest located on the Premises to secure the payment of all sums due thereunder and the performance of all other obligations of CEDCO under this Lease, the Master Lease, the Business Lease, the Loan Agreement and related agreements. CEDCO's interest in the Business Lease, the Master Lease, this Lease, leasehold improvements or equipment will be subordinate to any encumbrances placed upon such assets only if placed by or at the written direction of GELLC pursuant to a release executed by GELLC. CEDCO agrees to execute such subordination documents as GELLC will from time to time require. CEDCO will keep the Premises free from any liens for work



performed, materials furnished or obligations incurred without the prior written authorization from GELLC. Notwithstanding any other provision to the contrary, nothing herein shall entitle GELLC or any other entity to a lien on real property held by the United States in trust for the Coquille Tribe, or to a lien on any other property owned by the United States and used by the Tribe, or on any Tribal assets that, by federal statute or regulation, are restricted or excluded from liens or mortgage (specifically excepting those encumbrances approved by the Secretary and those assets constructed or procured pursuant to thus Lease or any transaction entered into in connection with this Lease or the proceeds, profits or rents to be derived hereof or therefrom). NOTICE IS HEREBY GIVEN THAT, EXCEPT TO THE EXTENT NECESSARY TO SECURE LOANS EXTENDED BY LESSOR OR AN AFFILIATE OF LESSOR, NEITHER LESSEE NOR ITS PREDECESSORS IN INTEREST (OTHER THAN LESSOR) ARE AUTHORIZED TO PLACE ANY LIEN, MORTGAGE, DEED OR TRUST OR ENCUMBRANCE OF ANY KIND UPON ALL OR ANY PART OF THE PREMISES, IMPROVEMENTS, EQUIPMENT OR LESSOR'S LEASEHOLD INTEREST THEREIN, AND ANY SUCH PURPORTED TRANSACTION SHALL BE VOID WITHOUT A WRITTEN RELEASE FROM LESSOR.

(b) This Lease at all times will be subordinate to the lien of any ground leases, mortgage, mortgages, security agreements or trust deeds now or hereafter placed upon the Premises by GELLC,with CEDCO's consent, and CEDCO covenants and agrees to execute and deliver, upon demand, such further instruments subordinating this Lease to the lien of any such ground lease, mortgage, mortgages, security agreements or trust deeds as will be desired by GELLC, or any mortgagees or proposed mortgagees or trustees under mortgages or trust deeds, upon the condition that CEDCO will have the right to remain in possession of the Premises under the terms of this Lease, notwithstanding any default in any such mortgage, mortgages, trust deed or trust deeds, or after foreclosure thereof, so long as CEDCO is not in default under any of the covenants, conditions and agreements contained in this Lease.

(c) Upon consent and release by GELLC, if any mortgagee or trustee elects to have this Lease and the interest of CEDCO hereunder be superior to any such interest or right and evidence such election by notice given to CEDCO, then this Lease and the interest of CEDCO hereunder will be deemed superior to any such mortgage or trust deed, whether this Lease was executed before or after such mortgage or trust deed and in that event such mortgagee or trustee will have the same rights with respect to this Lease as if it had been executed and delivered prior to the execution and delivery of the mortgage or trust deed and has been assigned to such mortgagee or trustee.

(d) [Reserved]

(e) CEDCO will execute and deliver whatever instruments may be required for the purposes set forth in this Section 26, and in the event CEDCO fails so to do within ten (10) days after demand in writing, CEDCO does hereby make, constitute and irrevocably appoint GELLC as its agent and attorney-in-fact and in its name, place and stead to do so.

27. ESTOPPEL CERTIFICATES.

At any time, and from time to time, CEDCO agrees, promptly and in no event later than ten (10) days after a request in writing from GELLC, to execute, acknowledge and deliver to GELLC a statement in writing certifying that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the same is in full force and effect as modified and stating the modifications) and the dates to which the rental and other charges have been paid.

28. ASSIGNMENT.

(a) GELLC will have the right to sell or convey up to forty-nine percent (49%) of its right, title and interest in this Lease in whole or in part with the prior approval of CEDCO which consent will not be unreasonably withheld. CEDCO may consider the proposed transferee's financial condition or moral character or any reason CEDCO has previously declined to conduct business with any such proposed transferee when determining whether or not to grant its consent. CEDCO's consent will not be required for any transfer, assignment or conveyance of this Lease, the Master Lease or any other agreement entered into in connection with the transactions set forth herein to any affiliate of GELLC and GELLC will be relieved from and after the date of any such transfer, assignment or conveyance of liability for the performance of any obligation contained herein. GELLC may sell or convey more than forty-nine percent (49%) of its right, title and interest in this Lease only with the prior consent of CEDCO which may be withheld in CEDCO's discretion. In the event of any such sale or assignment other than a security assignment, GELLC will be relieved, from and after the date of such transfer or conveyance, of liability for the performance of any obligation contained herein, except for obligations or liabilities accrued prior to such assignment or sale, provided however, any such loan will grant CEDCO the right to cure any default by GELLC thereunder, by purchase or otherwise. Notwithstanding any provision herein to the contrary, GELLC may make a security assignment of its interest herein to one (1) or more institutional lenders, provided however, any such loan will grant CEDCO the right to cure any default by GELLC thereunder, by purchase or otherwise.

(b) CEDCO acknowledges that GELLC has been induced to enter into this Lease in anticipation of transactions set forth in the Business Lease, the Master Lease and the Loan Agreement with and upon the particular purposes for which the Premises will be used. CEDCO acknowledges that only entities affiliated with the Coquille Indian Tribe may operate the Premises in accordance with the Plans and Specifications and agrees that it will not assign this Lease or any interest therein, or a majority ownership interest in CEDCO, or permit an assignment of this Lease by operation of law, or sublet all or any part of the Premises, without the prior written consent of GELLC. GELLC may withhold or condition such consent upon such matters as GELLC may in its sole discretion determine, including without limitation, the experience and creditworthiness of the assignee, the assumption by the assignee of all of CEDCO's obligations hereunder by undertakings enforceable by CEDCO, the transfer to such assignee of all necessary licenses and franchises to continue operating the



Premises for the purposes herein provided, receipt of such representations and warranties from such assignee as GELLC may request, including such matters as its organization, existence, good standing and finances and other matters, whether or not similar in kind. Notwithstanding the above, the Tribe is not required to obtain the consent of any other person to reorganize or amend the Articles of Incorporation of CEDCO, or to transfer assets and liabilities of CEDCO, or to assign any and all rights and obligations or interest under this Lease to another Person, so long as the Person is either the Tribe, an entity or instrumentality of the Tribe, or a wholly-owned corporation created by the Tribe AND, provided that (i) the Tribe or CEDCO transfers the authority to conduct the activities authorized by the Gaming Ordinance on behalf of the Tribe from CEDCO to such Person, (ii) such Person expressly assumes the obligations of CEDCO hereunder by a written instrument satisfactory to GELLC, executed and delivered to GELLC by such Person, (iii) if such Person has sovereign immunity from suit, such Person consents to be sued to the same extent CEDCO consented to be sued herein, (iv) CEDCO delivers to GELLC a legal opinion of counsel acceptable to GELLC stating that this Participating Lease is a valid, binding and enforceable obligation of such Person and (v) such merger, consolidation, sale, transfer or conveyance does not cause any lien or encumbrance on the Pledged Revenues (as defined in the Depository Agreement) to arise prior to the right of GELLC to receive Rental Payments hereunder; provided, further, that the Tribe shall always have the sole proprietary interest and responsibility for the conduct of any gaming activity as required by the IGRA. No such assignment or subletting will relieve CEDCO, any prior assignee or any guarantor of their obligations respecting this Lease.

(c) Members of GELLC shall not assign any interest in GELLC without CEDCO's written consent.

29. DEVELOPMENT AND SUBLEASE OF THE SITE II PREMISES. [INTENTIONALLY OMITTED.]

30. NOTICES.

All notices, demands, requests, consents, approvals or other instruments required or permitted to be given by either party pursuant to this Lease will be in writing and will be deemed to have been properly given if sent by registered or certified mail, Federal Express, Airborne, Emery, DHL, Express Mail, Purolator or by other recognized overnight courier service (the "Courier Service"), postage prepaid, to the parties at the addresses set forth below. All notices will be deemed received when delivered but in no event later than five (5) days after they are deposited with either the United States Postal Service or the Courier Service, whichever shall first occur.

IF TO LESSEE, ADDRESSED TO:

COQUILLE ECONOMIC DEVELOPMENT CORPORATION
3201 TREMONT



NORTH BEND, OREGON 97459
ATTENTION: KEN SMITH; AND

WITH COPIES TO:

Ater Wynne Hewitt Dodson & Skerritt, LLP
Douglas E. Goe
222 SW Columbia, Suite 1800
Portland, Oregon 97201;

Native American Program
Edmund J. Goodman
917 SW Oak, Suite 410
Portland, Oregon 97205;

Coquille Indian Tribe
295 South 10th Street
Coos Bay, Oregon 97420
Attn: Tribal Chairman

IF TO LESSOR, COPIES ADDRESSED TO:

Full House Resorts, Inc.
12555 High Bluff Drive
Suite 380
San Diego, California 92130
Attn: Robert L. Kelley; and

GTECH Corporation
55 Technology Way
West Greenwich, Rhode Island 02817
Attn: John Taylor

WITH COPIES TO:

Mary V. Brennan
12555 High Bluff Drive
Suite 380
San Diego, California 92130; and

Office of the General Counsel
GTECH Corporation



55 Technology Way
West Greenwich, Rhode Island 02817

31. DISPUTE RESOLUTION.

(a) BINDING ARBITRATION. It is the intention of the parties to establish

a successful working relationship through open communications and to cooperate as fully and reasonably as possible. However, should any dispute arise under this Lease whether sounding in contract, tort or otherwise, which cannot be resolved between the parties through their continuing communication, the following procedure for resolution of all disputes arising hereunder through binding arbitration shall apply:

(i) The parties shall each appoint an arbitrator within ten (10) days of written notice by one of the parties that a dispute exists under this Lease. In the event that either party fails to appoint an arbitrator within such ten (10) day period then the appointed arbitrator will be the sole arbitrator of the dispute notwithstanding Section 31(a)(ii). CEDCO's sole remedies with respect to any breach by GELLC of the terms and conditions of this Lease will be limited to specific enforcement or monetary damages and shall specifically exclude the right of CEDCO to terminate this Lease.

(ii) Once the two arbitrators have been appointed, they will agree upon and appoint, within ten (10) days following their appointment, a third arbitrator, and if the two arbitrators cannot agree upon a third arbitrator, the third arbitrator will be appointed in accordance with the rules and procedures of the American Arbitration Association then in existence. No arbitrator shall be related to or affiliated with any party hereto.

(iii) Such arbitrator(s) will hold an arbitration hearing at Portland, Oregon, within twenty (20) days after the third arbitrator is appointed or there is a default in appointment of an arbitrator, as the case may be. The hearing will be conducted in accordance with the Commercial Arbitration Rules then in existence for the American Arbitration Association. The arbitrator or arbitrators, as the case may be, will allow each party to present its case, evidence and witnesses, if any, in the presence of the other parties, and will render their written determination within ten (10) days. Each party will bear the costs of its own arbitrator, its own attorney's fees and costs, and one-half the costs of the third arbitrator (if any).

(iv) The award of the majority of the arbitrators or the single arbitrator, as the case may be, will be binding on the parties, and either party may commence an action in an appropriate Federal District Court to enforce an arbitration award. In the event that such court determines it does not have subject matter jurisdiction such action may be commenced or brought in the courts of the State of Oregon in the manner set forth in Section 31(b)(vi).



(b) SOVEREIGN IMMUNITY: LIMITED WAIVER.

(i) Except as set forth in this Section, nothing in this Lease is intended or will be construed to waive in any manner CEDCO's general relief and immunity from suit with respect to any dispute or matter outside of the terms of this Lease or any claims or demands of any person or entity not a signatory to this Lease or not a successor, permitted assign to this Lease or lessee or sublessee of all or part of the Premises. Nothing is intended or shall be construed to be a waiver or limitation on sovereign immunity except as provided expressly in this Section.

(ii) With the goal of insuring the successful operation of the Premises, thereby providing substantial economic and social benefits for CEDCO and members of the Tribe, and to induce GELLC to enter into and perform this Lease, CEDCO does hereby, subject always to the conditions of paragraphs (ii), (iii), (iv), (v), (vi) and (vii) of this Section, unequivocally waive its sovereign immunity from suit and binding arbitration as to both jurisdiction and liability in regard to matters involving or claimed to involve this Lease (the "Limited Waiver").

(iii) The Limited Waiver extends only to CEDCO's representations, warranties, covenants, undertakings and obligations under this Lease, and any lease by GELLC or any Sublease.

(iv) The Limited Waiver extends only to, and is for the sole benefit of GELLC and its successors, permitted assigns, lessees and sublessees. No other person or entity whatsoever, private, public or governmental, shall have the right to use or assert the Limited Waiver in any manner or for any purpose whatsoever.

(v) Under the Limited Waiver, GELLC and its successors, permitted assigns, lessees and sublessees shall have the joint and several right to a court order for (A.) equitable relief, whether by way of injunction or otherwise, to enforce GELLC's rights, or CEDCO's duties

or obligations, or any rights, duties or obligations of any of lessees or sublessees or any of them, under this Lease and/or (B.) enforcement of an arbitration award under Section 31(a) and/or (C.) an order compelling arbitration under Section 31(a).

(vi) If judicial proceedings are brought to compel arbitration, enforce binding arbitration or register an arbitration award as set forth in the Commercial Arbitration Rules of the American Arbitration Association, such proceedings will be brought only in the United States District Court for the District of Oregon unless by existing statute, court rule or clear judicial precedent such court has no, or will not or cannot accept jurisdiction of the proceeding's subject matter in which case the proceeding may be brought in the appropriate State Court of Oregon. Neither party will argue that the U.S. District Court does not have jurisdiction and both parties will assert that it does have jurisdiction over any judicial proceedings. Compliance with



the provisions of this Section 31 will conclusively be deemed an exhaustion of tribal judicial and administrative remedies and proceedings. CEDCO does hereby unconditionally waive any right to require any exhaustion of tribal administrative or judicial remedies in any manner other than as set forth in this Section 31. In the event the governing law of the United States of America looks to the law of a particular state for its content, the law applicable in that instance shall be the laws of State of Oregon.

(vii) Notwithstanding the Limited Waiver and any order, judgment or decree resulting therefrom, there shall be no attachment, execution, garnishment charge or levy whatsoever upon any assets or funds of CEDCO except those specified in Section 26 hereof

32. HOLDING OVER.

If CEDCO remains in possession of the Premises after the expiration of the term hereof, CEDCO may be deemed a tenant on a month-to-month basis and will continue to pay rentals and other sums in the amounts herein provided and to comply with all the terms of this Lease; provided that nothing herein nor the acceptance of rent by GELLC will be deemed a consent to such holding over.

CEDCO agrees to remove all property removable under the terms of this Lease within sixty (60) days after termination of this Lease or pay a daily rental computed at the rate of double the daily rental charged during the year immediately preceding termination of this Lease from the day following the termination date of this Lease until said property is removed.

33. LANDLORD'S LIEN.

GELLC will have a landlord's lien upon all furnishings, fixtures, equipment, decoration, supplies, accessories and other personal property which CEDCO owns or in which it has an interest located on the Premises and related to the operation of the Mill Casino to secure the payment of all rental and other sums due under hereunder and the performance of all other obligations of CEDCO under the Business Lease and the Master Lease.

34. REMOVAL OF LESSEE'S PROPERTY.

At the expiration of the Lease Term, and if CEDCO is not then in breach hereof, CEDCO may remove from the Premises all personal property belonging to CEDCO. CEDCO will repair any damage caused by such removal and will leave the Premises broom clean and in good condition and repair inside and out.

35. FINANCIAL STATEMENTS.



Within thirty (30) days after the end of each fiscal quarter and within ninety (90) days after the end of each fiscal year of CEDCO, CEDCO will deliver to GELLC (i) complete unaudited financial statements of, regarding the Commercial Activities and other operations conducted on the Premises, including a profit and loss statement, statement of changes in financial condition and all other related schedules for the fiscal period then ended; and (ii) balance sheets and income statements for the Commercial Activities at the Premises showing gross sales, gross win in respect of the Premises, cost of goods and fuel sold, payroll, profits and losses for the fiscal period then ended. All such financial statements will be prepared in accordance with generally accepted accounting principles, consistently applied from period to period, and will be certified to be accurate and complete by CEDCO (or the Treasurer or other

appropriate officer of CEDCO). Financial statements for each year end will be audited by a firm acceptable to GELLC. In the event that CEDCO's property and business at the Premises is ordinarily consolidated with other business for financial statement purposes, such financial statements will be prepared on a consolidating basis showing separately the sales, profits and losses, assets and liabilities pertaining to the Premises with the basis for allocation of overhead of other charges being clearly set forth. Copies of audited financial statements will be delivered to GELLC within ten (10) days after receipt by CEDCO.

36. LESSOR'S LIABILITY.

Notwithstanding anything to the contrary provided in this Lease, it is specifically understood and agreed, such agreement being a primary consideration for the execution of this Lease by GELLC, that there will be absolutely no liability on the part of GELLC in excess of the financial obligations set forth in this Lease and the Master Lease, and CEDCO will look solely to the amounts provided in accordance therewith for the satisfaction of each and every remedy of CEDCO in the event of any breach by GELLC of any of the terms, covenants and conditions of this Lease to be performed by GELLC, such limitation and exculpation of liability to be absolute and without any exception whatsoever.

37. CONSENT.

(a) CONSENT OF CEDCO. CEDCO will have no liability for damages resulting from CEDCO's failure to give any consent, approval or instruction reserved to CEDCO, GELLC's sole remedy in any such event being an action for injunctive relief.

(b) CONSENT IN GENERAL. At all places in this Lease where approval or consent or other action of a party is required, such consent or action shall consist of either the written approval, consent or action of the party or by silent assent as provided hereinafter. No approval, consent or action of a party hereto shall be unreasonably withheld or delayed provided however, that the foregoing will not apply where a specific provision of this Lease allows an absolute right to deny approval or consent or withhold action. Unless the party of which consent or approval is requested has expressly disapproved of or not consented to the thing or act for which approval or consent is sought within ten (10) days after receipt of the



request for approval or consent or action, they will be deemed to have granted approval or consent or agreed to such action through silent assent, and the party requesting the consent or approval will proceed accordingly.

38. WAIVER AND AMENDMENT.

This Lease amends, restates and supersedes the Old Participating Lease in its entirety. No provision of this Lease will be deemed waived or amended except by a written instrument unambiguously setting forth the matter waived or amended and signed by the party against which enforcement of such waiver or amendment is sought. Waiver of any matter will not be deemed a waiver of the same or any other matter on any future occasion.

39. JOINT VENTURE.

Neither the provision set forth herein for the computation of Annual Percentage Rental, nor any one or more agreements contained herein, is intended, nor will the same be deemed or construed, to create a partnership between GELLC and CEDCO, to make them joint venturers, nor to make GELLC in any way responsible for the debts or losses of CEDCO.

40. CAPTIONS.

Captions are used throughout this Lease for convenience of reference only and will not be considered in any manner in the construction or interpretation hereof.

41. SEVERABILITY.

The provisions of this Lease will be deemed severable. If any part of this Lease will be held unenforceable by any court of competent jurisdiction, the remainder will remain in full force and effect, and such unenforceable provisions will be reformed by such court so as to give maximum legal effect to the intention of the parties as expressed therein.

42. CONSTRUCTION GENERALLY.

This Lease is a long-term commercial lease between sophisticated entrepreneurs which has been entered into by both parties in reliance upon the economic and legal bargains contained herein. This Lease will be interpreted and construed in a fair and impartial manner without regard to such factors as the

party which prepared the instrument, the relative bargaining powers of the parties or the domicile of any party. CEDCO acknowledges that this Lease is a "true lease" and is not a financing lease, equitable mortgage, mortgage, deed of trust, security interest or other financing arrangement and CEDCO waives any claim or defense based upon the characterization of this Lease as anything other than a true lease.



43. OTHER DOCUMENTS.

Each of the parties agrees to sign such other and further documents as may be appropriate to carry out the intentions expressed in this Lease. The parties will execute and record a Memorandum of Lease evidencing this Lease.

44. ATTORNEY'S FEES.

In the event of any judicial or other adversarial proceeding between the parties concerning this Lease, to the extent permitted by law, the prevailing party will be entitled to recover all of its reasonable attorneys' fees and other costs in addition to any other relief to which it may be entitled.

45. ENTIRE AGREEMENT.

This Lease, and any other instruments or agreements referred to herein, constitute the entire agreement between the parties with respect to the subject matter hereof, and there are no other representations, warranties or agreements except as herein provided.

46. COUNTERPARTS.

This Lease may be executed in one or more counterparts, each of which will be deemed an original.

47. COVENANT OF GOOD FAITH AND FAIR DEALING.

GELLC and CEDCO hereby specifically warrant and represent to each other that neither will act in any manner that would cause this Lease to be altered, amended, modified, canceled or terminated, except as otherwise set forth herein, without the consent of the other. GELLC and CEDCO further warrant and represent that they will take all actions necessary to ensure that this Lease will remain in good standing at all times and will fully cooperate with each other in achieving the goals of this Lease and the Master Lease.

48. CONFIDENTIALITY; NON-DISCLOSURE.

GELLC and CEDCO agree that confidential information will remain confidential and will not be disclosed without the written consent of the other parties to any third party other than, the Tribal Council, the National Indian Gaming Commission, the Bureau of Indian Affairs, the South Dakota Gaming Commission, the Securities and Exchange Commission, the State of Oregon (if required by the Compact) and any other gaming authority which has jurisdiction over GELLC or CEDCO, or except as otherwise expressly required by gaming or federal securities law, or other legal authority having jurisdiction, direct or indirect, over any party hereto.



49. LENDER PROVISIONS

Reference is made to that certain Consent, Estoppel, Attornment, Subordination and Non-Disturbance Agreement of even date herewith (the "Consent & Estoppel"), by and among Lessor, Lessee, Miller & Schroeder Investments Corporation (defined as "Lender" for purposes of this section) and the Tribe. Lessor and Lessee expressly acknowledge the benefits to Lender contained in Sections 5, 6, 7, 8, 10, 11 and 12 of the Consent & Estoppel and hereby incorporate such terms into this Lease by this reference, to the extent applicable.

50. CERTAIN DEBT.

(a) Reference is made to the Loan Agreement and to that certain Depository Agreement, of even date herewith, between CEDCO and First Trust National Association (the "Depository Agreement.") CEDCO hereby agrees with GELLC that during the term of the Lease it shall not incur nor permit the incurrence of any Debt except:

(i) such Debt as is evidenced by the Bullet Note or the Monthly Installment Note;

(ii) such additional Debt as is permitted under Section 6.36 (ii) (A), (B) or (C) of the Loan Agreement and Article V(f) or (g) of the Depository Agreement;

(iii) such additional Debt as is permitted under Section 6.36 (ii) (D) of the Loan Agreement, provided that (I) such additional Debt ranks subordinate to all Rental Payments due hereunder, (II) such Debt would pass the test set forth in Article V (g) II (A) or (B) of the Depository Agreement if such test were a condition to the incurrence of such Debt; and (III) CEDCO executes and delivers such documents as may be necessary or appropriate to evidence the priority of the Rental Payments to such Debt and to certify that such Debt is permitted hereunder; and

(iv) such additional Debt as GELLC may otherwise consent to in writing.

(b) All terms used in this Section 50 but not otherwise defined in this Lease shall have the respective meanings set forth in the Loan Agreement.

(c) All references to the Loan Agreement or the Depository Agreement in this Section 50 shall be to such agreements as in effect on the date hereof.

IN WITNESS WHEREOF, GELLC and CEDCO have entered into this Lease as of the date first above written.



LESSEE:

COQUILLE ECONOMIC DEVELOPMENT CORPORATION

By: /s/ KEN SMITH
---
Name: Ken Smith
---
Title: President
---

STATE OF OREGON )
) ss.
County of MULTNOMAH )

On this 8th day of October, 1996, before me, the undersigned officer, personally appeared Ken Smith, President of CEDCO, known to me to be the person whose name is subscribed to within this instrument and acknowledged that he executed the same on behalf of CEDCO for the purpose therein contained.

In witness whereof, I hereunto set my hand and official seal.

/s/ SANDRA BOESPFLUG
---
[ S E A L ] Notary Public
My commission expires: May 26, 1998



LESSOR:

GAMING ENTERTAINMENT L.L.C.
By its members, as follows:

Dreamport, Inc. (formerly GTECH Gaming Subsidiary 1 Corporation)

By: /s/ JOHN E. TAYLOR, JR.
---
Name: John E. Taylor, Jr.
---
Title: President
---

GTECH Gaming Subsidiary 2 Corporation

By: /s/ JOHN E. TAYLOR, JR.
---
Name: John E. Taylor, Jr.
---
Title: President
---

Full House Subsidiary, Inc.

By: /s/ WILLIAM R. JACKSON
---
Name: William R. Jackson
---
Title: Vice President
---

Full House Joint Venture Subsidiary, Inc.

By: /s/ WILLIAM R. JACKSON
---
Name: William R. Jackson
---
Title: Vice President
---



STATE OF Rhode Island )
) ss.
County of Kent )

On this 7th day of October, 1996, before me, the undersigned officer, personally appeared John E. Taylor, Jr., President of Dreamport, Inc., formerly known as GTECH Gaming Subsidiary 1 Corporations, known to me to be the person whose name is subscribed to within this instrument and acknowledged that he executed the same on behalf of GTECH Gaming Subsidiary 1 Corporations for the purpose therein contained.

In witness whereof, I hereunto set my hand and official seal.

/s/ MICHELLE ADAMS
---
[ S E A L ] Notary Public
My commission expires: June 26, 1997

STATE OF Rhode Island )
) ss.
County of Kent )

On this 7th day of October, 1996, before me, the undersigned officer, personally appeared John E. Taylor, Jr., President of GTECH Gaming Subsidiary 2 Corporation, known to me to be the person whose name is subscribed to within this instrument and acknowledged that he executed the same on behalf of GTECH Gaming Subsidiary 2 Corporation for the purpose therein contained.

In witness whereof, I hereunto set my hand and official seal.

/s/ MICHELLE ADAMS
---
[ S E A L ] Notary Public
My commission expires: June 26, 1997



STATE OF OREGON )
) ss.
County of MULTNOMAH )

On this 8th day of October, 1996, before me, the undersigned officer, personally appeared William R. Jackson, President of Full House Subsidiary, Inc., known to me to be the person whose name is subscribed to within this instrument and acknowledged that he executed the same on behalf of Full House Subsidiary, Inc., for the purpose therein contained.

In witness whereof, I hereunto set my hand and official seal.

/s/ SANDRA BOESPFLUG
---
[ S E A L ] Notary Public
My commission expires: May 26, 1998

STATE OF OREGON )
) ss.
County of MULTNOMAH )

On this 8th day of October, 1996, before me, the undersigned officer, personally appeared William R. Jackson, President of Full House Joint Venture Subsidiary, Inc., known to me to be the person whose name is subscribed to within this instrument and acknowledged that he executed the same on behalf of Full House Joint Venture Subsidiary, Inc., for the purpose therein contained.

In witness whereof, I hereunto set my hand and official seal.

/s/ SANDRA BOESPFLUG
---
[ S E A L ] Notary Public
My commission expires: May 26, 1998



SECTIONS 81 AND 84 ACCOMMODATION APPROVAL,
CONSENT, AND DISCLAIMER
FOR
PARTICIPATING LEASE

The COQUILLE INDIAN TRIBE, a federally recognized Indian tribe (hereafter "Tribe") has submitted a PARTICIPATING LEASE (hereafter "Document") to the Department of the Interior for its review and has requested its approval pursuant to 25 U.S.C. /section//section/ 81 and 84. The Depart- ment has reviewed the Document and determined that it does not constitute an agreement involving services to or an encumbrance of the trust land or other trust assets of the Tribe and, therefore, that the Document is not subject to the provisions of 25 U.S.C. /section//section/ 81 and 84. As a result, these statutes do not limit or impair the capacity of the Tribe to make or enter into the Document without obtaining the approval of the Secretary of the Interior and the Commissioner of Indian Affairs.

Nevertheless, the Tribe has requested that the Document be approved to avoid casting any doubt on their legitimate authority to validly make and enter into the Document. The Secretary of the Interior and the Commissioner of Indian Affairs do not want their determination that the Document does not require their approval to subject the Tribe to an assertion that the Document is void under the provisions of 25 U.S.C. /section//section/ 81 and 84 due to lack of approval or consent. To avoid casting any doubt due to the lack of such approvals and consents, as an accommodation to the request of the Tribe, the Secretary of the Interior and the Commissioner of Indian Affairs hereby approve and consent to the Document.

The approval by the Secretary of the Interior and the Commissioner of Indian Affairs as provided above does not and should not be construed or interpreted as indicating that said Document requires their approval or consent to be valid or that the United States assumes or guarantees any of the obligations of the Tribe under said Document.

SECRETARY OF THE INTERIOR

By:
---
Title: Area Director of the Portland Area Office of the Bureau Indian Affairs for the Secretary of the Interior and the Commissioners of Indian Affairs acting under delegated authority

COMMISSIONER OF INDIAN AFFAIRS

By:
---
Title: Area Director of the Portland Area Office of the Bureau Indian Affairs for the Secretary of the Interior and the Commissioners of Indian Affairs acting under delegated authority

EXHIBIT A
LEGAL DESCRIPTION OF PREMISES



EXHIBIT B

CASINO IMPROVEMENTS

EXHIBIT 10.49

COQUILLE ECONOMIC DEVELOPMENT CORPORATION

GAMING ENTERTAINMENT L.L.C.

FIRST AMENDED AND RESTATED MASTER LEASE

THIS FIRST AMENDED AND RESTATED MASTER LEASE dated as of October 8, 1996, (this "Lease"), restates and amends that certain Master Lease made as of February 9, 1995, as amended by and between GAMING ENTERTAINMENT L.L.C., a Delaware limited liability company ("GELLC" or "Lessee;" successor in interest to FULL HOUSE RESORTS, INC., a Delaware corporation ("FHR")), whose address is 55 Technology Way, West Greenwich, Rhode Island 02817, and COQUILLE ECONOMIC DEVELOPMENT CORPORATION, a corporation chartered by the Coquille Indian Tribe ("Lessor" or CEDCO"), whose address is 3201 Tremont, North Bend, Oregon 97459.

CEDCO and GELLC hereby agree as follows:

1. DEFINITIONS. The following terms will have the following meanings for all purposes of this Lease:

"ADVANCE RENTAL" means $500,000 which has been prepaid by FHR pursuant to Section 11 hereof.

"BASE ANNUAL RENTAL" means $1.00.

"BASE MONTHLY RENTAL" means an amount equal to 1/12 of the Base Annual Rental.

"BUSINESS LEASE" means that certain lease agreement between CEDCO and the Coquille Indian Tribe.

"CASINO IMPROVEMENTS" means the improvements to the gaming facility to be constructed upon the premises, as described on Exhibit B.

"CEDCO" means Coquille Economic Development Corporation, a corporation chartered by the Coquille Indian Tribe.

"COMMENCEMENT DATE" means May 19, 1995, which was the date the Premises were opened to the public and gaming activities commenced.

"FHR" means Full House Resorts, Inc., a Delaware corporation, or its successors or assigns.

"COMMERCIAL ACTIVITIES" means any commercial activities conducted on the Site I Premises, including, without limitation, gaming activities, collateral economic activities, other



commercial activities and the rental or leasing of the Premises, any improvements thereon or any portion thereof.

"GELLC" means Gaming Entertainment L.L.C., a Delaware limited liability company.

"LAWS" means collectively the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. /section/ 9601, ET SEQ., the Hazardous Materials Transportation Act, 49 U.S.C. /section/ 1801, ET SEQ., the Toxic Substances Control Act, 15 U.S.C. /section/ 2601, ET SEQ., the Resource Conservation and Recovery Act, 42 U.S.C. /section/ 6901, ET SEQ., the Petroleum Marketing Practices Act, 15 U.S.C. /section/ 2801, ET SEQ., the Superfund Amendments and Reauthorization Act of 1986; 42 U.S.C. /section/ 9601, ET SEQ., any applicable federal, state, county or local laws (if any) applicable to or regulating hazardous substances, toxic wastes, pollutants or similar environmental or safety subjects, any rules, ordinances and guidelines promulgated pursuant to any one or more or such laws, and any amendments, substitutions or replacements of any of the foregoing.

"LEASE TERM" means the period described in Section 3 hereof.

"LEASE YEAR" means (i) for the first year, the approximately twelve (12) month period commencing on the Commencement Date of this Lease (as defined in Section 3 hereof) and ending on the last calendar day of the month in which the anniversary date of this Lease occurs; and (ii) for each year thereafter, the twelve (12) month period commencing on the first calendar day of the month subsequent to the anniversary date of this Lease and ending on the last calendar

day of the month in which the anniversary date of this Lease occurs.

"LEASEHOLD MORTGAGEE" means the beneficiary of an instrument encumbering this Lease.

"LESSEE" means GELLC, as successor in interest to FHR, or its successors or assigns.

"LESSOR" means Coquille Economic Development Corporation, a corporation chartered by the Coquille Indian Tribe.

"PLANS AND SPECIFICATIONS" means the plans and specifications respecting the Casino Improvements, which are prepared pursuant to Section 12 hereof.

"PREMISES" means the real property together with all buildings, structures, fixtures and improvements located thereon or thereunder or to be located thereon or thereunder, in Coos County, Oregon, commonly known as the Mill Casino, a legal description and map which is contained in Exhibit A, together with such other parcels, rights of way and easements acquired or leased by CEDCO, the Tribe, and or their affiliates to enhance the businesses operated on the Mill Casino site.



"REGULATED SUBSTANCE" means any substance described or defined in any of the Laws or any applicable federal, state, county or local laws applicable to or regulating underground storage tanks.

"SECRETARY" means the Secretary of the Interior or his or her authorized representative, delegate or successor.

"SUBLEASE" means any further assignment or sublease by GELLC of its interest in the Premises whether in whole or in part.

"SUBLEASEHOLD MORTGAGEE" means the beneficiary of an instrument encumbering a Sublease.

"UST" means any one or combination of underground tanks (including underground pipes connected thereto) that are used to contain an accumulation of Regulated Substances and the volume of which (including the pipes connected thereto) are (10%) ten percent or more beneath the surface of the ground.

2. DEMISE OF PREMISES.

In consideration of the rentals and other sums to be paid by GELLC and of the other terms, covenants and conditions on GELLC's part to be kept and performed, CEDCO hereby leases to GELLC, and GELLC hereby takes and hires, the Premises.

3. LEASE TERM.

(a) This Lease will be effective and enforceable from the date hereof "Effective Date"). Subject to earlier termination as provided herein, the primary term of this Lease (the "Primary Lease Term") will commence as of the Effective Date and, unless terminated sooner as provided in this Lease, will expire on midnight of the twenty-fifth (25th) full Lease Year following the Commencement Date.

(b) Notwithstanding any other provision of this Lease to the contrary, GELLC will have the discretionary right to terminate this Lease without liability at any time subsequent to a nonrenewal of the Sublease between GELLC and CEDCO relating to the Premises.

4. RENTAL AND OTHER PAYMENTS.

(a) Commencing as of the Commencement Date, GELLC will pay the Base Monthly Rental each month on or before the first day of the month for which it is due. If the Commencement Date commences other than on the first day of a calendar month, the Base Monthly Rental for the first month will be prorated from the date on which the Commencement Date commences to and including the last day of said month.



(b) [Intentionally Omitted.]

(c) FHR has paid the Advance Rental in accordance with Section 11 hereof.

5. RENTAL TO BE NET TO LESSOR.

The Base Annual Rental hereunder will be net to CEDCO, so that this Lease will yield to CEDCO the rentals specified during the Lease Term, and all costs, expenses and obligations related to operation of the Premises of every kind and nature whatsoever relating to the Premises will be paid by GELLC (other than those set forth in Section 6(d)).

6. TAXES AND ASSESSMENTS.

CEDCO shall pay, as the same become due and prior to delinquency, all taxes and assessments in respect of the Premises, including the following:

(a) All valid taxes and assessments upon the Premises or part thereof (if any) or any personal property, equipment, trade fixtures or improvements located on the Premises (if any), whether belonging to CEDCO or GELLC, which are owing at the commencement of this Lease or will be assessed or come due during the Lease Term or any tax or charge levied in lieu of such taxes and assessments;

(b) All valid taxes, charges, license fees or similar fees (if any) imposed by reason of the use of the Premises;

(c) All valid excise, transaction, privilege, license, sales, use and other taxes (if any) upon the rental or other payments hereunder, the leasehold estate of either party or the activities of either party pursuant to this Lease, except for any tax upon or measured by the net income and profits of CEDCO pursuant to Title 26, U.S.C. or pursuant to State law; and

(d) CEDCO covenants and warrants that neither it nor the Tribe has taken any action by way of Tribal Council resolution or Tribal referendum or otherwise which will or would be reasonably likely to prejudice or materially adversely affect GELLC's rights under this Agreement. Other than gaming related laws and regulations - the Tribe and/or CEDCO have not enacted any tribal law, referendum, rule or regulation which affects the interpretation, construction, scope, reporting or consent obligations of GELLC, or affects the validity, interpretation and enforceability of this Agreement

CEDCO and GELLC acknowledge that the Tribal Gaming Commission will from time to time impose reasonable charges and assessments relating to regulation of the gaming operation by the Tribal Gaming Commission. Such charges and assessments will be borne by the operations of the business conducted on the Premises, and shall be deemed an operating expense of the gaming operation.



GELLC acknowledges that the Tribe is a sovereign governmental entity, and that sovereign status allows it to enact and enforce laws on Coquille tribal land except as otherwise contractually bound by the terms of this Agreement. CEDCO agrees that any imposition of taxes, costs, fees, expenses, assessments or charges, other than those reasonable charges and assessments imposed by the Tribe or the Tribal Gaming Commission on CEDCO as set forth above, including any act, law, rule or regulation that modifies or adversely affects the Limited Waiver of Sovereign Immunity or affects CEDCO's rights to compel or be the recipient of an order enforcing the binding arbitration, shall constitute a material breach of this Agreement and CEDCO agrees that GELLC shall have the opportunity to enforce any and all the terms of this Agreement notwithstanding any such changes in tribal law. Such action shall not constitute a material breach if they expressly exempt (or "grandfather") business activities conducted on the Premises. CEDCO agrees not to modify or waive any provision of Section 29B of the Business Lease dated February 9, 1995, between CEDCO and the Tribe, without the prior written consent of GELLC.

Notwithstanding any provision in tribal law, rule or regulation to the contrary, CEDCO shall be solely responsible for any such taxes, cost, fees, expenses, assessments or charges of any kind or nature levied or incurred in violation of this Section. CEDCO and the Tribe shall indemnify and hold harmless GELLC from any payments made on such costs, fees, expenses, assessments or charges imposed by the Tribe upon GELLC and CEDCO.

Notwithstanding anything herein or any provision in tribal law, rule or regulation to the contrary whether presently existing or hereinafter arising, GELLC's remedy of binding arbitration and compelling and registering the same via court action shall be an available forum and non-exclusive remedy for GELLC to redress its grievances, if any, against CEDCO.

GELLC may seek a refund, rebate or abatement of any tax levied

or assessed on the Premises but only if arrangements for paying such tax prior to it becoming a lien on the Premises, together with all interest and penalties, are made to the written satisfaction of CEDCO.

7. UTILITIES.

CEDCO represents and warrants that all water, sanitary sewers, storm sewers, gas lines, electric current and telephone current and telephone facilities are available for connection to the Premises in the areas immediately adjacent thereto. CEDCO will contract, in its own name, for and pay when due all charges for connection or use of water, gas, electricity, telephone, garbage collection, sewer use and other utility services supplied to the Premises during the Lease Term. CEDCO may utilize loan proceeds provided by GELLC for payments to be made pursuant to this Section. All such charges will be assessed pro rata among GELLC and the subleasees of GELLC from time to time in a manner determined by the parties. Notwithstanding any other provision to the contrary, charges to GELLC will not exceed amounts which GELLC receives from tenants under any Sublease. If GELLC is a sublessee, pursuant to a Sublease, GELLC will pay its pro rata share of all such charges.



8. INSURANCE.

CEDCO will maintain at its own expense the following types and amounts of insurance (which may be included under a blanket insurance policy if all other terms hereof are satisfied), in addition to such other insurance as GELLC may reasonably require:

(a) Insurance against loss, damage or destruction by fire and other casualty, including theft, vandalism and malicious mischief, flood (if the Premises are in a location designated by the federal Secretary of Housing and Urban Development as a flood hazard area), earthquakes (if the Premises are in an area subject to destructive earthquakes since October 8, 1896), boiler explosion (if there is any boiler upon the Premises), sprinkler damage, all matters covered by a standard extended coverage endorsement and such other risks as GELLC may require, insuring the Premises, the equipment and all improvements thereon for not less than ninety percent (90%) of their full insurable replacement cost. In the event that CEDCO is unable to obtain the insurance as required herein at reasonable rates, CEDCO is excused from the obligation to purchase such insurance. In such event, CEDCO will acquire the fullest possible coverage available at reasonable costs as approved by GELLC, such approval will not be unreasonably withheld.

(b) Comprehensive public liability and property damage insurance, including a products liability clause and pollution legal liability insurance, covering CEDCO and GELLC against bodily injury liability, property damage liability, automobile bodily injury and property damage liability, and tank leakage for sudden and accidental as well as gradual occurrences, including without limitation any liability arising out of the ownership, maintenance, repair, condition or operation of the Premises or adjoining ways, streets or sidewalks and, if applicable, insurance covering GELLC, against liability arising from the sale of liquor, beer or wine on the Premises. Such insurance policy or policies will contain a "severability of interest" clause or endorsement which precludes the insurer from denying the claim of either GELLC or CEDCO because of the negligence or other acts of the other, will be in amounts of not less than $5,000,000 per personal injury and occurrence with respect to any insured liability, whether for personal injury or property damage, or such higher limits as GELLC may reasonably require from time to time, and will be of form and substance satisfactory to GELLC.

(c) Workmen's compensation, employer's liability and such other insurance as may be necessary to comply with applicable laws.

All insurance policies required to be obtained by CEDCO hereunder will:

(i) Provide for a waiver of subrogation by the insurer as to claims against GELLC, its employees and agents;

(ii) Provide that such insurance cannot be unreasonably canceled, invalidated or suspended on account of the conduct of CEDCO, its officers, directors, employees or agents;



(iii) Provide that any "no other insurance" clause in the insurance policy will exclude any policies of insurance maintained by

GELLC and that the insurance policy will not be brought into contribution with insurance maintained by GELLC;

(iv) Contain a standard without contribution mortgages clause endorsement in favor or any lender designated by GELLC;

(v) Provide that the policy of insurance will not be terminated, canceled or substantially modified without at least thirty (30) days prior written notice to GELLC and to any lender covered by any standard mortgage clause endorsement;

(vi) Provide that the insurer will not have the option to restore the Premises if GELLC elects to terminate this Lease in accordance with the terms hereof;

(vii) Be issued by insurance companies having a rating in Best's Insurance Guide of Class VI or better; and

(viii) Provide that GELLC be designated as an additional named insured and loss payee as its interests may appear.

CEDCO will provide to GELLC and any lender designated by GELLC certification of insurance or copies of insurance policies evidencing that insurance satisfying the requirements of this Lease is in effect at all times.

9. TAX AND INSURANCE IMPOUND. [INTENTIONALLY DELETED.]

10. PAYMENT OF RENTAL AND OTHER SUMS.

All rental and other sums which GELLC is required to pay hereunder will be payable in full when due without right of setoff against any other claim against or indebtedness of CEDCO.

11. ADVANCE RENTAL.

The parties acknowledge that prior to the execution of this Lease, GELLC paid to CEDCO, prepaid rent in an amount equal to $500,000. Such advance rental was used by CEDCO to prepay rental amounts due under the Business Lease

12. PLANS, SPECIFICATIONS, AND LOCATION OF IMPROVEMENTS ON THE PREMISES.

CEDCO will prepare and forward to GELLC the Plans and Specifications regarding the Casino Improvements. Such Plans and Specifications will include detailed drawings, specifications and preliminary cost estimates for the Casino Improvements. Notwithstanding the



above, GELLC shall have no duty, obligation or right to approve Plans and Specifications under this Section.

13. TESTING.

At the expense of CEDCO, CEDCO has had the Premises inspected for seepage, spillage and other environmental concerns by an inspector acceptable to GELLC. CEDCO represents and warrants that it has received a Level I and Level II Sampling and Analysis dated February 17, 1994, applicable to the Premises and that the Premises is in full and complete compliance with the laws applicable thereto. CEDCO will have any UST and all underground piping connected thereto inspected and monitored in accordance with applicable monitoring schedule provided under the Laws. CEDCO will provide GELLC with written certified results of all inspections performed on the Premises. All costs associated with the inspection, preparation and certification of results, as well as those associated with correcting problems revealed by said inspections, will be borne by CEDCO. GELLC hereby reserves the right to require additional inspections from time to time as it may determine. All inspections and tests performed on the Premises will be in compliance with the Laws and any other applicable governmental regulation.

14. PERMITS.

CEDCO will make application for and attempt to procure all necessary permits from all applicable governmental agencies authorizing the activities contemplated herein, including, without limitation, excavation and demolition, grading, paving, landscaping, highway ingress and egress development, utility connections, construction and improvement of the Premises pursuant to the Plans and Specifications.

15. CONSTRUCTION AND IMPROVEMENTS ON THE PREMISES.

(a) CEDCO will develop a detailed construction cost estimate and proposed construction contract with respect to the Casino Improvements at the soonest possible date after preparation of the Plans and Specifications. All contractors and subcontractors will be bonded and all contracts and subcontracts will include incentives for on-time performance and penalties for late performance.

(b) Notwithstanding the above, GELLC shall have no duty or obligation nor the right to approve Plans and Specifications or other documents set forth in this section.

16. DELIVERY OF EQUIPMENT AND STOCK.

GELLC or any sublessee of GELLC will have the right to deliver and install on the Premises any equipment, trade fixtures, stock or other materials to be used by them. All equipment or other personal property used in the improvements and on the Premises supplied



or installed at the sole cost and expense of GELLC or any sublessee of GELLC will be the sole property of GELLC or such sublessee.

17. ALTERATIONS.

Lessee may alter the exterior or structural elements of the Premises in any manner in accordance with the Plans and Specifications regarding construction and development of the Property without the prior written consent of CEDCO. Any work at any time commenced by GELLC on the Premises will be pursued diligently to completion, will be of good workmanship and will comply fully with all the terms of this Lease. Any addition to or alteration of the Premises will be deemed a part of the Premises and belong to CEDCO at the expiration of the Lease Term.

18. USE.

CEDCO hereby represents and warrants to GELLC that the use of the Premises pursuant to the Plans and Specifications for the Premises will be a permitted use of the Premises under all applicable zoning or other use restrictions or regulations. GELLC will use the Premises solely as developed pursuant to the Plans and Specifications. GELLC will sublease the Premises to CEDCO for operation consistent with the Plans and Specifications. Pursuant to the Sublease of the Premises, CEDCO will at all times during the Lease Term diligently operate its business on the Premises in a manner which will maximize profits on the Premises. CEDCO will be deemed a fiduciary with respect to GELLC regarding enforcement of this Section 18. CEDCO will not cease diligent operation of business under the Sublease during the Lease Term of this Lease, except by (i) giving written notice to GELLC one hundred (100) days prior to the day CEDCO ceases operation, (ii) providing adequate protection of the Premises during any period of vacancy and (iii) paying to GELLC all amounts advanced to develop and construct the Premises as set forth in the Sublease and related financing agreements on the terms and conditions set forth therein. The exceptions listed in this Section 18 will not affect CEDCO's responsibility for breach hereunder.

19. COMPLIANCE WITH LAWS.

CEDCO represents and warrants that GELLC's proposed use and occupation of the Premises, and the condition thereof, will not be in violation of any of the Laws or any other applicable governmental requirement. GELLC will comply with all of the Laws during the Lease Term and any extensions or renewals thereof, including, without limitation, any financial responsibility and assurance requirements imposed thereunder. GELLC will, at GELLC's sole cost and expense (except for such costs and expenses to be paid by CEDCO pursuant to subsection (d) of Section 6 hereof), comply with all applicable directions, rules and regulations of the fire marshal, health officers, building inspectors, federal, state and local agencies and regulatory bodies, including but not limited to any environmental agency having jurisdiction. GELLC will not permit any act or condition to exist in or about the Premises which will increase any insurance rate, except when such acts are required in the normal course of its



business and GELLC will pay for such increase. GELLC will supply CEDCO with a copy of any notification or report required by the Laws and given to any federal, state or local agency in connection with the Premises with five (5) days of the date that such notification or report is sent to such agency.

20. OPERATION OF PREMISES.

GELLC will operate and maintain the Premises in compliance with and will not cause or permit the Premises to be in violation of, any of the Laws. GELLC will comply with all applicable reporting and record keeping requirements, including, but not limited to, disclosure of new UST system installations, suspected releases of Regulated Substances from any UST system, corrective and remedial actions necessary to contain, correct and clean-up a release of Regulated Substances, and final closure. GELLC will immediately notify CEDCO, in writing, of (i) the presence on or under the Premises, or the escape, seepage, leakage, spillage, discharge, emission or release from the UST system of any Regulated Substances, apparent or real, (ii) any and all enforcement, clean-up, remedial, removal or other governmental or regulatory actions threatened, instituted or completed pursuant to any Law affecting the Premises and (iii) all claims made or threatened by any third party against GELLC or the Premises relating to any demand, cause of action, allegation, order, violation, damage, injury, judgment, penalty or fine, cost of remedial action or any other cost or expense whatsoever resulting from the violation or alleged violation of any of the Laws.

21. MAINTENANCE.

CEDCO represents and warrants that the Premises has been inspected and is in compliance with all applicable Laws. GELLC will at all times at its own expense maintain, repair and replace, as necessary, the Premises to keep the same in good working condition, including all portions of the Premises, whether or not the Premises was in such condition upon the commencement of this Lease.

22. INDEMNIFICATION.

Except for negligence of GELLC or any of its members, officers, agents or employees, CEDCO will indemnify and hold harmless GELLC and GELLC's members, officers, agents and employees from and against any and all claims, demands, causes of action, suits, proceedings, liabilities, damages, losses, costs and expenses, including attorneys' fees, caused by, incurred or resulting from CEDCO's or the Tribe's or their respective officers', agents' or employees' operation of or relating in any manner to the Premises. CEDCO will indemnify and hold harmless GELLC and its members, officers and agents, from and against any and all claims, demands, causes of action, suits, proceedings, liabilities, damages, losses, costs and expenses related to the original design or construction, latent defects, alteration, maintenance, tank leakage for sudden and accidental as well as gradual occurrences, the presence on or under, or the escape, seepage, leakage, spillage or discharge of Regulated Substances with respect to Premises and for violations of any of the Laws, or any governmental regulations or other applicable



governmental requirements, including without limitation, and as relates to supervision or otherwise, or from any breach of, default under or failure to perform any term or provision of this agreement by CEDCO, its officers, employees, agents or other persons. It is expressly understood that GELLC's and CEDCO's obligations under this paragraph will survive the expiration or earlier termination of this Lease for any reason.

23. QUIET ENJOYMENT.

CEDCO covenants that it alone has the full right and lawful authority to enter into this Lease for the full term hereof, that it is lawfully seized of the Premises pursuant to the Business Lease free and clear of all other tenancies, restrictions and encumbrances. So long as GELLC will pay rental and other sums herein provided and will keep and perform all of the terms, covenants and conditions on its part herein contained, CEDCO covenants that GELLC, subject to CEDCO's rights herein, will have the right to the peaceful and quiet occupancy of the Premises. CEDCO will hold harmless and defend GELLC against any and all claims or defenses challenging GELLC's right and authority to occupy, use and enjoy the Premises.

24. CONDEMNATION OR DESTRUCTION.

(a) In case of a taking of all or any part of the Premises or the commencement of any proceeding or negotiations which might result in a taking of all or any portion of the Premises, for any public or quasi-public purpose by any lawful power or authority by exercise of the right of condemnation or eminent domain or by agreement between CEDCO, GELLC and those authorized to exercise such right ("Taking"), GELLC will promptly give written notice thereof to CEDCO, generally describing the nature and extent of such Taking. CEDCO may prosecute, if permissible under the appropriate law of the jurisdiction, any award, compensation or damage resulting from a Taking, to which it is entitled but will not have the right to GELLC's award, compensation or damages. GELLC

will be entitled to any award, compensation or damages designated as GELLC's resulting from a Taking. Notwithstanding any provision to the contrary, CEDCO agrees to use its best efforts to prevent commencement of condemnation proceeds by or at the request of the Coquille Indian Tribe under Tribal or other law which would interfere with the developed use of the Premises.

(b) In case of a Taking of the whole of the Premises, other than for temporary use ("Total Taking"), this Lease will terminate as of the date of such Total Taking and all rental and other sum or sums of money and other charges provided to be paid by GELLC will be apportioned and paid to the date of such Total Taking. Total Taking will include a taking of substantially all of the Premises if the remainder of the Premises is not useable and cannot be made useable for the purposes provided herein.

(c) In case of a temporary taking or a temporary loss of use of the whole or any part of the Premises by a Taking (a "Temporary Taking"), this Lease will remain in full force and effect without any reduction of rent or any other sum payable hereunder. GELLC will be entitled to the entire award for a Temporary Taking, whether paid by damages, rent or



otherwise, unless the period of occupation and use by the condemning authorities will extend beyond the date of expiration of this Lease, in which case the award made for such taking will be apportioned between CEDCO and GELLC as of the date of such expiration. At the termination of any such use or occupation of the Premises, GELLC will, at its own cost and expense, promptly commence and complete the restoration of the Premises. GELLC will not be required to make the restoration if the term of this Lease expires prior to, or within one-hundred eighty (180) days of the date of expiration of the Temporary Taking, and in such event CEDCO will be entitled to recover all damages and awards arising out of the failure of the condemning authority to repair and restore the building at the expiration of the Temporary Taking.

(d) In the event of a Taking of less than all of the Premises other than a Temporary Taking (a "Partial Taking") or of damage or destruction to all or any part of the Premises all awards, compensation or damages will be paid to GELLC, and GELLC will have the option to terminate this Lease by notifying CEDCO in writing within sixty (60) days after GELLC gives CEDCO notice of such damage or destruction or that title has vested in the taking authority. GELLC will thereupon have a period of sixty (60) days in which to elect in writing to continue this Lease on the terms herein provided. If GELLC does not elect to continue this Lease or fails during such sixty (60) day period to elect to continue this Lease, then this Lease will terminate as of the last day of the month during which such period expired. GELLC will then immediately vacate and surrender the Premises, all obligations of either party hereunder will cease as of the date of termination and GELLC may retain all such awards, compensation or damages. If GELLC elects to continue this Lease, then this Lease will continue on the following terms: Rental and other sums due under this Lease will continue unabated, and GELLC will promptly commence and diligently prosecute restoration of the Premises to the same condition, as nearly as practicable, as prior to such Partial Taking, damage or destruction as determined by GELLC in its sole discretion. GELLC will promptly make available in installments as restoration progresses an amount equal to any award, compensation or damages received by GELLC, upon written request of CEDCO accompanied by evidence reasonably satisfactory to CEDCO that such amount has been paid or is due and payable and is properly a part of such costs and that there are no mechanics' or similar liens for labor and materials theretofore supplied in connection with the restoration. GELLC will be entitled to keep any portion of such award, compensation or damages which may be in excess of the cost of restoration, and GELLC will bear all additional costs, fees and expenses of such restoration in excess of the amount of any such award, compensation or damages.

(e) Notwithstanding the foregoing, if at the time of any Taking or at any time thereafter GELLC is in default under this Lease and such default is continuing, CEDCO is hereby authorized and empowered, in the name and on behalf of GELLC and otherwise, to file and prosecute GELLC's claim, if any, for an award on account of any Taking and to collect such award and apply the same, after deducting all costs, fees and expenses incident to the collection thereof to cure such default and any other then existing default under this Lease.



25. INSPECTION.

CEDCO, the Secretary and its authorized representatives will have the right, upon giving reasonable notice, to enter the Premises or any part thereof

and inspect the same and make photographic or other evidence concerning GELLC's compliance with the terms of this Lease. GELLC will keep full, complete and accurate books, records and accounts of all business done including any sales or other tax reports that GELLC may be required to furnish to any governmental agency at or from the Premises sufficient to permit CEDCO to verify all statements, certificates and accounting delivered to CEDCO.

26. DEFAULT AND REMEDIES.

(a) Each of the following will be deemed a breach of this Lease and a default:

(i) If any material representation or warranty of CEDCO or GELLC herein or in any other agreement executed in connection with this Lease was false when made or in the event that any such representation or warranty is continuing and becomes false at any time through no fault of GELLC or CEDCO, or if CEDCO or GELLC renders any false statement or account;

(ii) If any rent or other monetary sums due remain unpaid for fifteen (15) days after written notice thereof to GELLC;

(iii) If CEDCO or GELLC fails to perform any of the covenants, conditions or obligations of this Lease;

(iv) If there is a breach or default hereunder or under any agreement executed in connection with this Lease or if there is a breach or default of CEDCO's or GELLC's obligations under this Lease, or under any other agreement between (1) GELLC or any general or limited partnership organized by GELLC in accordance with the laws of any state of the United States or its territories or any partner, officer, director or shareholder of GELLC, or any corporation or other entity controlled by GELLC, or by any partner, officer, director or shareholder of GELLC, and (2) CEDCO;

(v) If either CEDCO or GELLC becomes insolvent by reason of an inability to pay debts as they mature, performs any act of bankruptcy, or makes an assignment for the benefit of creditors or an admission of its inability to pay its obligations as they become due;

(vi) If CEDCO or GELLC violates any law, Gaming law, health, safety or sanitation law, ordinance or regulation or operates the Premises in a manner that presents a health or safety hazard to its customers or the public; and



(vii) If CEDCO or GELLC fails to comply with any of the Laws or any other federal, state and local law.

(b) If any such breach or default does not involve the payment of any rental or other monetary sum, is not willful or intentional, is not known to the defaulting party (unless such respective party has given the other notice thereof) and is within the reasonable power of such party to cure within sixty (60) days after receipt of notice thereof, then such event will not constitute a default hereunder, unless otherwise expressly provided herein, unless and until the nondefaulting party has given the other notice thereof and a period of sixty (60) days has elapsed, during which period such party may correct or cure such event, upon failure of which a default will be deemed to have occurred hereunder without further notice or demand of any kind. If such breach or default cannot reasonably be cured within the sixty (60) day period, and the defaulting party is diligently pursuing a cure of such breach or default, then such cure period will continue as long as the defaulting party diligently pursues the cure, otherwise such cure period will end on the sixtieth (60th) day after notice has been given.

(c) In the event of any breach or default by CEDCO or GELLC, and with the written notice of default as specified by paragraph (b) above or such other notice as may be required by law, CEDCO will be entitled to exercise, at is its option, concurrently, successively or in any combination, all remedies available at law or in equity.

27. MORTGAGE AND SUBORDINATION.

(a) GELLC will have a lien upon the Business Lease, this Lease, the Subleases, all furnishings, fixtures, equipment, decoration, supplies, accessories and other personal property which CEDCO owns or in which it has an interest located on the Premises to secure the payment of all sums due thereunder and the performance of all other obligations of CEDCO under this Lease. CEDCO's interest in the Business Lease, this Lease, leasehold improvements or equipment will be subordinate to any encumbrances placed upon

such assets only if by or at the written direction of GELLC pursuant to a release executed by GELLC. CEDCO agrees to execute such subordination documents as GELLC will from time to time require. CEDCO will keep the Premises free from any liens for work performed, materials furnished or obligations incurred without the prior written authorization from GELLC. Notwithstanding any other provision to the contrary, nothing herein shall entitle GELLC or any other entity to a lien on real property held by the United States in trust for the Coquille Tribe, or to a lien on any other property owned by the United States and used by the Tribe, or on any Tribal assets that, by federal statute or regulation, are restricted or excluded from liens or mortgages (specifically excepting those encumbrances approved by the Secretary and those assets constructed or procured pursuant to this Lease or any transaction entered into in connection with this Lease or the proceeds, profits or rents to be derived hereof or therefrom). NOTICE IS HEREBY GIVEN THAT, EXCEPT TO THE EXTENT NECESSARY TO SECURE LOANS EXTENDED BY LESSEE OR AN AFFILIATE OF LESSEE, NEITHER LESSOR NOR ITS PREDECESSORS IN INTEREST ARE AUTHORIZED TO PLACE ANY LIEN, MORTGAGE, DEED OR TRUST OR ENCUMBRANCE OF ANY KIND UPON ALL OR ANY PART OF THE



PREMISES, IMPROVEMENTS, EQUIPMENT OR LESSEE'S LEASEHOLD INTEREST THEREIN, AND ANY SUCH PURPORTED TRANSACTION SHALL BE VOID WITHOUT A WRITTEN RELEASE FROM LESSEE.

(b) This Lease at all times will be subject to and subordinate to any security interest now or hereafter placed upon the Business Lease or the Premises by GELLC all of which will be senior to any security interests placed by any third party without a prior written release from GELLC. CEDCO covenants and agrees to execute and deliver, upon GELLC's demand, such further instruments subordinating this Lease to the lien of any such security interest as shall be desired by GELLC. Notwithstanding any other provision to the contrary, GELLC will have the right to remain in possession of the Premises under the terms of this Lease in the event any loan or security interest remains outstanding pursuant to the terms of any loan extended by GELLC.

(c) If GELLC extends any loan to CEDCO, its interest will be deemed subordinate to any such corresponding security interest whether this Lease was executed before or after such loan agreement and GELLC will have the same rights with respect to this Lease as if it had been executed and delivered subsequent to the execution and delivery of any security agreement.

(d) By execution of this Lease, CEDCO gives its consent to GELLC or Sublessee to, from time to time, hypothecate, mortgage, pledge or alienate GELLC's or Sublessee's right to or interest in this Lease or Sublease or any portion thereof for the purpose of borrowing capital for the operation, development or improvement of the Premises or for the purpose of refinancing any outstanding debt or a permanent loan, provided, however, such encumbrances will not exceed the parameters set forth in Section 30.

(e) In the event of a default by GELLC hereunder, CEDCO will notify any Leasehold or Subleasehold Mortgagee or Sublessee thereof. Prior to termination of GELLC's interest hereunder as a result of such default, CEDCO will provide the Leasehold or Subleasehold Mortgagee or Sublessee an opportunity to cure or remedy such default for the grace period provided in Section 26 of this Lease plus an additional sixty (60) days. CEDCO will allow such Leasehold or Subleasehold Mortgagee or Sublessee entry onto the Premises in order to effectuate any cure or remedy provided herein. In the event the Leasehold or Subleasehold Mortgagee or Sublessee has commenced a cure or remedy or has commenced and is diligently pursuing a foreclosure action to terminate GELLC's interest in this Lease or the Sublease, CEDCO shall not terminate the Lease or Sublease with respect to any interest other than that of GELLC which is actually in default.

(f) In the event this Lease or any Sublease is terminated as a result of any default by GELLC, if the Leasehold or Subleasehold Mortgagee or Sublessee elects to cure or remedy the default within sixty (60) days of the termination, CEDCO will enter into a new lease with the Leasehold or Subleasehold Mortgagee or Sublessee or the nominee of any of them for the remainder of the Lease Term, effective as of the date of such termination, upon the terms, provisions, convenience and agreements contained herein provided:



(i) The Leasehold or Subleasehold Mortgagee or Sublessee will provide CEDCO with the written notice prescribed by paragraph (e) of this Section 26 prior to such termination;

(ii) The Leasehold or Subleasehold Mortgagee or Sublessee or the nominee of any of them will make written request upon CEDCO for such new lease within sixty (60) days after the date of such termination;

(iii) The Leasehold or Subleasehold Mortgagee or Sublessee or the nominee of any of them will pay to CEDCO, at the time of execution and delivery of such new lease, any and all sums owing pursuant to this Lease prior to termination hereof less any expenses, including reasonable attorneys' fees, to which the Leasehold or Subleasehold Mortgagee or the Sublessee or the nominee of any of them has been subjected by reason of such default;

(iv) The Leasehold or Subleasehold Mortgagee or Sublessee or the nominee or any of them shall perform and observe all covenants herein contained within this Lease or any Sublease on GELLC's or Sublessee's part to be performed and shall further remedy any other conditions as are capable of being remedied which GELLC or Sublessee under the terminated Lease or Sublease were obligated to perform;

(v) Such new lease will be subject to GELLC's or Sublessee's rights under the terminated Lease or Sublease; and

(vi) The GELLC or Sublessee under such new lease will have the same right, title and interest in the Improvements on the Premises as the previous GELLC or Sublessee under the terminated Lease or Sublease.

(g) Nothing contained in this Section 27 will require the Leasehold or Subleasehold Mortgagee or Sublessee or the nominee of any of them to cure any default of GELLC, but CEDCO agrees to accept the performance and/or compliance by any such Leasehold or Subleasehold Mortgagee or Sublessee or the nominee of any of them with respect to any term, covenant, agreement, provision, condition or limitation on GELLC's part to be performed hereunder with the same force and effect as though performed by GELLC.

(h) Upon termination of this Lease or any Sublease and for the period thereafter during which the Leasehold or Subleasehold Mortgagee or Sublessee will be entitled to enter into a new lease of the Premises actually subject to the mortgage, CEDCO or Sublessee will not terminate any Sublease unless such subtenant shall be default under such Sublease. During such period, the Leasehold or Subleasehold Mortgagee will receive all rental and other payments due from subtenants, including subtenants whose attornment CEDCO will have agreed to accept and will deposit such rents and payments in a separate and segregated account in trust for the Premises. The Leasehold or Subleasehold Mortgagee so entitled to receive such sums may withdraw any such sums, from time to time to pay necessary operating expenses and carrying



charges of the Premises. Upon execution and delivery of such new lease, the Leasehold or Subleasehold Mortgagee so entitled to receive such sums will account to CEDCO under the new lease for the balance, if any, of the payments made under such Sublease, and will thereupon assign the rent under said Sublease to any Leasehold or Subleasehold Mortgagee in respect of the new lease in the same manner as such rents had been assigned to the Leasehold or Subleasehold Mortgagee under this Lease.

(i) If a sale under an encumbrance instrument occurs, whether by transfer, by Deed in Lieu of Foreclosure or by power of sale or foreclosure, the purchaser at such sale shall succeed to all of the rights, title and interest of the Lessee or Sublessee in the leasehold or subleasehold estate covered by said encumbrances. If the purchaser at such sale is the Leasehold or Subleasehold Mortgagee, the Leasehold or Subleasehold Mortgagee may sell or assign the Leasehold or Subleasehold without any further consent of the CEDCO; provided, however, that the assignee shall agree in writing to be bound by all of the terms and conditions of the Lease or Sublease. If a sale under the encumbrance occurs and the purchaser is a party other than the Leasehold or Subleasehold Mortgagee such purchaser, as successor in interest to the GELLC or Sublessee, will be bound by all of the terms and conditions of the Lease or Sublease.

(j) CEDCO hereby consents to the inclusion of a provision in any encumbrance for the assignment of rents from GELLC or Sublessees of the Premises to the Leasehold or Subleasehold Mortgagee as the case may be, effective upon any default under a leasehold or subleasehold encumbrance instrument, provided, however, such encumbrances will be within the parameters set forth in Section 30.

(k) No surrender, cancellation or termination (except upon expiration or earlier termination by CEDCO of this Lease) by CEDCO or GELLC, or any modification or amendment of this Lease by joint action or agreement, will be

binding against any Leasehold or Subleasehold Mortgagee without the prior written consent of any such Leasehold or Subleasehold Mortgagee, if such Leasehold or Subleasehold Mortgagee will have provided notice (under the terms of subparagraph (e) of this Section 27 prior to any action described in this subsection (k)).

(l) CEDCO will execute and deliver whatever instruments may be required for the purposes set forth in this Section 27, and in the event CEDCO fails so to do within ten (10) days after demand in writing, CEDCO does hereby make, constitute and irrevocably appoint GELLC as its agent and attorney-in-fact and in its name, place and stead to do so.

28. ESTOPPEL CERTIFICATES.

Subject to the terms and conditions of the escrow agreement related to the purchase of the Premises, CEDCO will provide certification that it has full power and authority to enter into the agreements contemplated herein and operate the Premises pursuant thereto. At any time, and from time to time, CEDCO agrees, promptly and in no event later than ten (10) days after a request in writing from GELLC, to execute, acknowledge and deliver to GELLC a statement



in writing certifying that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the same is in full force and effect as modified and stating the modifications) and the dates to which the rental and other charges have been paid.

29. ASSIGNMENT.

(a) GELLC will have the right to sell or convey up to forty-nine percent (49%) of its right, title and interest as Lessee under this Lease in whole or in part with the prior written consent of CEDCO which consent will not be unreasonably withheld. CEDCO may consider the proposed transferee's financial condition or moral character or any reason which CEDCO has previously declined to conduct business with any such proposed transferee when determining whether or not to grant its consent. CEDCO's consent will not be required for any transfer, assignment or conveyance of this Lease or any agreement entered into in connection with the transactions set forth herein to any affiliate of GELLC and GELLC will be relieved from and after the date of any such transfer, assignment or conveyance of liability for the performance of any obligation contained herein. GELLC may sell or convey more than forty-nine percent (49%) of its rights, title and interest in this Lease only with the prior consent of CEDCO which may be withheld in CEDCO's discretion. In the event of any such sale or assignment other than a security assignment or sublease, GELLC will be relieved, from and after the date of such transfer or conveyance, of liability for the performance of any obligation contained herein, except for obligations or liabilities accrued prior to such assignment or sale. Notwithstanding any provision herein to the contrary, GELLC may make a security assignment of its interest herein to one or more institutional lenders, provided however, any such loan will grant CEDCO the right to cure any default by GELLC thereunder by purchase or otherwise.

(b) CEDCO acknowledges that GELLC has been induced to enter into this Lease in anticipation of a complex transaction with and upon the particular purposes for which the Premises will be. CEDCO acknowledges that only entities affiliated with the Coquille Indian Tribe may operate the Premises in accordance with the Plans and Specifications and agrees that it will not assign this Lease or any interest therein, or a majority ownership interest in GELLC, or permit an assignment of this Lease by operation of law, or sublet all or any part of the Premises, without the prior written consent of GELLC. GELLC may withhold or condition such consent upon such matters as GELLC may in its sole discretion determine, including without limitation, the experience and creditworthiness of the assignee, the assumption by the assignee of all of CEDCO's obligations which are enforceable by GELLC, the transfer to such assignee of all necessary licenses and franchises to continue operating the Premises for the purposes herein provided, receipt of such representations and warranties from such assignee as GELLC may request, including such matters as its organization, existence, good standing and finances and other matters, whether or not similar in kind. Notwithstanding the above, the Tribe is not required to obtain the consent of any other person to reorganize or amend the Articles of Incorporation of CEDCO, or to transfer assets and liabilities of CEDCO, or to assign any and all rights and obligations or interest under this Lease to another Person, so long as the Person is either the Tribe, an entity or instrumentality of the Tribe, or a wholly-owned corporation created by the Tribe AND, provided that (i) the Tribe or CEDCO transfers the authority to

conduct the activities authorized by the Gaming Ordinance on behalf of the Tribe from CEDCO to such Person, (ii) such Person expressly assumes the obligations of CEDCO hereunder by a written instrument satisfactory to GELLC, executed and delivered to GELLC by such Person, (iii) if such Person has sovereign immunity from suit, such Person consents to be sued to the same extent CEDCO consented to be sued herein, (iv) CEDCO delivers to GELLC a legal opinion of counsel acceptable to GELLC stating that this Master Lease is a valid, binding and enforceable obligation of such Person and (v) such merger, consolidation, sale, transfer or conveyance does not cause any lien or encumbrance on the Pledged Revenues (as defined in the Depository Agreement) to arise prior to the right of GELLC to receive Rental Payments (as defined in the Participating Lease); provided, further, that the Tribe shall always have the sole proprietary interest and responsibility for the conduct of any gaming activity as required by the IGRA. No such assignment or subletting will relieve CEDCO, any prior assignee or any guarantor of their obligations respecting this Lease. CEDCO acknowledges that any act in contravention of this Section 29 will cause GELLC irreparable harm and that damages are presently difficult to measure.

(c) Members of GELLC shall not assign any interest in GELLC without CEDCO's written consent.

30. DEVELOPMENT AND SUBLEASE OF THE SITE II PREMISES.
[INTENTIONALLY OMITTED]

31. NOTICES.

All notices, demands, requests, consents, approvals or other instruments required or permitted to be given by either party pursuant to this Lease will be in writing and will be deemed to have been properly given if sent by registered or certified mail, Federal Express, Airborne, Emery, DHL, Express Mail, Purolator or by other recognized (l overnight courier service (the "Courier Service"), postage prepaid, to the parties at the addresses set forth below. All notices will be deemed received when delivered but in no event later than five (5) days after they are deposited with either the United States Postal Service or the Courier Service, whichever shall first occur.

If to Lessee, copies addressed to:

Full House Resorts, Inc.
12555 High Bluff Drive
Suite 380
San Diego, CA 92130
Attn: Robert L. Kelley; and



GELLC
55 Technology Way
West Greenwich, Rhode Island 02817
Attn: John Taylor

GTECH Corporation
55 Technology Way
West Greenwich, Rhode Island 02817
Attn: John Taylor

With additional copies to:

Mary V. Brennan
12555 High Bluff Drive
Suite 380
San Diego, CA 92130; and

Office of the General Counsel
GTECH Corporation
55 Technology Way
West Greenwich, Rhode Island 02817

If to Lessor, addressed to:

Coquille Economic Development Corporation
3201 Tremont
North Bend, Oregon 97459
Attention: Ken Smith

WITH COPIES TO:

Ater Wynne Hewitt Dodson & Skerritt, LLP
Douglas E. Goe

222 SW Columbia, Suite 1800
Portland, OR 97201

Native American Program
Edmund J. Goodman
Oregon Legal Services Corporation
917 SW Oak, Suite 410
Portland, OR 97205



Coquille Indian Tribe
295 South 10th Street
Coos Bay, Oregon 97420
Attn: Tribal Chairman

32. DISPUTE RESOLUTION.

(a) BINDING ARBITRATION. It is the intention of the parties to establish a successful working relationship through open communications and to cooperate as fully and reasonably as possible. However, should an dispute arise under this Lease whether sounding in contract, tort or otherwise, which cannot be resolved between the parties through their continuing communication, the following procedure for resolution of all disputes arising hereunder through binding arbitration shall apply:

(i) The parties shall each appoint an arbitrator within ten (10) days of written notice by one of the parties that a dispute exists under this Lease. In the event that either party fails to appoint an arbitrator within such (10) day period then the appointed arbitrator will be the sole arbitrator of the dispute notwithstanding Section 32(a)(ii). CEDCO's remedy with respect to any breach by GELLC of the terms and conditions of this Lease will be limited to specific enforcement or monetary damages and shall specifically exclude the right of CEDCO to terminate this Lease.

(ii) Once the two (2) arbitrators have been appointed, they will agree upon and appoint, within ten (10) days following their appointment, a third arbitrator, and if the two (2) arbitrators cannot agree upon a third arbitrator, the third arbitrator will be appointed in accordance with the rules and procedures of the American Arbitration Association then in existence. No arbitrator shall be related to or affiliated with any party hereto.

(iii) Such arbitrator(s) will hold an arbitration hearing at Portland, Oregon, within twenty (20) days after the third arbitrator is appointed or there is a default in appointment of an arbitrator, as the case may be. The hearing will be conducted in accordance with the Commercial Arbitration Rules then in existence for the American Arbitration Association. The arbitrator or arbitrators, as the case may be, will allow each party to present its case, evidence and witnesses, if any, in the presence of the other parties, and will render their written determination within ten (10) days. Each party will bear the costs of its own arbitrator, its own attorney's fees and costs, and one-half the costs of the third arbitrator (if any).

(iv) The award of the majority of the arbitrators or the single arbitrator, as the case may be, will be binding on the parties, and either party may commence an action in an appropriate Federal District Court to enforce an arbitration award. In the event that such court determines it does not have subject matter jurisdiction such action may



be commenced or brought in the courts of the State of Oregon in the manner set forth in Section 31 (b)(vi).

(b) Sovereign Immunity: Limited Waiver

(i) Except as set forth in this Section 32, nothing in this Lease is intended or will be construed to waive in any manner CEDCO's general relief and immunity from suit with respect to any dispute or matter outside of the terms of this Lease or any claims or demands of any person or entity not a signatory to this Lease or not a successor, permitted assign to this Lease or lessee or sublessee of all or part of the Premises. Nothing is intended or shall be construed to be a waiver

or limitation on sovereign immunity except as provided expressly in this Section 32.

(ii) With the goal of insuring the successful operation of the Premises, thereby providing substantial economic and social benefits for CEDCO and members of the Tribe, and to induce GELLC to enter into and perform this Lease, CEDCO hereby, subject always to the conditions of paragraphs (ii), (iii), (iv), (v), (vi) and (vii) of this Section 32(b), unequivocally waive its sovereign immunity from suit and binding arbitration as to both jurisdiction and liability in regard to matters involving or claimed to involve this Lease (the "Limited Waiver").

(iii) The Limited Waiver extends only to CEDCO's representations, warranties, covenants, undertakings and obligations under this Lease, and any lease by GELLC or any Sublease.

(iv) The Limited Waiver extends only to, and is for the sole benefit of, the GELLC and its successors, permitted assigns, lessees and sublessees. No other person or entity whatsoever, private, public or governmental, shall have the right to use or assert the Limited Waiver in any manner or for any purpose whatsoever.

(v) Under the Limited Waiver, GELLC and its successors, permitted assigns, lessees and sublessees shall have the joint and several right to a court order for: (i) equitable relief, whether by way of injunction or otherwise, to enforce GELLC's rights, or CEDCO's duties or obligations, or any rights, duties or obligations of GELLC's, or its sublessees or any of them, under this Lease; and/or (ii) enforcement of an arbitration award under Section 32; and/or (iii) an order compelling arbitration under Section 32.

(vi) If judicial proceedings are brought to compel arbitration, enforce binding arbitration or register an arbitration award as set forth in the Commercial Arbitration Rules of the American Arbitration Association, such proceedings will be brought only in the United States District Court for the District of Oregon unless by existing statute, court rule, or clear judicial precedent such court has no, or will not or cannot accept jurisdiction of the proceeding's subject matter in which case the proceeding may be



brought in the appropriate State Court of Oregon. Neither party shall argue that the U.S. District Court does not have jurisdiction and both parties shall assert that it does have jurisdiction over any judicial proceedings. Compliance with the provisions of this Section 32 shall conclusively be deemed an exhaustion of tribal judicial and administrative remedies and proceedings. CEDCO does hereby unconditionally waive any right to require any exhaustion of tribal administrative or judicial remedies in any manner other than as set forth and agreed upon in this Section 32. In the event the governing law of the United States of America looks to the law of a particular state for its content, the law applicable in that instance shall be the laws of State of Oregon.

(vii) Notwithstanding the Limited Waiver and any order, judgment or decree resulting therefrom, there shall be no attachment, execution, garnishment charge or levy whatsoever upon any assets or funds of CEDCO except those specified in Section 27(a) hereof.

33. HOLDING OVER.

If GELLC remains in possession of the Premises after the expiration of the term hereof, GELLC may be deemed a tenant on a month-to-month basis and will continue to pay rentals and other sums in the amounts herein provided and to comply with all the terms of this Lease; provided that nothing herein nor the acceptance of rent by CEDCO will be deemed a consent to such holding over.

GELLC agrees to remove all property removable under the terms of this Lease within sixty (60) days after termination of this Lease or pay a daily rental computed at the rate of double the daily rental charged during the year immediately preceding termination of this Lease from the day following the termination date of this Lease until said property is removed.

34. REMOVAL OF LESSEE'S PROPERTY.

At the expiration of the Lease Term, GELLC may remove from the Premises all personal property belonging to GELLC.

35. CONSENT.

(a) Consent of GELLC.

GELLC will have no liability for damages resulting from GELLC's failure to give any consent, approval or instruction reserved to GELLC, CEDCO's sole remedy in any such event being an action for injunctive relief.

(b) Consent in General.



At all places in this Lease where approval or consent or other action of a party is required, such consent or action shall consist of either the written approval, consent or action of the party or by silent assent as provided hereinafter. No approval, consent or action of a party hereto will be unreasonably withheld or delayed; provided, that the foregoing does not apply where a specific provision of this Lease allows an absolute right to deny approval or consent or withhold action. Unless the party of which consent or approval is requested has expressly disapproved of or not consented to the thing or act for which approval or consent is sought within ten (10) days after receipt of the request for approval or consent or action, they will be deemed to have granted approval or consent or agreed to such action through silent assent, and the party requesting the consent or approval shall proceed accordingly.

36. WAIVER AND AMENDMENT.

No provision of this Lease will be deemed waived or amended except by a written instrument unambiguously setting forth the matter waived or amended and signed by the party against which enforcement of such waiver or amendment is sought. Waiver of any matter will not be deemed a waiver of the same or any other matter on any future occasion.

37. JOINT VENTURE.

No provision or any one or more of the agreements contained herein, is intended, nor will the same be deemed or construed, to create a partnership between CEDCO and GELLC, to make them joint venturers, nor to make CEDCO in any way responsible for the debts or losses of GELLC.

38. CAPTIONS.

Captions are used throughout this Lease for convenience of reference only and will not be considered in any manner in the construction or interpretation hereof.

39. SEVERABILITY.

The provisions of this Lease will be deemed severable. If any part of this Lease will be held unenforceable by any court of competent jurisdiction, the remainder will remain in full force and effect, and such unenforceable provisions will be reformed by such court so as to give maximum legal effect to the intention of the parties as expressed therein.

40. CONSTRUCTION GENERALLY.

This Lease is a long-term commercial lease between entrepreneurs and has been entered into by both parties in reliance upon the economic and legal bargains contained herein. This Lease will be interpreted and construed in a fair and impartial manner without regard to such factors as the party which prepared the instrument, the relative bargaining powers of the parties or the domicile of any party. CEDCO and GELLC acknowledge that this Lease is a "true lease"



and is not a financing lease, equitable mortgage, mortgage, deed of trust, security interest or other financing arrangement.

41. OTHER DOCUMENTS.

Each of the parties agrees to sign such other and further documents as may be appropriate to carry out the intentions expressed in this Lease. The parties will execute and record a Memorandum of Lease evidencing this Lease.

42. ATTORNEY'S FEES.

In the event of any judicial or other adversarial proceeding between

the parties concerning this Lease, to the extent permitted by law, the prevailing party will be entitled to recover all of its reasonable attorneys' fees and other costs in addition to any other relief to which it may be entitled.

43. ENTIRE AGREEMENT.

This Lease amends, restates and supersedes the Master Lease dated as of February 9, 1995, as amended, between the parties. This Lease, and any other instruments or agreements referred to herein, constitute the entire agreement between the parties with respect to the subject matter hereof, and there are no other representations, warranties or agreements except as herein provided.

44. COUNTERPARTS.

This Lease may be executed in one or more counterparts, each of which will be deemed an original.

45. COVENANT OF GOOD FAITH AND FAIR DEALING.

CEDCO and GELLC hereby specifically warrant and represent to each other that neither will act in any manner that would cause this Lease or the Transaction Documents to be altered, amended, modified, canceled or terminated, except as other wise set forth herein, without the consent of the other. CEDCO and GELLC further warrant and represent that they will take all actions necessary to ensure that this Lease and all related agreements will remain in good standing at all times and will fully cooperate with each other in achieving the goals of this Lease and any other agreement related hereto.

46. CONFIDENTIALITY; NON-DISCLOSURE.

CEDCO and GELLC agree that confidential information will remain confidential and will not be disclosed without the written consent of the other parties to any third party, except the Tribal Council, the National Indian Gaming Commission, the Bureau of Indian Affairs, the



South Dakota Gaming Commission, the Securities and Exchange Commission, the State of Oregon (if required by the Compact) and any other gaming authority which has jurisdiction over CEDCO or FHR, or except as otherwise expressly required by gaming or federal securities law, or other legal authority having jurisdiction, direct or indirect, over any party hereto.

47. LENDER PROVISIONS

Reference is made to that certain Consent, Estoppel, Attornment, Subordination and Non-Disturbance Agreement of even date herewith (the "Consent & Estoppel", by and among Lessor, Lessee, Miller & Schroeder Investments Corporation (defined as "Lender" for purposes of this section) and the Tribe. Lessor and Lessee expressly acknowledge the benefits to Lender contained in Sections 5, 6, 7, 8, 10, 11 and 12 of the Consent & Estoppel and hereby incorporate such terms into this Master Lease by this reference, to the extent applicable.

48. CERTAIN DEBT

(a) Reference is made to the Loan Agreement and to that certain Depository Agreement, of even date herewith, between CEDCO and First Trust National Association (the "Depository Agreement.") CEDCO hereby agrees with GELLC that during the term of this Lease it shall not incur nor permit the incurrence of any Debt except:

(i) such Debt as is evidenced by the Bullet Note or the Monthly Installment Note;

(ii) such additional Debt as is permitted under Section 6.36 (ii) (A), (B) or (C) of the Loan Agreement and Article V (f) or (g) of the Depository Agreement;

(iii) such additional Debt as is permitted under Section 6.36 (ii) (D) of the Loan Agreement, provided that (I) such additional Debt ranks subordinate to all Rental Payments due under the Participating Lease, of even date herewith, between the parties, (II) such Debt would pass the test set forth in Article V (g) II (A) or (B) of the Depository Agreement if such test were a condition to the incurrence of such Debt; and (III) CEDCO executes and delivers such documents as may be necessary or appropriate to evidence the priority of the Rental Payments to such Debt and to certify that such Debt is permitted hereunder; and

(iv) such additional Debt as GELLC may otherwise consent to

in writing.

(b) All terms used in this Section 48 but not otherwise defined in this Lease shall have the respective meanings set forth in the Loan Agreement.

(c) All references to the Loan Agreement or the Depository Agreement in this Section 48 shall be to such agreements as in effect on the date thereof.

IN WITNESS WHEREOF, CEDCO and GELLC have entered into this Lease as of the date first above written.



LESSOR:

COQUILLE ECONOMIC DEVELOPMENT CORPORATION

By: /s/ KEN SMITH
---
Name: Ken Smith
Title: President

LESSEE:

GAMING ENTERTAINMENT L.L.C.
By its members, as follows:

Dreamport, Inc. (formerly GTECH Gaming Subsidiary 1 Corporation)

By: /s/ JOHN E. TAYLOR, JR
---
Name: John E. Taylor, Jr.
---
Title: President
---

GTECH Gaming Subsidiary 2 Corporation

By: /s/ JOHN E. TAYLOR, JR.
---
Name: John E. Taylor, Jr.
---
Title: President
---

Full House Subsidiary, Inc.

By: /s/ WILLIAM R. JACKSON
---
Name: William R. Jackson
---
Title: Vice President
---

Full House Joint Venture Subsidiary, Inc.

By: /s/ WILLIAM R. JACKSON
---
Name: William R. Jackson
---
Title: Vice President
---



STATE OF Oregon )
) ss.
County of MULTNOMAH )

On this 8th day of October, 1996, before me, the undersigned officer, personally appeared Ken Smith, President of CEDCO, known to me to be the person whose name is subscribed to within this instrument and acknowledged that he executed the same on behalf of CEDCO for the purpose therein contained.

In witness whereof, I hereunto set my hand and official seal.

/s/ SANDRA BOESPFLUG
---
Notary Public
My commission expires: 5/26/98

[ S E A L ]

STATE OF Rhode Island )
) ss.
County of MULTNOMAH )

On this 7th day of October, 1996, before me, the undersigned officer, personally appeared John E. Taylor, Jr. of Dreamport, Inc., formerly known as GTECH Gaming Subsidiary 1 Corporation, known to me to be the person whose name is subscribed to within this instrument and acknowledged that he executed the same on behalf GTECH Dreamport, Inc. for the purpose therein contained.

In witness whereof, I hereunto set my hand and official seal.

/s/ MICHELLE ADAMS
---
Notary Public
My commission expires: June 26, 1997

[ S E A L ]

28 - MASTER LEASE

STATE OF Rhode Island )
) ss.
County of Kent )

On this 7th day of October, 1996, before me, the undersigned officer, personally appeared John E. Tarylor, Jr. of GTECH Gaming Subsidiary 2 Corporation, known to me to be the person whose name is subscribed to within this instrument and acknowledged that he executed the same on behalf of GTECH Gaming Subsidiary 2 Corporation for the purpose therein contained.

In witness whereof, I hereunto set my hand and official seal.

/s/ MICHELLE ADAMS
---
Notary Public
My commission expires: June 26, 1997

29 - MASTER LEASE

[ S E A L ]

STATE OF Oregon )
) ss.
County of MULTNOMAH )

On this 8th day of October, 1996, before me, the undersigned officer, personally appeared William R. Jackson, President of Full House Subsidiary, Inc., known to me to be the person whose name is subscribed to within this instrument and acknowledged that he executed the same on behalf of Full House Subsidiary, Inc. for the purpose therein contained.

In witness whereof, I hereunto set my hand and official seal.

/s/ SANDRA BOESPFLUG
---
Notary Public
My commission expires: May 26, 1998

[ S E A L ]

STATE OF Oregon )
) ss.
County of MULTNOMAH )

On this 8th day of October, 1996, before me, the undersigned officer, personally appeared William R. Jackson, Vice President of Full House Joint Venture Subsidiary, Inc., known to me to be the person whose name is subscribed to within this instrument and acknowledged that he executed the same on behalf of Full House Joint Venture Subsidiary, Inc. for the purpose therein contained.

In witness whereof, I hereunto set my hand and official seal.

/s/ SANDRA BOESPFLUG
---
Notary Public
My commission expires: May 26, 1998

[ S E A L ]



SECTIONS 81 AND 84 ACCOMMODATION APPROVAL,
CONSENT, AND DISCLAIMER
FOR
MASTER LEASE

The COQUILLE INDIAN TRIBE, a federally recognized Indian tribe (hereafter "Tribe") has submitted a First Amended and Restated MASTER LEASE (hereafter "Document") to the Department of the Interior for its review and has requested its approval pursuant to 25 U.S.C. /section//section/ 81 and 84. The Department has reviewed the Document and determined that it does not constitute an agreement involving services to or an encumbrance of the trust land or other trust assets of the Tribe and, therefore, that the Document is not subject to the provisions of 25 U.S.C. /section//section/ 81 and 84. As a result, these statutes do not limit or impair the capacity of the Tribe to make or enter into the Document without obtaining the approval of the Secretary of the Interior and the Commissioner of Indian Affairs.

Nevertheless, the Tribe has requested that the Document be approved to avoid casting any doubt on their legitimate authority to validly make and enter into the Document. The Secretary of the Interior and the Commissioner of Indian Affairs do not want their determination that the Document does not require their approval to subject the Tribe to an assertion that the Document is void under the provisions of 25 U.S.C. /section//section/ 81 and 84 due to lack of approval or consent. To avoid casting any doubt due to the lack of such approvals and consents, as an accommodation to the request of the Tribe, the Secretary of the Interior and the Commissioner of Indian Affairs hereby approve and consent to the Document.

The approval by the Secretary of the Interior and the Commissioner of Indian Affairs as provided above does not and should not be construed or interpreted as indicating that said Document requires their approval or consent to be valid or that the United States assumes or guarantees any of the obligations of the Tribe under said Document.

SECRETARY OF THE INTERIOR

By:
---
Title: Area Director of the Portland Area Office of the Bureau Indian Affairs for the Secretary of the Interior and the Commissioners of Indian Affairs acting under delegated authority

COMMISSIONER OF INDIAN AFFAIRS

By:
---
Title: Area Director of the Portland Area Office of the Bureau Indian Affairs for the Secretary of the Interior and the Commissioners of Indian Affairs acting under delegated authority



EXHIBIT A
LEGAL DESCRIPTION OF PREMISES

EXHIBIT B
CASINO IMPROVEMENTS

EXHIBIT 10.50

# AGREEMENT

THIS AGREEMENT, entered into as of the 18th day of November, 1996, by and among Green Acres Casino Management Company, Inc., a Nevada corporation ("Green Acres"), Full House Resorts, Inc., a Delaware corporation ("Full House"), GTECH Corporation, a Delaware corporation ("GTECH") and Gaming Entertainment (Michigan) LLC, a Delaware limited liability company ("LLC").

## RECITALS

A. Green Acres entered into a Class II Management Agreement with the Nottawaseppi Huron Band of Potawatomi (the "Tribe") dated June 11, 1994 (the Class II Management Agreement") and a Class III Management Agreement with the Tribe also dated June 11, 1994 (the "Class III Management Agreement"); and Green Acres and Full House entered into an Agreement For Commercial Development with the Tribe dated January 4, 1995 ("Agreement for Commercial Development").

B. Green Acres entered into an Agreement with Full House on January 4, 1995 (the "January 4, 1995 Agreement").

C. Full House and GTECH entered into a Master Agreement dated December 29, 1995 to pursue certain business activities, including the opportunity described in the January 4, 1995 Agreement.

D. The Tribe became a federally recognized Indian Tribe under federal laws in April, 1996.

E. Full House has agreed to assign its rights under the January 4, 1995 Agreement and the Class II and Class III Management Agreements to the LLC, in which subsidiaries of Full House and GTECH are members.

F. LLC has negotiated an amended and restated Class III Management Agreement (the "Amended and Restated Class III Management Agreement") with the Tribe. A copy of the Amended and Restated Class III Management Agreement is attached hereto as Exhibit A.

G. LLC wants to enter into the Amended and Restated Class III Management Agreement as Manager. The LLC and Green Acres want to revise the January 4, 1995 Agreement to provide inter alia that Green Acres will not be part of the management company and will receive a royalty fee.

H. The Amended and Restated Class III Management Agreement contemplates the construction and operation of a Class III casino (the "Casino").

NOW THEREFORE, in consideration of their mutual promises set forth in this Agreement, the parties hereto agree as follows:

1. As soon as possible after execution of this Agreement, Green Acres and LLC will execute with the Tribe the Amended and Restated Class III Management Agreement in the form attached hereto as Exhibit A.

2. LLC will have funding or a source of funding sufficient to enable it to perform this Agreement and the Amended and Restated Class III Management Agreement. The LLC will not agree to any amendment to the Amended and Restated Class III Management Agreement, except any amendment reasonably required to obtain approval thereof by the National Indian Gaming Commission and/or legally to commence Class III gaming, without the consent of Green Acres, which consent will not be unreasonably withheld.

3. After the Commencement Date, as defined in the Amended and Restated Class III Management Agreement, and for so long as the Amended and Restated Class III Management Agreement remains in effect, Green Acres shall be paid a royalty fee in the amount described in the following paragraph (a) plus the amounts, if any, described in paragraphs (b) and (c), all of which amounts shall be paid out of the Management Fee paid to the LLC:

(a) an amount equal to 3.75% of the Net Revenues, as defined in the Amended and Restated Class III Management Agreement, after deduction from Net Revenues of the amounts described in subparagraphs (i) through (iii) below.

(i) An amount not to exceed One Thousand dollars ($1,000) per day of operations of the Casino, after the Commencement Date, for the expenses of employment of a General Manager for the Casino by the LLC, LLC audit costs, and incidental administrative expenses of the LLC. If the expense of a General Manager is paid as an Operating Expense of the Casino, this deduction shall be adjusted accordingly.

(ii) The costs incurred by the LLC, Full House, GTECH and their

affiliates in connection with the Casino prior to the Commencement Date that are not reimbursed by the Tribe, and are not reimbursed from proceeds of the Loan; provided that the deduction for such costs incurred prior to the Commencement Date shall be amortized in equal monthly installments with interest at an annual rate of nine percent (9%) commencing after the Commencement Date and shall not in the aggregate exceed Two Million Dollars ($2,000,000). Such costs may include without limitation payments made to the Tribe under the Class II and Class III Management Agreements and the Amended and



Restated Class III Management Agreement, legal, auditing and other professional fees, and other expenses incurred directly in connection with development of the Casino, but shall not include any legal fees incurred prior to the date of this Agreement, except fees paid to the firm of Bayh Connaughton and fees paid to the Tribe's attorneys.

(iii) Any differential between the interest rate paid by the Tribe on the Loan and the interest rate charged by a third party lender or lenders on the Loan that is a direct expense of the LLC, it being agreed that insofar as possible, this amount will be calculated and deducted on a monthly basis. The LLC shall keep Green Acres advised regarding negotiations for the Loan and proposed terms and conditions therefor; and shall take into consideration recommendations Green Acres may make regarding the proposed lender and terms and conditions for the Loan.

(b) the greater of:

(i) an amount equal to one percent (1%) of the LLC's Net Profits derived from the operation of any casino pursuant to the Amended and Restated Class III Management Agreement (and from any operation pursuant to a Class II management agreement with the Tribe), for any month in which that casino's "Win" exceeds $30 million for that month; or

(ii) an amount equal to two percent (2%) of the LLC's Net Profits derived from the operation of any casino pursuant to the Amended and Restated Class III Management Agreement (and from any operation pursuant to a Class II management agreement with the Tribe), for any month in which the casino's "Win" exceeds $37.5 million for that month, which shall be payable on or before the twentieth day after the end of each calendar month during which the Net Profits exceeded such amount.

(c) either:

(i) Seven Hundred Fifty Thousand Dollars ($750,000), if the Management Fee during the first eighteen (18) months of the Class III Casino's operation pursuant to the Amended and Restated Class III Management Agreement (and any Management Fee during that period pursuant to any Class 11 management agreement with the Tribe), after deduction of the amounts payable to Green Acres pursuant to



paragraphs (a) and (b) and after deduction of income taxes at a deemed rate of Forty Percent (40%), exceeds Fifteen Million Dollars ($15,000,000); or

(ii) One Million One Hundred Twenty Five Thousand Dollars ($1,125,000), if the Management Fee during the first twelve (12) months of the Class III Casino's operation pursuant to the Amended and Restated Class III Management Agreement (and any Management Fee during that period pursuant to any Class 11 management agreement with the Tribe), after deduction of the amounts payable to Green Acres pursuant to paragraphs (a) and (b) and after deduction of income taxes at a deemed rate of Forty Percent (40%), exceeds Ten Million Dollars ($10,000,000), which shall be which shall be payable on or before the twentieth day of the month after the end of the eighteen (18) month or the twelve (12) month period, as the case may be.

The royalty fee payable to Green Acres under paragraph (a) above shall be paid on the date the monthly Management Fee is paid to the LLC, provided that such royalty fee paid each month shall not exceed fifteen percent (15%) of the Management Fee. Such cap shall not be applicable with regard to paragraphs 3(b) and 3(c) above. Any portion of the royalty fee payable under paragraph 3(a) above and not paid because of such cap shall be carried over to the next succeeding month or months when it shall be paid subject to such cap. Any portion of the royalty fee payable under paragraph (b) or paragraph (c) above which exceeds one hundred percent (100%) of the balance of the Management Fee payable in any month (after deduction of the royalty fee payable pursuant to

paragraph (a)), shall be carried over to the next succeeding month or months until it is paid in full.

Payment of the royalty fee under paragraphs (a), (b) and (c) may also be deferred by the LLC if the terms and conditions of the Loan documents require that the Management Fee must be used to pay down the Loan or put into reserve to secure the Loan.

The LLC shall provide Green Acres with unaudited monthly financial statements for the operation of the Casino with each monthly payment pursuant to paragraph (a), and audited financial statements for the Casino and the LLC within ninety (90) days after the end of each fiscal year of the Casino and the LLC. The audit of the Casino shall be performed by an accounting firm pursuant to the Amended and Restated Class III Management Agreement, and the audit of the LLC shall be performed by a "big six" accounting firm.



4 As additional consideration, the LLC agrees as follows:

(a) to retain Green Acres to provide consulting services in connection with the activities contemplated by this Agreement until the commencement of Class III gaming pursuant to the Amended and Restated Class III Management Agreement for a monthly fee of Ten Thousand Dollars ($10,000) payable on the date this Agreement is executed, and thereafter on the first business day of December, 1996 and each month thereafter until and including September 1, 1997 (if such Class III gaming has not commenced prior to that date).

(b) That casino personnel hired pursuant to the Amended and Restated Class III Management Agreement will be hired locally to the extent feasible (recognizing that upper management will likely need to be hired from outside the area); and that a turn-key management company will not be used to perform the Amended and Restated Class III Management Agreement [or the Class II Management Agreement, or a consultant to perform the Class II Management Agreement],

(c) That the expenses of operating any casino pursuant to the Amended and Restated Class III Management Agreement (and any Class II management agreement) unless such expenses are beyond the Manager's control will not exceed those which are commercially reasonable within the industry.

(d) That upon the Commencement Date as that term is defined in the Amended and Restated Class III Management Agreement, the LLC shall retain Green Acres as a consultant to the LLC with base compensation of Eight Thousand Dollars ($8,000) per month, with office space, telephone and out-of-pocket expenses provided for one Executive of Green Acres who provides such consulting services, with such position and compensation to continue for a minimum term of three (3) years renewable upon agreement of the parties.

Full House and GTECH guarantee payment of the amounts described in paragraph (a) of this Section 4.

5. It is acknowledged the Tribe has advised the parties that it will not perform the Agreement for Commercial Development and the Class II Management Agreement. Nevertheless, if the Tribe should at any subsequent date the Amended and Restated Class III Management Agreement is in effect decide to perform the Agreement for Commercial Development, or the Class II Management Agreement or any Class II management or consulting agreement with the Tribe, or to otherwise



work cooperatively with Full House, GTECH or Green Acres, or any combination of them or their affiliated businesses for commercial development or with respect to Class II gaming, Full House, GTECH and Green Acres agree to perform such commercial development in a manner consistent with the Agreement For Commercial Development, and any such Class II gaming in a manner consistent with the Class II Management Agreement, insofar as such can feasibly be done, and in any event to provide Green Acres with a carried interest equivalent to fifteen percent (15%) of the participation which Full House and GTECH and their affiliated companies have in such project in a manner consistent with the terms of the Agreement for Commercial Development and/or the Class II Management Agreement, as the case may be. Furthermore if, without participation of the Tribe or any of its entities, Full House and/or GTECH and/or any of their affiliated business entities should undertake commercial development activities within five (5) miles of any casino managed or to be managed pursuant to the Amended and Restated Class III Management Agreement (or the Class II Management Agreement, or any Class II management agreement with the Tribe), Full House and GTECH will, or will cause their affiliated business entities to, offer Green Acres the right to participate in each such project to the extent of fifteen percent (15%) of expenses and fifteen percent (15%) of profits, it being understood that Green Acres would not have a carried interest in any such project, and that this

undertaking to offer a participation would not apply to any lottery software, computer systems, consulting or similar business conducted by GTECH or its affiliates.

6. If, for any reason, the LLC were to decide to abandon or terminate performance of the LLC pursuant to the Amended and Restated Class III Management Agreement [and/or the Class II Management Agreement], the LLC will give Green Acres sixty (60) days to purchase all of the membership interests in the LLC for Ten Dollars ($10) with no obligations owed by the LLC to Full House or GTECH or any of their affiliated entities, during which sixty (60) day period the LLC will not allow a Manager default under such management agreement. Notwithstanding the foregoing, the LLC may add additional members, and form a joint venture or partnership with other persons or entities and sell its rights as Manager.

7. Any claim arising out of or relating to this Agreement shall be settled by binding arbitration pursuant to the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered into any court having jurisdiction. Any payment hereunder not made when due shall bear interest until paid at the higher of (i) the prime rate as published in the Wall Street Journal plus two percent per annum, or (ii) the interest rate on the Loan, plus costs of collection, including reasonable attorney's fees. Also, the prevailing party in any claim for breach of this Agreement shall be entitled to recover its reasonable attorney's fees.



8. The parties agree that neither is the agent, joint venturer or partner of each other by reason of this Agreement, that Green Acres is not a member of LLC and that none of them shall have the power, nor hold itself out as having the power, to bind or obligate any other party except as expressly set forth in this Agreement.

9. The LLC will act fairly with respect to Green Acres and its rights pursuant to this Agreement.

10. The parties each agree to execute all further agreements, contracts and documents, and to take all actions, necessary to effectuate the provisions and intent of this Agreement.

11. Capitalized Terms in this Agreement that are not expressly defined in this Agreement shall have the meaning given to such terms in the Amended and Restated Class III Management Agreement.

12. Upon execution of this Agreement each of the parties has provided the other parties with a true and correct copy of a corporate resolution duly adopted by its Board of Directors or governing body authorizing the execution and delivery of this Agreement by the officer designated below.

13. Subject to Section 16, Green Acres as party of the first part ("First Party") and LLC, Full House and GTECH as party of the second part ("Second Party") hereby release each other from all claims, liabilities and obligations except as set forth in this Agreement.

14. Subject to Sections 5 and 16, this Agreement supersedes the January 4, 1995 Agreement in its entirety, comprises the entire agreement between the First Party and the Second Party and shall supersede and substitute all prior agreements except as may be set forth herein. The First Party and the Second Party acknowledge and agree that there are no other agreements or understandings verbal or written express or implied between the First Party and the Second Party or their affiliates except as set forth herein.

15. To the extent required by the National Indian Gaming Commission or any other governmental entity with jurisdiction over Indian gaming, Green Acres shall supply information on itself and its stockholders, directors and officers and shall obtain any license or approval as may be required for it to receive the royalty payments specified herein. The parties to this Agreement will cooperate to timely obtain any necessary approvals of this Agreement by the National Indian Gaming Commission or any other governmental entity with jurisdiction over Indian gaming, and agree that this Agreement shall be submitted to the National Indian Gaming Commission for approval as an agreement collateral to the Amended and



Restated Class III Management Agreement, if required. If for any reason this Agreement does not receive the required approvals, the parties agree that Green Acres will be provided, in lieu of the benefits described in this Agreement, a carried fifteen percent (15%) participation as a member of the LLC in a manner intended to yield substantially equivalent economic benefits to Green Acres as those contemplated in this Agreement.

16. If the Amended and Restated Class III Management Agreement has not been executed by the Tribe by November 30, 1996, any party may rescind this Agreement and reinstate the January 4, 1995 Agreement by giving written notice to the other parties.

GREEN ACRES CASINO MANAGEMENT
COMPANY, INC.

By /s/ DOROTHY GREEN
---
Dorothy Green, President

Dated: November 25, 1996

FULL HOUSE RESORTS, INC.

By /s/ ROBERT KELLEY
Its President

Dated: November 25, 1996

GTECH CORPORATION

By /s/ JOHN TAYLOR
Its Vice President

Dated: November 25, 1996

GAMING ENTERTAINMENT
(MICHIGAN) LLC

By /s/ JOHN TAYLOR
Its member of management committee

Dated: November 25, 1996

EXHIBIT 10.51

AMENDED AND RESTATED

CLASS III

MANAGEMENT AGREEMENT

BETWEEN

NOTTAWASEPPI HURON BAND OF POTAWATOMI

AND

GAMING ENTERTAINMENT (MICHIGAN), LLC

DATED NOVEMBER 18, 1996

AMENDED AND RESTATED
CLASS III
MANAGEMENT AGREEMENT

THIS AMENDED AND RESTATED CLASS III MANAGEMENT AGREEMENT has been entered into as of the ___ day of November, 1996, by and between the NOTTAWASEPPI HURON BAND OF POTAWATOMI, a federally recognized Indian tribe (the "Tribe"), and GAMING ENTERTAINMENT (MICHIGAN),LLC, a Delaware limited liability company ("Manager").

1. Recitals.

1.1 The Tribe and Green Acres Casino Management Company, Inc. ("Green Acres") entered into management agreements, dated June 11, 1994, for class II and class III gaming, as amended by an addendum dated January 11, 1995, which addendum INTER ALIA added Full House Resorts, Inc. ("FHR") as part of the management. Green Acres and FHR have made all payments and otherwise performed all of their obligations required under said agreements.

1.2 With the approval of the Tribe, Green Acres and FHR have assigned their rights under said agreements to Manager subject to the terms of the Agreement ("November 18 Agreement") between Green Acres, FHR, G-Tech Corporation, and Manager dated as of November 18, 1996, which INTER ALIA provides that Green Acres is not a member of the Manager and will be paid a royalty fee.

1.3 Manager and the Tribe desire to amend and restate the Class III management agreement dated June 11, 1994, and to terminate the Class II management agreement and commercial development agreement dated June 11, 1994 provided that Manager shall have a right of first refusal as provided in Section 18.

1.4 The Tribe and Manager intend that the Manager shall provide funds to permit the Tribe (i) to construct a Facility suitable for conducting Class III Gaming on lands in the State of Michigan (the "Property"), pursuant to the Tribe's recognized powers of self-government and the Constitution, statutes and ordinances of the Tribe, as well as (ii) for other purposes.

1.5 The Tribe intends to acquire and transfer ownership of the Property to the United States of America to be held in trust for the Tribe. The Tribe desires to establish an Enterprise as hereinafter defined to conduct Class III Gaming on the Property to serve the social, economic, educational and health needs of the Tribe, to increase Tribal revenues and to enhance the Tribe's economic self-sufficiency and self-determination. This Agreement sets forth the manner in which the Enterprise will be established and managed.

1.6 The Tribe is seeking financial assistance and expertise for the construction of the Enterprise and technical experience and expertise for the management and operation of the

Enterprise and instruction for members of the Tribe in the operation of the Enterprise. The Manager is willing and able to provide such assistance, experience, expertise and instruction.

1.7 The Tribe wants to grant the Manager the exclusive right and obligation to develop, manage, operate and maintain the Enterprise and to train Tribal members and others in the operation and maintenance of the Enterprise during the term of this Agreement, in accordance with the provisions of this Agreement. The Manager wishes to perform these functions exclusively for the Tribe as limited in Section 3.3 below.

1.8 This Agreement will be submitted to the NIGC for approval pursuant to IGRA.

2. DEFINITIONS. As they are used in this Agreement, the terms listed below shall have the meaning assigned to them in this Section:

2.1 BIA ("BIA"). "BIA" is the Bureau of Indian Affairs of the Department of the Interior of the United States of America.

2.2 "Budgets" shall mean the Operating Budget and the Capital Expense Budget.

2.3 CAPITAL EXPENSES. "Capital Expenses" shall mean the cost of repairs, restoration, alterations, and/or additions to the Facility or to the Furniture and Equipment which should be capitalized under GAAP.

2.4 CAPITAL EXPENSE BUDGET. "Capital Expense Budget" shall mean the budget for Capital Expenses adopted in accordance with Section 4.10.

2.5CAPITAL RESERVE FUND. "Capital Reserve Fund" shall mean the reserve fund established in accordance with Section 4.14.6 to pay Capital Expenses.

2.6 CHAIRMAN. "Chairman" shall mean the Chairman from time to time of the NIGC.

2.7 CLASS III GAMING. "Class III Gaming" shall mean Class III Gaming as defined in IGRA.

2.8 COMMENCEMENT DATE. "Commencement Date" shall mean the first date that the Facility is substantially complete, open to the public and that Class III Gaming is conducted in the Facility pursuant to the terms of this Agreement. The Manager shall memorialize the Commencement Date in a writing signed by the Manager and delivered to the Tribe and to the Area Director, Minneapolis Area Office, BIA

2.9 COMPACT. "Compact" shall mean (a) a Tribal-State Compact between the Tribe and the State of Michigan regarding Class III Gaming, as the same may, from time to time, be



amended, or (b) such alternative procedures, which will allow the Tribe to operate Class III gaming as may otherwise be approved by the Secretary of the Interior pursuant to the IGRA.

2.10 CONSTITUTION. "Constitution" shall mean the Constitution of the Tribe dated September, 1979, to which no amendments have been made up to the date of

this Agreement, and as the same may, from time to time, be amended.

2.11 EFFECTIVE DATE. The "Effective Date" shall mean the date of written approval by the Chairman of (i) this Agreement, as executed by the Parties, (ii) the Loan Agreement, (iii) any other documents or collateral thereto identified in writing by Manager as requiring approval by the Chairman or the BIA, as the case may be and (iv) a Tribal Gaming Ordinance, whichever occurs latest. The Tribe agrees to cooperate and to use its best efforts to satisfy all of the above conditions at the earliest possible date. Manager agrees to memorialize the satisfaction of each of the Effective Date items in a writing signed by Manager and delivered to the Tribe and to the Area Director, Minneapolis Area Office, BIA.

2.12 ENTERPRISE. The "Enterprise" is any commercial enterprise of the Tribe authorized by IGRA and operated and managed by Manager in accordance with the terms and conditions of this Agreement to engage in (a) gaming defined as Class III Gaming under IGRA; and (b) Automatic Teller Machines ("ATM"), the sale of food, beverages, gifts and souvenirs and the sale of tobacco conducted within the Facility. (The Enterprise will not engage in alcohol sales unless such sales are subsequently approved by the Tribe, which is not anticipated). The Tribe shall have the sole proprietary interest in and responsibility for the conduct of all Gaming conducted by the Enterprise, subject to the rights and responsibilities of the Manager under this Agreement.

2.13 ENTERPRISE EMPLOYEE POLICIES. "Enterprise Employee Policies" shall have the meaning given to it in Subsection 4.7.2.

2.14 FACILITY. "Facility" shall mean the buildings, improvements, and fixtures, now or hereafter located on the Property, within which the Enterprise will be housed. Title to the Property and the Facility shall merge and be held by the United States of America in trust for the Tribe.

2.15 FINANCIAL INSTITUTION "Financial Institution" shall mean a financial institution or a trustee for a financial institution or such other third party source, as may be approved by the Tribe and the necessary federal authorities.

2.16 FURNITURE AND EQUIPMENT. "Furniture and Equipment" shall mean all furniture, furnishings and equipment required in the operation of the Facility in accordance with the Plans and Specifications.

2.17 GAMING. "Gaming" shall mean any and all activities defined as Class III Gaming under IGRA.



2.18 GAMING COMMISSION. "Gaming Commission" shall mean the body created pursuant to the Tribal Gaming Ordinance to regulate Gaming in accordance with the Compact, IGRA and the Tribal Gaming Ordinance.

2.19 GAAP. "GAAP" shall mean generally accepted accounting procedures consistently applied.

2.20 GENERAL MANAGER. "General Manager" shall mean the person employed by Manager to direct the operation of the Facility.

2.21 GENERAL CONTRACTOR. "General Contractor" shall mean the contractor or contractors selected by the Manager to construct the Facility and any additions or improvements thereto in accordance with the Plans and Specifications.

2.22 GROSS REVENUES. "Gross Revenues" shall mean total revenues from the conduct of the Enterprise including without limitation business interruption insurance proceeds, temporary condemnation awards, proceeds from litigation and other claims against third parties.

2.23 HARD COUNT. "Hard Count" shall mean the count of the coin or tokens in a drop bucket (slots).

2.24 IGRA. "IGRA" shall mean the Indian Gaming Regulatory Act of 1988, PL 100-497, 25 U.S.C. ss. 2701 ET SEQ. as it may, from time to time, be amended.

2.25 LEGAL REQUIREMENTS. "Legal Requirements" shall mean singularly and collectively all applicable laws and regulations including without limitation the Tribal Gaming Ordinance, IGRA, the Compact, and applicable Tribal, federal and state statutes and ordinances.

2.26 LOAN. "Loan" shall mean the loan or loans made or arranged by the Manager to the Tribe to finance the cost of the Facility and the Furniture and Equipment, to provide Working Capital and to fund Start-up Expenses, as provided in Section 3, and to fund such other costs as are specified in this Agreement to be part of the Loan.

2.27 LOAN AGREEMENT. "Loan Agreement" shall mean the loan agreement(s), as the same may be amended, and any substitutions therefor, with respect to the Loan, to be executed by the Tribe and the Manager and/or a Financial

Institution.

2.28 LOAN DOCUMENTS. "Loan Documents" shall mean the Loan Agreement, promissory note(s) evidencing the Loan, the security agreement securing the Loan and such other documents as may be executed from time to time with respect to the Loan and any amendments thereto and substitutions therefor.



2.29 LOAN PAYMENTS. "Loan Payments" shall mean the principal, interest and other payments due under the Loan Documents.

2.30 MANAGEMENT FEE. "Management Fee" shall mean the management fee as provided in Section 6.6.

2.31 MINIMUM GUARANTEED MONTHLY PAYMENT. "Minimum Guaranteed Monthly Payment" shall mean that payment due the Tribe as described in Section 6.1.

2.32 NIGC. "NIGC" shall mean the National Indian Gaming Commission established pursuant to 25 U.S.C. ss. 2704, or any amendment to that Section.

2.33 NET REVENUES. "Net Revenues" shall mean the total Gross Revenues from the Enterprise less (i) amounts paid out as, or paid for, prizes and (ii) total Operating Expenses, except the Management Fee shall not be deducted to determine Net Revenues.

2.34 NET REVENUES (ACCRUED). "Net Revenues (Accrued)" shall mean Net Revenues computed on an accrual basis in accordance with GAAP.

2.35 OFF-SITE EMPLOYEES. "Off-Site Employees" shall mean employees of Manager or its affiliates not located at the Facility who provide services to the Facility provided that the Tribe shall approve each Off-Site Employee.

2.36 OPERATING BUDGET. "Operating Budget" shall mean the budget for Operating Expenses adopted in accordance with Section 4.10.

2.37 OPERATING EXPENSES. "Operating Expenses" shall mean expenses of the operation of the Enterprise, subject to the budget agreed upon by the Tribe, including but not limited to the following: (1) the payment of salaries, wages, and benefit programs for Manager's employees (other than the General Manager) working at the Facility, Off-Site Employees, the Tribal Inspector(s), and Tribal Employees working at the Facility; (2) materials and supplies for the Enterprise; (3) utilities; (4) repairs and maintenance of the Facility and the Furniture and Equipment (provided that Operating Expenses shall exclude Capital Expenses) to the extent not paid for with insurance proceeds or a condemnation award; (5) accounting fees; (6) interest on installment contract purchases; (7) insurance and bonding; (8) advertising and marketing, including busing and transportation of patrons to the Facility; (9) the cost of Promotional Allowances; (10) legal and professional fees; (11) fees, costs, dues and contributions associated with Tribal and Enterprise membership and participation in trade associations, political action associations and related associations; (12) fire, safety and security costs; (13) reasonable travel expenses for officers and employees of the Enterprise, Manager or its affiliates and for the Chairperson of the Tribe, members of the Tribal Council and key employees of the Tribe when such travel is reasonably related to the business of the Enterprise; (14) trash removal; (15) costs of goods and services sold; (16) except as otherwise expressly provided in this Agreement other expenses designated as Operating Expenses in accordance with GAAP; (17) expenses



specifically designated as Operating Expenses in this Agreement; (18) recruiting and training expenses; and (19) fees due to the NIGC under IGRA or the State of Michigan pursuant to the Compact.

2.38 PLANS AND SPECIFICATIONS. "Plans and Specifications" shall mean the plans and specifications specified in Section 3.1.6.

2.39 PROMOTIONAL ALLOWANCES. "Promotional Allowances" shall mean the retail value of complimentary food and beverage and merchandise, and tokens for gaming, provided to patrons as promotional items.

2.40 PROPERTY. "Property" shall mean the parcel of land to be acquired by the Tribe, on which the Facility will be located, as contemplated by Section 3.8.

2.41 RECOUPMENT PAYMENT. "Recoupment Payment" shall mean the repayment from the Tribe's share of Net Revenues of either (a) any advance made by the Manager to the Tribe of a Minimum Guaranteed Payment as contemplated by Section 6.1 and (b) any portion of the Management Fee which is not paid to the Manager as provided in Section 6.6.

2.42 RESERVE FUNDS. "Reserve Funds" shall mean the Cash Contingency

Reserve Fund, the Petty Reserve Fund, the Capital Reserve Fund and such additional reserve funds as the parties, by mutual consent, may agree to create.

2.43 SOFT COUNT. "Soft Count" shall mean the count of the contents in a drop box (table).

2.44 TERM. "Term" shall mean the term of this Agreement as specified in Section 3.2.

2.45 TRIBAL ASSETS. "Tribal Assets" shall mean solely those income, revenues and proceeds specified in clauses (a) and (b) in Section 17.8.

2.46 TRIBAL COUNCIL. "Tribal Council" shall mean the Tribal Council created pursuant to the Tribe's Constitution or, at the option of the Tribe, a designee committee or person created pursuant to resolution or ordinance of the Tribal Council.

2.47 TRIBAL EMPLOYEES. "Tribal Employees" shall mean those employees working at the Facility who are not employees of Manager.

2.48 TRIBAL GAMING ORDINANCE. The "Tribal Gaming Ordinance" is the ordinance and any amendments thereto to be enacted by the Tribe, which authorizes and regulates Class III Gaming on the Reservation.

3. COVENANTS. In consideration of the mutual covenants contained in this Agreement, the parties agree and covenant as follows:



3.1 ENGAGEMENT OF MANAGER. The Tribe hereby retains and engages Manager as an independent contractor for the Term, and Manager accepts such engagement under which the Manager shall do the following:

3.1.1 [Intentionally deleted]

3.1.2 CONSTRUCTION COSTS. The Manager shall have the responsibility to supervise, through an architect selected by the Manager with the approval of the Tribe (the "Architect"), the design and completion of all construction, development, improvements and related activities undertaken pursuant to the terms and conditions of the contract(s) with the General Contractor and will require the General Contractor and its subcontractors to furnish appropriate payment and performance bonds for work at the Facility. The cost of the Architect's and engineer's services and the total cost of construction of the Gaming Facility, including the building, initial supplies, landscaping and parking area, shall not exceed an amount to be agreed upon by the Tribe and the Manager on or before the execution of the Compact. The Manager agrees to provide or cause to be provided all funds necessary for design and construction costs. The Manager shall, upon submission of invoices and certification by the General Contractor and by the Architect to the Manager and the Tribe, reimburse the General Contractor and Architect for their services.

3.1.3 EQUIPMENT COSTS. The Manager shall purchase on behalf of the Enterprise the necessary Furniture and Equipment, with the approval of the Tribe, which Furniture and Equipment shall be owned by the Tribe. The Manager agrees to loan to the Tribe an amount to be agreed upon by the Tribe and the Manager on or before the execution of the Compact for the purchase of such Furniture and Equipment, provided that the Manager may, upon securing lease financing, lease all or a portion of such Furniture and Equipment, subject to the Tribe approving the terms of the lease.

3.1.4 WORKING CAPITAL. From time to time, the Manager agrees to provide to the Enterprise an amount to be agreed upon by the Tribe and the Manager on or before the execution of the Compact for use as working capital in the operation of the Enterprise.

3.1.5 START-UP EXPENSES. From time to time prior to the Commencement Date, the Manager agrees to provide to the Tribe for use in the Enterprise an amount to be agreed upon by the Tribe and the Manager on or before the execution of the Compact for necessary Start-Up Expenses.

3.1.6 FACILITY SPECIFICATIONS; COST OVERRUNS. The Manager and the Tribe, through the Tribal Council, shall agree to plans and specifications for the Gaming Facility, defining all activities, material and services necessary for the Facility and the Enterprise. If there are costs overruns for any activity, material or service previously agreed to, the Manager may loan to the Tribe an additional amount equivalent to such overruns, up to an agreed upon ceiling for the Tribe's repayment obligation to be determined on or before the execution of the Compact.



3.1.7 MAXIMUM COST. Notwithstanding any provision in this Agreement to the contrary the agreed ceiling for the repayment of development and

construction costs shall be an amount agreed upon by the Tribe and the Manager on or before the execution of the Compact.

3.1.8 LOAN ADVANCES. The Manager shall provide or cause to be provided all funds required in Sections 3.1.2, 3.1.3, 3.1.4, 3.1.5 and 3.1.6 as loan advances on behalf of the Tribe in accordance with the Loan Agreement. Advances under said Sections shall be made only upon adequate documentation that an obligation has been incurred and such obligation is currently due and owing and after review by the Manager and by the Tribe. Any amounts provided by the Manager for the purposes of this Section 3.1 and Section 3.8 shall be deemed advanced pursuant to, payable under, and shall accrue interest as set forth in the Loan Agreement and the promissory note or notes evidencing the Loan. The interest rate on the Loan shall be agreed upon by the Tribe and the Manager, but shall be the Manager's cost of funds from a Financial Institution which shall be based on prevailing interest rates. Any funds advanced under this Section 3.1 shall only be payable as provided in Section 6.3 and from Tribal Assets and shall not otherwise be an obligation of the Tribe. The Loan shall be secured by a first lien on the Tribal Assets.

3.1.9 MANAGING THE ENTERPRISE. The Tribe retains the Manager to manage the Enterprise and train Tribal members and others in the management of the Enterprise in accordance with the terms of this Agreement. The Manager hereby accepts such retention and engagement. Nothing contained herein grants or is intended to grant Manager a titled interest to the Facility or to the Enterprise.

3.2 TERM. The term of this Agreement shall begin on the Effective Date and continue for a period of five (5) years after the Commencement Date except as provided in Section 4.5.

3.3 EXCLUSIVITY OF OPERATIONS. During the Term neither the Manager nor the Tribe will establish nor operate any other Gaming facility within fifty (50) miles of the Facility without the express written consent of the other party.

3.4 PARTIES' COMPLIANCE WITH LAW; LICENSES. Except as provided in Sections 3.4.1 and 4.4, the Manager and Tribe will at all times comply with all Legal Requirements.

3.4.1 CONFLICTING LEGAL REQUIREMENTS. The Manager shall not be obligated to comply with any Tribal Ordinance or other Tribal law if to do so would cause the Manager to violate any applicable non-Tribal law.

3.4.2 LICENSES. The Manager, Manager's executive officers and all other persons required by applicable law shall seek a license to operate the Enterprise pursuant to the Tribal Gaming Ordinance. The Tribe shall act upon all such license applications promptly and may not arbitrarily or capriciously deny any license sought under this Section.



3.4.3 INDIAN CIVIL RIGHTS ACT. The Tribe shall take no action that violates the Indian Civil Rights Act (25 U.S.C. ss.ss.1301-1303) or the Tribe's Constitution.

3.4.4 INTERNAL REVENUE CODE. The Manager shall comply with all applicable provisions of the Internal Revenue Code including, but not limited to, the prompt filing of any cash transaction reports and W-2G reports that may be required by the Internal Revenue Service of the United States or under the Compact.

3.4.5 COMPLIANCE WITH THE NATIONAL ENVIRONMENTAL POLICY ACT. The Tribe shall supply the NIGC with all information requested by the NIGC to comply with any regulations of the NIGC issued pursuant to the National Environmental Policy Act (NEPA).

3.5 MANAGEMENT FEE. The Tribe agrees to pay the Manager the Management Fee as provided in Section 6.6.

3.6 FIRE AND SAFETY. The Facility shall be constructed and maintained in compliance with the standard uniform BOCA code concerning fire and safety, provided that nothing in this Agreement shall grant any jurisdiction to any state government or any political subdivision thereof over the Property or the Facility.

3.6.1 FIRE PROTECTION. The Manager shall have the responsibility to provide the facility with adequate fire protection equipment, including sprinklers. The Tribe and Manager shall seek cooperative agreements under which the BIA, and/or local municipalities with volunteer fire departments, shall agree to provide fire fighting services in the event of a fire at the facility. The costs of fire protection under this Section shall be Operating Expenses.

3.6.2 PUBLIC SAFETY SERVICES. The Manager shall provide appropriate security and public safety services for the operation of the Enterprise. All aspects of the Facility security shall be the responsibility of the Manager. Any

security officer shall be bonded and insured in an amount commensurate with his or her enforcement duties and obligations. The cost of any charge for security and increased public safety services, including police protection and emergency medical services, shall be an Operating Expense.

3.7 UNIFORM COMMERCIAL CODE. The parties agree that Articles I, II, III, IV, V, VI, VII, and IX of the model Uniform Commercial Code shall govern this Agreement and all activities and contracts involving the Enterprise. All filings for perfection pursuant to Article IX shall be done with the Secretary of State for the State of Michigan unless the Tribe shall establish an Office to receive such filings. Nothing in this Section shall constitute a waiver of tribal sovereign immunity, or constitute consent of the Tribe to the regulatory, adjudicatory or other jurisdiction of the State of Michigan.

3.8 PURCHASE OF PROPERTY. Once the Tribe has selected a suitable location in proximity to the Tribe's existing reservation to construct the Facility, the Tribe shall obtain an option or sales agreement to acquire the Property on terms mutually acceptable to Manager and Tribe



provided that, except as provided below, the Manager shall not be liable for the cost of acquiring the Property and shall not have any right to approve the price. After such agreement(s) has been obtained, the Tribe shall diligently proceed to have title to the Property transferred to the United States in trust for the Tribe as part of the Tribe's initial reservation. The Manager shall be kept fully informed by the Tribe as to the status of such agreement(s) and the fee to trust process and, at the Tribe's request, shall assist in the process. In the event that the Tribe does not purchase land for the operation of Class III gaming which the Manager finds acceptable for the Facility, Manager may at its option contract to purchase additional land for that purpose at Manager's expense. The location and purchase price of such land must be approved by the Tribe. If such approval by the Tribe is given, the additional land shall be transferred to United States in trust for the Tribe contemporaneously with the establishment of the Tribe's initial reservation. The Tribe will repay the Manager the purchase price of such additional land solely as part of the Loan in accordance with Section 3.1.8, and shall not otherwise have any obligation to repay the Manager for the purchase price of such additional land.

4. BUSINESS AND AFFAIRS IN CONNECTION WITH ENTERPRISE.

4.1 MANAGER'S AUTHORITY AND RESPONSIBILITY. All business and affairs in connection with the day-to-day operation, management, maintenance and improvement of the Enterprise and the Facility, including the establishment of operating days and hours, consistent with the Tribal Gaming Ordinance, shall be the responsibility of the Manager. The Manager is hereby granted the necessary power and authority to act, through the General Manager, in order to fulfill its responsibilities under this Agreement. The General Manager shall be a person selected by the Manager, subject to the approval of the Tribe, which approval shall not be unreasonably withheld.

4.2 DUTIES OF THE MANAGER. In managing, operating, maintaining, improving and repairing the Enterprise, and the Facility, the cost of which shall be either an Operating Expense or Capital Expense, the Manager's duties shall include, without limitation, the following:

4.2.1 MANAGEMENT. The Manager shall use reasonable measures for the orderly administration, management, and operation of the Enterprise and the Facility, including without limitation cleaning, painting, decorating, plumbing, carpeting, grounds care and such other maintenance and repair and improvement work as is reasonably necessary.

4.2.2 CONTRACTS IN ENTERPRISE'S NAME AND AT ARM'S LENGTH. Contracts for the operations of the Enterprise shall be entered into in the name of the Enterprise and be signed by the General Manager. Except in the event of an emergency, any contract requiring an expenditure in any year in excess of Twenty-Five Thousand Dollars ($25,000) shall be approved by the Tribe. No contracts for the supply of goods or services to the Enterprise shall be entered into with parties affiliated with the Manager or its officers or directors unless the affiliation is disclosed to the Tribe, and the contract terms are determined by the Tribe to be no less favorable for the Enterprise than could be obtained from a non-affiliated contractor. Notwithstanding anything to the contrary contained herein, contracts for the supply of any goods or services paid



for entirely by the Manager may be provided by parties affiliated with the Manager or its officers or directors, provided that payments on such contracts shall not constitute Operating Expenses and shall be the sole responsibility of the Manager.

4.2.3 CULTURALLY SENSITIVE MATERIAL. The Manager agrees that the

choices involving the Enterprise and Facility including but not limited to the employees' uniforms, interior design, promotions and marketing shall be culturally appropriate and shall in no way denigrate Indian history or culture by the use of stereotyped images, symbols and language. If, at any time, the Manager is notified by the Tribe that any such activity is not culturally appropriate, the Manager shall have thirty (30) days to cease such activity.

4.3 DAMAGE, BY FIRE, WAR CASUALTY, ACT OF GOD; CONDEMNATION.

4.3.1 If, during the Term, the Facility is damaged or destroyed by fire, war, Act of God or other casualty or if the Enterprise, Property or Facility is partially condemned, the Manager may within sixty (60) days after the casualty, choose to reconstruct the Facility to a condition at least comparable to that before the casualty or partial condemnation occurred. If the Manager elects to reconstruct the Facility, the insurance or condemnation proceeds shall be applied to that reconstruction, which shall be completed as soon as possible. If the insurance or condemnation proceeds are insufficient to reconstruct the Facility to such condition where Gaming can once again be conducted at the Facility, the Manager may supply such additional funds as are necessary to reconstruct the Facility to such condition and such funds shall, with the prior consent of the Tribe, constitute a loan to the Tribe, secured by the revenues from the Enterprise and the Tribal Assets and repayable under the terms of the Loan Agreement unless other terms are agreed upon by the Tribe and the Manager. If the Manager elects not to reconstruct the Facility, all insurance or condemnation proceeds shall be applied (i) to retire any amounts due under the Loan Agreement, and (ii) to pay the parties in accordance with Section 6 of this Agreement. The parties shall retain all money previously paid under Section 6 of this Agreement.

4.3.2 TOTAL CONDEMNATION. In the event that the Enterprise or the Property is condemned in total by a governmental agency with the lawful authority to carry out such an action, the proceeds from any such condemnation award shall be applied (i) to retire any amounts due under the Loan Agreement, and (ii) to pay the parties in accordance with Section 6 of this Agreement. The parties shall retain all money previously paid under Section 6 of this Agreement.

4.4 SUSPENSION OF MANAGER'S DUTIES. If during the Term, Gaming on the Property is prohibited by or rendered economically unfeasible as a result of the Tribe's default under this Agreement or the adoption of a Tribal Ordinance or other Tribal law, the Manager may suspend its duties under this Agreement.

4.5 TOLLING OF THE AGREEMENT. If, after a period of cessation of Gaming on the Property because of damage, destruction or condemnation of the Facility or Property or because Gaming on the Property is prohibited or rendered economically unfeasible as a result of the



Tribe's default under this Agreement or the adoption of a Tribal Ordinance or other Tribal law, the recommencement of Gaming shall be legally and commercially feasible in the sole judgment of the Manager, and if the Manager has not terminated this Agreement, the period of such cessation shall not be deemed to have been part of the Term and the date of expiration of the Term shall be extended by the number of days of such cessation period.

4.6 ALCOHOLIC BEVERAGES. The parties agree that alcoholic beverages will not be served at the Facility unless the Tribe expressly consents to such service, and enabling tribal legislation is adopted, which is not anticipated.

4.7 EMPLOYEES.

4.7.1 MANAGER'S RESPONSIBILITY. Manager shall have, subject to the terms of this Agreement, the exclusive responsibility and authority to direct the selection, control and discharge of all employees performing regular services for the Enterprise in connection with the maintenance, operation, and management of the Enterprise and the Facility and any activity upon the Property; and the sole responsibility for determining whether a prospective employee is qualified and the appropriate level of compensation to be paid. Manager will make all reasonable efforts to hire members of the Tribe into management positions for the Enterprise. Such efforts will include without limitation hiring qualified members of the Tribe in the management positions described in Section 4.7.3 below and other management positions, at the rate of the greater of one position or ten percent (10%) of such positions per year, beginning in the second year of operation under this Agreement. By way of example and not limitation, if there are ten (10) management positions, Manager will hire qualified members of the Tribe so that at the end of the second year of operation under this Agreement, at least one of the management positions will be held by a member of the Tribe, at the end of the third year, two management positions will be held by members of the Tribe, at the end of the fourth year, at least three management positions will be held by members of the Tribe, etc.

4.7.2 ENTERPRISE EMPLOYEE POLICIES. The Manager shall prepare a draft of personnel policies and procedures (the "Enterprise Employee Policies"),

including a job classification system with salary levels and scales, which policies and procedures the Manager shall submit to the Tribal Council for its approval. The Enterprise Employee Policies shall include a grievance procedure in order to establish fair and uniform standards for the employees of the Tribe engaged in the Enterprise. The grievance procedure shall be administered by a Grievance Committee comprised of the General Manager, a person appointed by the Tribal Council and a third member agreed on by the Manager and the Tribal Council. Any revisions to the Enterprise Employee Policies shall not be effective unless they are approved in the same manner as the original Enterprise Employee Policies. All such actions shall comply with applicable Tribal law.

4.7.3 MANAGER'S EMPLOYEES. It is anticipated that Manager will initially employ persons holding the following job titles at the Facility: General Manager, Chief Financial Officer, Director of Gaming Operations, Director of Marketing and Director of Human Resources.



Nothing contained herein is intended to limit Manager's right to expand, consolidate, or eliminate any of these positions.

4.7.4 TRIBE'S EMPLOYEES. All other employees of the Enterprise other than Off-Site Employees will be employees of the Tribe.

4.7.5 NO MANAGER WAGES OR SALARIES. Except with respect to Manager's employees described in Subsection 4.7.3 (except for the General Manager) and Off-Site Employees and except for the Management Fee, neither the Manager nor any of its officers, directors or shareholders shall be compensated by wages from or contract payments other than the Management Fee by the Enterprise for their efforts or for any work which they perform under this Agreement. Nothing in this subsection shall restrict the ability of an employee of the Enterprise to purchase or hold stock in the Manager, its parents, subsidiaries or affiliates where (i) such stock is publicly held, and (ii) such employee acquires, on a cumulative basis, less than five percent (5%) of the outstanding stock in the corporation.

4.7.6 TRIBAL INSPECTOR(S). The Tribe shall select the Tribal Inspector(s) who shall be employed by the Tribe and shall have the full access to inspect all aspects of the Enterprise, including the daily operations of the Enterprise, and to verify daily Gross Revenues and all income of the Enterprise, at any time without notice. The General Manager or his or her designee may accompany any Tribal Inspector upon any inspection. The Enterprise shall reimburse the Tribe as an Operating Expense for the reasonable salary and benefits, if any, of the Tribal Inspector(s). The Tribal Inspector(s) shall report directly to the Tribal Council.

4.7.7 EMPLOYEE BACKGROUND CHECKS. A background investigation shall be conducted in compliance with all Legal Requirements, to the extent applicable, on each applicant for employment as soon as reasonably practicable. No individual whose prior activities, criminal record, if any, or reputation, habits and associations are known to pose a threat to the public interest, the effective regulation of Gaming, or to the gaming licenses of the Manager or any of its affiliates, or to create or enhance the dangers of unsuitable, unfair or illegal practices and methods and activities in the conduct of Gaming, shall be employed by the Manager or the Tribe. The background investigation procedures employed shall be formulated in consultation between the Tribe and the Manager and shall satisfy all regulatory requirements independently applicable to the Manager. Any cost associated with obtaining such background investigations shall constitute an Operating Expense, provided, however, the costs of background investigations relating to shareholders, officers, directors or employees of the Manager shall not constitute an Operating Expense, but shall be paid by the Manager.

4.7.8 INDIAN PREFERENCE IN EMPLOYMENT. In order to maximize benefits of the Enterprise to the Tribe, the Manager shall, during the term of this Agreement, to the extent permitted by applicable law, give preference in recruiting, training and employment to qualified members of the Tribe and their spouses and children in all job categories of the Enterprise, including management positions. The Manager shall provide training programs for Tribal members and their spouses and children. Such training programs shall be available to assist



Tribal members in obtaining necessary skills and qualifications relating to all job categories. Final determination of the qualifications of Tribal members and all other persons for employment shall be made by Manager.

4.7.9 REMOVAL OF EMPLOYEES. The General Manager will act in accordance with the Enterprise Employee Policies with respect to the discharge, demotion or discipline of any Enterprise employee. The Tribe shall have the right to remove the Tribal Inspector(s), subject to any contractual rights of such persons. Before any such removal, the Manager or the Tribe, as the case may

be, shall notify the Tribe and the Manager.

4.8 MARKETING AND ADVERTISING. Manager shall have responsibility to advertise and promote the Enterprise and may do so in coordination with the sales and marketing programs of Manager for other gaming establishments managed by Manager or its affiliates, the budget for which shall be included in the annual budget approved by the Tribe as described in Section 4.10. Manager may participate in sales and promotional campaigns and activities involving complimentary rooms, food, beverage, shows, chips and tokens.

4.9 PRE-OPENING. Six (6) months prior to the scheduled Opening Date, Manager shall commence implementation of a pre-opening program which shall include all activities necessary to financially and operationally prepare the Facility for opening. To implement the pre-opening program, Manager shall prepare a comprehensive pre-opening budget which shall be submitted to the Tribe for its approval sixty (60) days after the Effective Date ("Pre-Opening Budget"). All costs and expenses of the pre-opening program shall be paid from a special bank account(s) opened by Manager in the name of the Enterprise upon which only Enterprise's designees shall be authorized to draw ("Pre-Opening Bank Account(s)"). After all pre-opening expenses have been paid, the balance in the Pre-Opening Bank Account(s) shall be transferred to the Depository Account and the Pre-Opening Bank Account(s) closed.

4.10 OPERATING AND CAPITAL BUDGETS

4.10.1 Manager shall, at least sixty (60) days prior to the scheduled Commencement Date, submit to the Tribe, for its approval, a proposed Operating Budget and Capital Expense Budget for the remainder of the current fiscal year. Thereafter, Manager shall, not less than sixty (60) days prior to the commencement of each full or partial fiscal year, submit to the Tribe, for its approval, proposed Budgets for the ensuing full or partial fiscal year, as the case may be. Manager shall meet with the Tribe to discuss the proposed Budgets and the Tribe's approval of the Budgets shall not be unreasonably withheld.

4.10.2 If the Budgets contain a disputed budget item (or items), the Tribe and Manager agree to cooperate with each other in good faith to resolve the disputed or objectionable proposed item(s). In the event the Tribe and Manager are not able to reach mutual agreement concerning any disputed or objectionable item(s) within a period of fifteen (15) days after the date the Tribe provides written notice of its objection to Manager, either party shall be entitled to submit the dispute to arbitration in accordance with Section 17. If the Tribe and Manager are



unable to resolve the disputed or objectionable item(s) prior to the commencement of the applicable fiscal year, the corresponding line item(s) contained in the Budgets for the preceding fiscal year shall be substituted in lieu of the disputed item(s) in the proposed Budgets.

4.10.3 Manager may submit to the Tribe revisions in the Budgets from time to time, as necessary, to reflect any unpredicted significant changes, variables or events or to include significant, additional, unanticipated items of expense. Manager may with approval of the Tribe reallocate part or all of the amount budgeted with respect to any line item to another line item and to make such other modifications to the Budgets as Manager deems necessary. The Manager shall not make any expenditures from funds or assets of the Enterprise except as set forth in the Budgets.

4.11 CONTRACTING. In entering contracts for the supply of goods and services for the Enterprise, the Manager shall give preference to qualified members of the Tribe, their spouses and children, and qualified business entities certified by the Tribe to be controlled by members of the Tribe so long as the prices and/or rates are competitive. "Qualified" shall mean a member of the Tribe, a Member's spouse or children, or a business entity certified by the Tribe to be controlled by members of the Tribe, who or which is able to provide goods and/or services at competitive prices and/or rates, has demonstrated skills and abilities to perform the tasks to be undertaken in an acceptable manner, in the Manager's opinion, and can meet the reasonable bonding requirements of the Manager. The Manager shall provide written notice to the Tribe in advance of all such contracting, subcontracting, and construction opportunities.

4.12 LITIGATION. If the Tribe, the Manager, or any employee of the Manager at the Facility or of the Enterprise is sued by any person who is not a party to this Agreement or is alleged by any such person to have engaged in unlawful or discriminatory acts in connection with the operation of the Enterprise, the Tribe or the Manager, as appropriate, shall defend such action. Any cost of such litigation shall constitute an Operating Expense, or, if incurred prior to the Commencement Date, shall be a Start-up Expense. Nothing in this Section shall be construed to waive or limit the Tribe's sovereign immunity.

4.13 INTERNAL CONTROL SYSTEMS. The Manager shall install systems for

monitoring of all funds (the "Internal Control Systems"), which systems shall be submitted to the Tribe for approval in advance of implementation, which approval shall not be unreasonably withheld. The Tribe shall retain the right to review all Internal Control Systems and any changes instituted to the Internal Control Systems of the Enterprise. The Tribe shall have the right to retain an auditor to review the adequacy of the Internal Control Systems at any time, and the cost of such review shall be an operating expense. Any significant changes in such systems after commencement of operation of the Facility also shall be subject to review and approval by the Tribe. The Tribe and the Manager shall have the right and duty to maintain and police its Internal Control Systems in order to prevent any loss of proceeds from the Enterprise. The Tribe shall have the right to inspect and oversee the systems and to have the Tribal Inspector present to oversee the Hard Count and Soft Count room procedures at all times. The Manager shall install and maintain a closed circuit television system to be used for monitoring the cash handling activities of the



Enterprise and an on-line computer system to monitor the performance of the Gaming equipment and operations. The Tribal Inspector shall have full access to the closed circuit television system for use in monitoring the cash handling activities of the Enterprise.

4.14 BANKING AND BANK ACCOUNTS.

4.14.1 BANK ACCOUNTS. The Tribe and Manager shall agree upon a bank or banks for the deposit and maintenance of funds and shall establish such bank accounts insured by the FDIC as they deem appropriate and necessary in the course of business and as consistent with this Agreement.

4.14.2 DAILY DEPOSITS TO DEPOSITORY ACCOUNT. The Manager with the Tribe's approval shall establish for the benefit of the Enterprise in the Enterprise's name a Depository Account. The Manager shall collect all Gross Revenues and other proceeds connected with or arising from the operation of the Enterprise, the sale of all products, food and beverage, and all other activities of the Enterprise and deposit the related cash daily into the Depository Account at least once during each 24-hour period except where deposit cannot be made during a 24 hour period because (1) it is a Bank holiday or (2) an Act of God prevents the deposit of proceeds in the place designated for deposit in which case the deposit shall be made on the next business day. All money received by the Enterprise on each day that it is open must be counted at the close of operations for that day or at least once during each 24-hour period. The parties agree to obtain a bonded transportation service to effect the safe transportation of the daily receipts to the bank, which expense shall constitute an Operating Expense.

4.14.3 DISBURSEMENT ACCOUNT. The Manager with the Tribe's approval shall establish for the benefit of the Enterprise in the Enterprise's name one or more disbursement accounts (collectively, the "Disbursement Accounts"). Separate Disbursement Accounts shall be maintained for the various Reserve Funds. The Manager shall, consistent with and pursuant to the Budgets, have responsibility and authority for transferring funds from the Depository Account to the Disbursement Accounts and for making all payments for Operating Expenses, Capital Expenses, debt service, the Management Fee and disbursements to the Tribe from the Disbursement Accounts.

4.14.4 NO CASH DISBURSEMENTS. The Manager shall not make any cash disbursements from the bank accounts except for the payment of cash prizes and expenditures from the Cash Contingency Reserve Fund and Petty Cash Fund described in Subsection 4.14.5. The Manager shall not make any cash disbursements to itself from any Enterprise fund or account for any reason. Any other payments or disbursements by the Manager shall be made by check drawn against a Disbursement Account.

4.14.5 OPERATING RESERVE FUNDS. Manager shall establish and maintain for the benefit of and in the name of the Enterprise a Cash Contingency Reserve Fund and a Petty Cash Fund, the amounts in which shall be established in conjunction with the establishment of the Operating Budget, as an Operating Expense, or more often as approved by the parties. The Cash



Contingency Reserve Fund shall be used to make transfers as necessary to the Disbursement Account and any cash prize reserve fund. The Petty Cash Fund shall be used for miscellaneous small expenditures of the Enterprise, and shall be maintained at the Facility.

4.14.6 CAPITAL RESERVE FUND. The Manager shall establish and maintain for the benefit of and in the name of the Enterprise a Capital Reserve Fund to pay Capital Expenses in accordance with the Capital Expense Budget. To the extent that Net Revenues are available after payment of the Management Fee, the Manager shall deposit monthly in the Capital Reserve Fund an amount equal to two percent (2%) of the Net Revenues, provided that without the consent of the

Tribe the Capital Reserve Fund shall not exceed One Million Dollars ($1,000,000). Any interest earned on the Capital Reserve Fund shall be added to the Capital Reserve Fund, subject to the One Million Dollar ($1,000,000) cap, and otherwise distributed to the Tribe on a monthly basis.

4.14.7 INVESTMENTS. The Manager may invest any of the funds in the Reserve Funds in bank accounts, treasury bills or other instruments guaranteed or insured by the United States with a term not to exceed three months unless the Manager and Tribe agree otherwise. All bank accounts shall be insured by the FDIC.

4.15 INSURANCE. The Manager, on behalf of the Tribe, shall maintain, or cause its agents to maintain, with responsible insurance carriers licensed to do business in the State of Michigan, insurance satisfactory to the Tribe covering the Facility and the operations of the Enterprise, the Tribe, naming the Enterprise, the Manager, its parent and other affiliates as insured parties, as follows.

4.15.1 During the course of any new construction or substantial remodeling, builder's risk insurance on an "all risk" basis (including collapse) on a non-reporting form for full replacement value covering the interest of the Tribe in all work incorporated in the Facility, all materials and equipment on or about the Facility and any new construction or substantial remodeling of the Facility. All materials and equipment in any off-site storage location intended for permanent use in the Facility, or incident to the construction thereof, shall be insured on an "all risk" basis as soon as the same have been acquired for the Enterprise.

4.15.2 Commercial general liability insurance in an amount not less than Two Million ($2,000,000) Dollars per person and Five Million ($5,000,000) Dollars per occurrence for all activities on, about or in connection with the Facility. The commercial general liability insurance shall include premises liability, contractor's protective liability on the operations of all subcontractors, completed operations and blanket contractual liability. The automobile liability insurance shall cover owned, non-owned and hired vehicles.

4.15.3 Upon completion of the construction of the Facility, "all risk" insurance on the Facility against loss by fire, lightning, earthquake, extended coverage perils, collapse, water damage, vandalism, malicious mischief and all other risks and contingencies, in an amount equal to the actual replacement costs thereof, without deduction for physical depreciation, with



coverage for demolition and increased costs of construction, and providing coverage in an "agreed amount" or without provision for co-insurance.

4.15.4 Worker's Compensation and Employer's Liability Insurance subject to the statutory limits of the State of Michigan in respect of any work or other operations on, about or in connection with the Facility, provided that nothing in the Agreement shall grant any jurisdiction over the Enterprise or its employees to the State of Michigan or any political subdivision thereof.

4.15.5 Business interruption insurance in an amount to cover the projected Operating Expenses, Loan Payments and Minimum Guaranteed Payment for not less than twelve (12) months or such greater amounts as the Manager and Tribe may agree to.

4.15.6 Such other insurance with respect to the Facility and in such amounts as the parties from time to time may reasonably agree upon against such other insurable hazards which at the time are commonly insured against in respect of property similar to the Facility.

4.15.7 The insurance policies required under Subsections 4.15.1, 4.15.3, 4.15.5 and 4.15.6 above shall have a standard noncontributory endorsement naming Manager as an additional loss payee. The insurance required under Subsection 4.15.2 above shall name the Manager as an additional insured. All insurance required hereunder shall contain a provision requiring at least sixty (60) days' prior written notice to the Manager and the Tribe before any cancellation, material changes or reduction shall be effective. Any deductibles must be approved by Manager and the Tribe.

4.15.8 Each policy as to which the Tribe is named as an insured shall provide that the insurer shall not plead or assert the defense of sovereign immunity within the policy limits. The Tribe shall not be liable beyond those limits.

4.16 ACCOUNTING AND BOOKS OF ACCOUNT.

4.16.1 STATEMENTS. The Manager shall prepare and provide to the Tribe on a monthly, quarterly, and annual basis, operating statements which after the full year of operation will include comparative statements of all revenues, and all other amounts collected and received, and all deductions and disbursements made therefrom in connection with the Enterprise. An independent

certified public accounting firm experienced with auditing casino gaming proposed by Manager and approved by the Tribe shall perform an annual audit of the books and records of the Enterprise and of all contracts for supplies, services or concessions reflecting Operating Expenses and Capital Expenses. The Tribe shall also have the right to perform special audits of the Enterprise on any aspect of the Enterprise at any time without restriction. The costs incurred for such audits shall constitute an Operating Expense. Such audits shall be provided by the Tribe to all applicable federal and state agencies, as required by law, and may be used by the Manager for reporting purposes under federal and state securities laws, if required.



4.16.2 BOOKS OF ACCOUNT. The Manager shall maintain full and accurate books of account at an office in the Facility and at such other locations as may be determined by the Manager. Any person designated by the Tribal Council and the Tribal Inspector shall have access to the daily operations of the Enterprise and shall have the unlimited right to inspect, examine, and copy all such books and supporting business records. Such rights may be exercised through an agent, employee, attorney, or independent accountant acting on behalf of the Tribe.

4.16.3 ACCOUNTING STANDARDS. Manager shall establish and maintain satisfactory accounting systems and procedures, and maintain the books and records reflecting the operations of the Enterprise in accordance with the accounting practices of Manager in conformity with GAAP and shall adopt and follow the fiscal accounting periods utilized by Manager in its normal course of business (i.e., a fiscal month, fiscal quarter and fiscal year). The Facility level generated accounting records reflecting detailed day-to-day transactions of the Facility's operations shall be kept by Manager at the Facility provided that Manager may keep a duplicate set of records off-site. The accounting systems and procedures shall, at a minimum (i) include an adequate system of internal accounting controls; (ii) permit the preparation of financial statements in accordance with GAAP; (iii) be susceptible to audit; and (iv) permit the calculation and payment of the Management Fee and the Tribe's Disbursement described in Section 6.

5. LIENS. The Tribe specifically warrants and represents to the Manager that during the Term the Tribe shall not act in any way whatsoever, either directly or indirectly, to cause any party to become an encumbrancer or lienholder of the Property or the Facility, other than Manager or any lender providing financing for the Enterprise, or to allow any party to obtain any interest in this Agreement without the prior written consent of the Manager, and where applicable, consent from the United States. The Manager specifically warrants and represents to the Tribe that during the Term the Manager shall not act in any way, directly or indirectly, to cause any party to become an encumbrancer or lienholder of the Property or the Facility, or to obtain any interest in this Agreement without the prior written consent of the Tribe, and, where applicable, the United States. The Tribe and the Manager shall keep the Facility and Property free and clear of all enforceable mechanics' and other enforceable liens resulting from the construction of the Facility and all other enforceable liens which may attach to the Facility or the Property, which shall at all times remain the property of the United States in trust for the Tribe. If any such lien is claimed or filed, it shall be the duty of the party responsible for the lien to discharge the lien within thirty (30) days after having been given written notice of such claim, either by payment to the claimant, by the posting of a bond or the payment into the court of the amount necessary to relieve and discharge the Property from such claim, or in any other manner which will result in the discharge of such claim. Notwithstanding the foregoing, purchase money security interests in personal property may be granted with the prior written consent of the Tribe and, when necessary, the BIA, United States Department of Interior and/or the NIGC as appropriate.

6. DISTRIBUTION OF FUNDS.



6.1 MINIMUM GUARANTEED MONTHLY PAYMENT. On or before the twentieth (20th) day of each calendar month following the first full calendar month after the Commencement Date, Manager shall pay the Tribe a Minimum Guaranteed Monthly Payment in the amount of Fifty Thousand Dollars ($50,000) (the "Minimum Guaranteed Monthly Payment"), and such payment shall have priority over the retirement of any development and construction costs. Minimum Guaranteed Monthly Payments shall be charged against the Tribe's distribution of Net Revenues and, if there are insufficient Net Revenues in a given month to make the distribution, Manager shall advance the funds necessary to compensate for the deficiency; and shall be reimbursed by the Tribe in the next succeeding month or months as a Recoupment Payment. No Minimum Guaranteed Monthly Payment shall be owed (i) for any portion of a fiscal year accruing after the Tribe has received cumulative distributions of Net Revenues equivalent to twelve (12) times the Minimum Guaranteed Monthly Payment for that fiscal year, or (ii) for any months during which Class III Gaming is suspended or terminated at the Facility pursuant to Section 4; and the obligation shall cease upon termination of this

Agreement for any reason.

6.2 ORDER OF PAYMENT. On or before the twentieth (20th) day after the end of each calendar month of operations during the Term the Manager shall (a) calculate and report to the Tribe the Gross Revenues, Operating Expenses and Net Revenues for such month and the year to date and (b) distribute the Net Revenues after the payment of any Minimum Guaranteed Monthly Payment in the following order of priority to pay the items specified in Sections 6.3, 6.5, 6.6, 6.7 and 6.8.

6.3 REPAYMENT OF LOAN. Until paid in full, the Manager shall be entitled to an amount sufficient to repay principal and interest due on the Loan. Such amounts shall be charged against the Tribe's share of Net Revenue. The principal and interest amounts due under this Section 6.3 shall be paid in equal monthly payments of principal and interest recalculated on a monthly basis so as to amortize the then outstanding principal amount due under the Loan over the remaining Term.

6.4. [Intentionally deleted]

6.5 RECOUPMENT PAYMENTS. Next, until paid in full, the Manager shall be entitled to any Recoupment Payment that may be owed.

6.6 MANAGEMENT FEE. Next to pay the Manager a management fee in an amount equal to twenty-five percent (25%) of the Net Revenues; provided that if there are insufficient funds in any month to pay the the Management Fee in full, because the Tribe's share of Net Revenues is insufficient to pay the principal and interest due under Section 6.3 (and therefore, the principal and interest is paid from funds that would have otherwise paid the Management Fee), then the shortfall shall be paid to the Manager in the next succeeding month or months as a Recoupment Payment. It is understood that the Manager will pay a royalty fee to Green Acres as provided in the November 18 Agreement.



6.7 CAPITAL RESERVE FUND. Next to fund the Capital Reserve Fund in accordance with Section 4.14.6.

6.8 TRIBAL DISBURSEMENTS. Any amount remaining shall be distributed to the Tribe. The Net Revenues paid to the Tribe pursuant to this Section 6 shall be payable to a Tribal bank account specified by the Tribe.

6.9 OPERATIVE DATES. For purposes of this Section 6, the first year of operations shall begin on the Commencement Date and continue until the first day of the month following the first anniversary of the Commencement Date, and each subsequent year of operations shall be the 12-month period following the end of the previous year. Notwithstanding the foregoing, except as provided in Section 4.5, the Term shall not extend beyond five years (5) after the Commencement Date.

6.10 ADVANCE PAYMENT. In consideration of the execution and delivery of this Agreement, Manager agrees to make a nonrefundable payment to the Tribe in the amount of Thirty Thousand Dollars upon the execution of this Agreement and upon the same day in each of the next nine (9) calendar months. After the expiration of said nine (9) months, the Manager shall continue to make said monthly payments on the same day in each succeeding month prior to the Effective Date provided that (a) any such continuing payments will be considered part of the Loan to the Tribe repayable solely from the Tribe's share of Net Revenues and other Tribal Assets, and (b) the Tribe may elect by notice to the Manager not to receive such loan proceeds. If the Manager terminates this Agreement in accordance with the provisions of Section 11.4, the Tribe shall have no obligation to repay any loan made in accordance with this Section 6.10 and the Manager shall have no obligation to make any additional monthly payments.

6.11 YEAR-END ADJUSTMENT. Within thirty (30) days after the receipt of the audit for each fiscal year of the Enterprise, Manager shall determine in consultation with the Tribe the correct amount of the Management Fee for such fiscal year based on twenty-five percent (25%) of the Net Revenues for such year and either remit to the Tribe or deduct from the next distribution to the Tribe the amount of the over or underpayment of the Management Fee.

7. TRADE NAMES, TRADE MARKS AND SERVICE MARKS.

7.1 ENTERPRISE NAME. The Enterprise shall be operated under such business name as the parties may agree (the "Enterprise Name").

7.2 TRADE NAMES, TRADE MARKS AND SERVICE MARKS. Prior to the Commencement Date, the parties shall determine the other trade names, trade marks and service marks to be used by the Enterprise (the "Marks") and from time to time during the term hereof, Manager agrees to erect and install, in accordance with local codes and regulations, all signs Manager deems necessary in, on or about the Facility, including, but not limited to, signs bearing the Marks. The costs of purchasing, leasing, transporting, constructing, maintaining and installing the required signs and systems shall be part of the start-up costs and Operating

Expenses, as the case may be.



7.3 MANAGER'S MARKS. The Tribe agrees to recognize the exclusive right of ownership of Manager or its parents to all of Manager's service marks, trademarks, copyrights, trade names, patents or other similar rights or registrations now or hereafter held or applied for in connection therewith (collectively, the "Manager's Marks"). The Tribe hereby disclaims any right or interest therein, regardless of any legal protection afforded thereto. The Tribe acknowledges that all of Manager's Marks might not be used in connection with the Enterprise, and Manager shall have sole discretion to determine which of Manager's Marks shall be so used. The Tribe covenants that in the event of termination, cancellation or expiration of this Agreement, whether as a result of a default by Manager or otherwise, the Tribe shall not hold itself out as, or continue operation of the Enterprise as a Manager's casino nor will it utilize any of Manager's Marks or any variant thereof in the operation of the Facility. The Tribe agrees that Manager or its parent or their respective representative may, at any time thereafter, enter the Facility and may remove all signs, Furniture, printed material, emblems, slogans or other distinguishing characteristics which are now or hereafter may be connected or identified with Manager or which carry any Manager's Mark. The Tribe shall not use the Manager's or its parent's name, or any variation thereof, directly or indirectly, in connection with (a) a private placement or public sale of security or other comparable means of financing or (b) press releases and other public communications, without the prior written approval of Manager or its parent.

7.4 LITIGATION INVOLVING MANAGER'S MARKS. The Enterprise and Manager hereby agree that in the event the Enterprise and/or Manager is (are) the subject of any litigation or action brought by anyone seeking to restrain the use, for or with respect to the Enterprise or the Manager of any Manager's Mark used by Manager for or in connection with the Enterprise, any such litigation or action shall be defended entirely at the expense of Manager, notwithstanding that Manager may not be named as a party thereto. In the event the Enterprise desires to bring suit against any user of any Manager's Mark, seeking to restrain such user from using any Manager's Mark, then such suit shall be brought only with the consent of Manager. The cost of such suit shall be an Operating Expense.

8. TAXES.

8.1 STATE AND LOCAL TAXES. The parties agree that the State of Michigan and its local governments have no authority to impose any possessory interest, property, or sales tax on any party to this Agreement or upon the Enterprise, and that the parties and the Enterprise shall take all reasonable steps to resist such a tax. The reasonable costs of such action and the compensation of legal counsel shall be an Operating Expense of the Enterprise. Any tax paid and determined lawful by a court of competent jurisdiction shall constitute an Operating Expense of the Enterprise. This Section shall in no manner be construed to imply that any party to this Agreement or the Enterprise is liable for any such tax.

8.2 TRIBAL TAXES. The Tribe agrees that neither it nor any agent, agency, affiliate or representative of the Tribe will impose any taxes, fees, assessments, or other charges of any nature whatsoever on payments of any debt service to Manager or to any lender furnishing



financing for the Facility or for the Enterprise, or on the Enterprise, the Facility, Furniture and Equipment, the revenues therefrom or on the Management Fee; provided, however, the Tribe may impose license fees reflecting reasonable out-of-pocket regulatory costs paid by the Tribe. The Tribe further agrees that neither it nor any agent, agency, affiliate or representative will impose any taxes, fees, assessments or other charges of any nature whatsoever on the salaries or benefits, or dividends paid to, any of the Manager's stockholders, officers, directors, or employees, any of the employees of the Enterprise, or any provider of goods, materials, or services to the Enterprise. If, contrary to this Section 8.2, any taxes, fees or assessments are levied by the Tribe, such taxes, fees and assessments shall be paid solely from the Tribe's share of Net Revenues and from Tribal Assets.

9. GENERAL PROVISIONS.

9.1 GOVERNING LAW. This Agreement shall be interpreted in accordance with the laws of the State of Delaware it being understood by the parties that this clause in no way constitutes any submission by the Tribe to the jurisdiction of the State of Delaware; and the parties further expressly recognize and agree that except as provided in Section 3.4 this Agreement shall be subject to all Legal Requirements of the Tribe and federal law as well as approval by the Secretary of the Interior where required by 25 U.S.C. ss.81 or by the Chairman of the NIGC where required by IGRA. The arbitration provisions of this Agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. ss.1, ET SEQ.

9.2 NOTICE. Any notice required to be given pursuant to this Agreement shall be delivered to the appropriate party by Certified Mail Return Receipt requested, addressed as follows:

If to the Tribe: Nottawaseppi Huron Band of Potawatomi
Tribal Council
2221 1/1/2 Mile Road
Fulton, Michigan 49052
Attn: Tribal Chairperson

If to Manager: GTF ENTERTAINMENT LLC
c/o GTECH Corporation
55 Technology Way
East Greenwich, Rhode Island 02817

With a copy to: Full House Resorts, Inc.
12555 High Bluff Drive
Suite 380
San Diego, California 92130



With a copy to: Green Acres Casino Management Company, Inc.
30340 Covey Road
Leonidas, Michigan 49066

or to such other different address(es) as the Manager or the Tribe may specify in writing using the notice procedure called for in this Section 9.2. Any such notice shall be deemed given two days following deposit in the United States mail or upon actual delivery, whichever first occurs.

9.3 AUTHORITY TO EXECUTE AND PERFORM AGREEMENT. The Tribe and Manager represent and warrant to each other that they each have full power and authority to execute this Agreement and to be bound by and perform the terms hereof. On request, each party shall furnish the other evidence of such authority.

9.4 RELATIONSHIP. Manager and the Tribe shall not be construed as joint venturers or partners of each other by reason of this Agreement and neither shall have the power to bind or obligate the other except as set forth in this Agreement.

9.5 [Intentionally deleted]

9.6 FURTHER ACTIONS. The Tribe and Manager agree to execute all contracts, agreements and documents and to take all actions necessary to comply with the provisions of this Agreement and the intent hereof.

9.7 DEFENSES. Except for disputes between the Tribe and Manager, the Tribe and Manager shall agree upon the bringing and/or defending and/or settle any claim or legal action brought against the Enterprise, the Manager or the Tribe, individually, jointly or severally in connection with the operation of the Enterprise, including the retention and supervision of legal counsel, accountants and other such professionals. All liabilities, costs, and expenses, including attorneys' fees and disbursements, incurred in defending and/or settling any such claim or legal action which are not covered by insurance shall be an Operating Expense.

9.8 WAIVERS. No failure or delay by Manager or the Tribe to insist upon the strict performance of any covenant, agreement, term or condition of this Agreement, or to exercise any right or remedy consequent upon the breach thereof, shall constitute a waiver of any such breach or any subsequent breach of such covenant, agreement, term or condition. No covenant, agreement, term or condition of this Agreement and no breach thereof shall be waived, altered or modified except by written instrument. No waiver of any breach shall affect or alter this Agreement, but each and every covenant, agreement, term and condition of this Agreement shall continue in full force and effect with respect to any other the existing or subsequent breach thereof.

9.9 CAPTIONS. The captions for each Article and Section are intended for convenience only.



9.10 INTEREST. Any amount payable to Manager or the Tribe by the other which has not been paid when due shall accrue interest at the same rate as calculated under this Section. Unless otherwise agreed by the parties, such rate shall be a fluctuating rate equivalent to one (1) percent per annum over the highest United States prime rate as published in the Wall Street Journal, adjusted monthly, with the monthly rate established according to the rate published on the third Tuesday of the preceding calendar month.

9.11 TRAVEL AND OUT-OF-POCKET EXPENSES. Subject to the Budgets, Manager shall be reimbursed for all travel and out-of-pocket expenses of Manager's

employees reasonably incurred in the performance of this Agreement. All travel and out-of-pocket expenses of Enterprise employees reasonably incurred in the performance of their duties shall be an Operating Expense.

9.12 THIRD PARTY BENEFICIARY. This Agreement is exclusively for the benefit of the parties hereto and it may not be enforced by any party other than the parties to this Agreement and shall not give rise to liability to any third party other than the authorized successors and assigns of the parties hereto.

9.13 BROKERAGE. Manager and the Tribe represent and warrant to each other that neither has sought the services of a broker, finder or agent in this transaction, and neither has employed, nor authorized, any other person to act in such capacity. Manager and the Tribe each hereby agrees to indemnify and hold the other harmless from and against any and all claims, loss, liability, damage or expenses (including reasonable attorneys' fees) suffered or incurred by the other party as a result of a claim brought by a person or entity engaged or claiming to be engaged as a finder, broker or agent by the indemnifying party.

9.14 SURVIVAL OF COVENANTS. Any covenant, term or provision of this Agreement which, in order to be effective, must survive the termination of this Agreement, shall survive any such termination.

9.15 ESTOPPEL CERTIFICATE. Manager and the Tribe agree to furnish to the other party, from time to time upon request, an estoppel certificate in such reasonable form as the requesting party may request stating whether there have been any defaults under this Agreement known to the party furnishing the estoppel certificate and such other information relating to the Enterprise as may be reasonably requested.

9.16 PERIODS OF TIME. Whenever any determination is to be made or action to be taken on a date specified in this Agreement, if such date shall fall on a Saturday, Sunday or legal holiday under the applicable laws, then in such event said date shall be extended to the next day which is not a Saturday, Sunday or legal holiday.

9.17 PREPARATION OF AGREEMENT. This Agreement shall not be construed more strongly against either party regardless of who is responsible for its preparation.



9.18 SUCCESSORS, ASSIGNS AND SUBCONTRACTING. The benefits and obligations of this Agreement shall inure to and be binding upon the parties hereto and their respective successors and assigns. The Tribe's consent shall not be required for Manager to assign or subcontract any of its rights interests or obligations as Manager hereunder to any parent, subsidiary or affiliate of Manager, or its successor corporation, provided that any such assignee or subcontractor agrees to be bound by the terms and conditions of this Agreement. The Manager may collaterally assign its interest in the Net Revenues to a Financial Institution in connection with the Loan. The acquisition of Manager or its parent company by a party other than the parent, subsidiary, or affiliate of Manager, or its successor corporation, shall not constitute an assignment of this Agreement by Manager and this Agreement shall remain in full force and effect between the Tribe and Manager, subject only to NIGC completion of its background investigation of the purchaser. Other than as stated above, this Agreement may not be assigned or subcontracted by the Manager, without the approval by the Tribe, and the Chairman of the NIGC or his authorized representative after a complete background investigation of the proposed assignee. The Tribe shall, without the consent of the Manager but subject to approval by the Secretary of the Interior or the Chairman of the NIGC or his authorized representative, have the right to assign this Agreement and the assets of the Enterprise to an instrumentality of the Tribe or to a corporation wholly owned by the Tribe organized to conduct the business of the Enterprise for the Tribe that assumes all obligations herein. Any assignment by the Tribe shall not prejudice the rights of the Manager under this Agreement. No assignment authorized hereunder shall be effective until all necessary government approvals have been obtained.

9.19 TIME IS OF THE ESSENCE. Time is of the essence in the performance of this Agreement.

9.20 CONFIDENTIAL AND PROPRIETARY INFORMATION.

9.20.1 CONFIDENTIAL INFORMATION. Both parties agree that any information received concerning the other party during the performance of this Agreement, regarding the parties' organization, financial matters, marketing plans, or other information of a proprietary nature, will be treated by both parties in full confidence and except as required to allow Manager and the Tribe to perform their respective covenants and obligations hereunder, will not be revealed to any other persons, firms or organizations except in the course of legal proceedings including arbitration as permitted by the court, arbitrator or arbitration panel. The reasonable costs of resisting such legal action shall be an Operating Expense. This provision shall survive the termination of this Agreement for a period of two (2) years.

9.20.2 PROPRIETARY INFORMATION OF MANAGER. The Tribe agrees that Manager has the sole and exclusive right, title and ownership to (i) certain proprietary information, techniques and methods of operating gaming businesses; (ii) certain proprietary information, techniques and methods of designing games used in gaming businesses; (iii) certain proprietary information, techniques and methods of training employees in the gaming business; and (iv) certain proprietary business plans, projections and marketing, advertising and promotion plans, strategies, and systems, all of which have been developed and/or acquired over many years



through the expenditure of time, money and effort and which Manager and its affiliates maintain as confidential and as a trade secret(s) (collectively, the "Confidential and Proprietary Information").

The Tribe further agrees to maintain the confidentiality of such Confidential and Proprietary Information, and upon the termination of this Agreement, return same to Manager, including but not limited to, documents, notes, memoranda, lists, computer programs and any summaries of such Confidential and Proprietary Information.

9.21 EMPLOYMENT SOLICITATION RESTRICTION UPON TERMINATION. The Tribe and the Tribal Council hereby agree not to solicit the employment of Manager's employees at any time during the Term of this Agreement without Manager's prior written approval. Furthermore, the Tribe and the Tribal Council agree not to employ such personnel for a period of twelve (12) months after the termination or expiration of this Agreement, without Manager's prior written approval.

9.22 PATRON DISPUTE RESOLUTION. Manager shall submit all patron disputes concerning play to the Gaming Commission pursuant to the Tribal Gaming Ordinance, and the regulations promulgated thereunder.

9.23 CLAIMS INVOLVING AUTHORITY, ETC.. Manager and the Tribe each hereby agrees to indemnify and hold the other harmless from and against any and all claims, loss, liability, damage or expenses (including reasonable attorneys' fees) suffered or incurred by the other party as a result of a claim brought by a person or entity claiming that the indemnifying party has no authority, power or right to enter into this Agreement.

9.24 CLAIMS BROUGHT BY GREEN ACRES CASINO MANAGEMENT COMPANY, INC. The Manager hereby agrees to indemnify and hold harmless the Tribe and/or the Enterprise from and against any and all claims, loss, liability damages or expenses (including reasonable attorneys' fees) suffered or incurred by any action brought by Green Acres , Basil Green, Dorothy Green or any other shareholder, director or officer of Green Acres.

9.25 RELEASE BY MANAGER, ETC. The Manager, FHR, and Green Acres each hereby releases the Tribe from any obligations, claims, expenses, costs and damages that the Manager, FHR and/or Green Acres may have as of the date of this Agreement.

9.26 RELEASE BY TRIBE, ETC. The Tribe releases the Manager, FHR and Green Acres from any obligations, claims, expenses, costs and damages that the Tribe may have as of the date of this Agreement.

9.27 MODIFICATION. Any change to or modification of this Agreement must be in writing signed by both parties hereto and shall be effective only upon approval by the Chairman of the NIGC, the date of signature of the parties notwithstanding.

10. WARRANTIES



10.1 WARRANTIES. The Manager and the Tribe each warrant and represent that they shall not act in any way whatsoever, directly or indirectly, to cause this Agreement to be amended, modified, canceled or terminated, except pursuant to Section 11. The Manager and the Tribe warrant and represent that they shall take all actions necessary to ensure that this Agreement shall remain in full force and effect at all times.

10.2 INTERFERENCE IN TRIBAL AFFAIRS. The Manager agrees not to interfere in or attempt to influence the internal affairs or governmental decisions of the Tribal government by offering cash incentives, by making written or oral threats to the personal or financial status of any person, or by any other action, except for actions in the normal course of business of the Manager that only affect the activities of the Enterprise. For the purposes of this Section 10.2, if any such undue interference in Tribal affairs is alleged by the Tribe in writing and the NIGC finds that the Manager has unduly interfered with the internal affairs of the Tribal government and has not taken sufficient action to cure and prevent such interference, that finding of interference shall be

grounds for termination of the Agreement by either the Tribe or the NIGC. The Manager shall be entitled to immediate notice by the Tribe of any complaint to the NIGC.

10.3 PROHIBITION OF PAYMENTS TO MEMBERS OF TRIBAL GOVERNMENT. Manager represents and warrants that no payments have been or will be made to any member of the Tribal government, any Tribal official, any relative of a member of Tribal government or Tribal official, or any Tribal government employee for the purpose of obtaining any special privilege, gain, advantage or consideration.

10.4 DEFINITIONS. As used in this Section 10, the term "member of the Tribal government" means any member of the Tribal Council, the Gaming Agency or any independent board or body created to oversee any aspect of Gaming and any Tribal court official; the term "relative" means an individual residing in the same household who is related as a spouse, father, mother, son or daughter.

11. GROUNDS FOR TERMINATION

11.1 VOLUNTARY TERMINATION. This Agreement may be terminated upon the mutual written consent and approval of the parties.

11.2 TERMINATION PRIOR TO EFFECTIVE DATE FOR CAUSE.

11.2.1 Either party may terminate this Agreement if the other party commits or allows to be committed any material breach of this Agreement. A material breach of this Agreement means a failure of either party to perform any material duty or obligation on its part for thirty (30) consecutive days after receiving written notice of breach from the other party. Neither party may terminate this Agreement on grounds of material breach unless it has provided written notice to the other party of its intention to terminate this Agreement and within thirty (30) days following receipt of such notice the defaulting party fails (a) to cure the default or (b) to



commence curing the default and thereafter diligently to proceed to cure the default. The discontinuance or correction of a material breach shall constitute a cure thereof.

11.2.2 The Tribe may also terminate this Agreement where the Manager has had its license withdrawn because the Manager, or a director or officer of the Manager, has been convicted of a criminal felony or misdemeanor offense directly related to the performance of the Manager's duties hereunder; provided, however the Tribe may not terminate this Agreement based on a director or officer's conviction where the Manager terminates such individual within ten (10) days after receiving notice of the conviction.

11.2.3 An election to pursue damages or to pursue specific performance of this Agreement or other equitable remedies while this Agreement remains in effect shall not preclude the injured party from providing notice of termination pursuant to this Section 11.2.

11.3 INVOLUNTARY TERMINATION DUE TO CHANGES IN LEGAL REQUIREMENTS. It is the understanding and intention of the parties that the establishment and operation of the Enterprise conforms to and complies with all Legal Requirements. If during the term of this Agreement, a final judgment of a court of competent jurisdiction determines Class III Gaming at the Enterprise is unlawful, and all appeals from such judgment have been exhausted, the obligations of the parties hereto shall cease and this Agreement shall be of no further force and effect except as to (a) accrued liabilities, (b) to the provisions of Section 12.2 and Section 17 and (c) to Manager's rights under the Loan Documents; provided that (i) the Manager and the Tribe shall retain all money previously paid to them pursuant to Section 6 of this Agreement; (ii) funds of the Enterprise in any account shall be paid and distributed as provided in Section 6 of this Agreement; (iii) any money loaned by or guaranteed by the Manager or its affiliates to the Tribe shall be repaid to the Manager; and (iv) the Tribe shall retain its interest in the title (and any lease) to all Enterprise fixtures, supplies and equipment, subject to any requirements of financing arrangements.

11.4 TERMINATION WITHOUT CAUSE.

11.4.1 TRIBE'S RIGHT TO TERMINATE. Prior to the Effective Date, the Tribe may terminate this Agreement without cause at any time after five years from the date of receiving the last payment as specified in Section 6.10 of this Agreement. If the Tribe shall violate this Section by terminating the Agreement prior to the expiration of such five year period, Manager hereby waives all its rights to dispute resolution under Section 17 of this Agreement. In lieu of all other remedies, Manager shall be entitled to recover 2% of gross revenues (but not to exceed $5,000,000) derived -- during the five year period following the date on which the Tribe terminates this Agreement -- from tribal Class III gaming.

11.4.2 MANAGER'S RIGHT TO TERMINATE. Prior to the Effective Date and

after ten months from the date execution of the Agreement, the Manager may terminate this Agreement without cause at any time upon sixty days prior notice to the Tribe.



11.5 CONSEQUENCES OF MANAGER'S BREACH. In the event of the termination of this Agreement by the Tribe for cause under Section 11.2, or without cause under Section 11.4 the Manager shall not, prospectively from the date of termination, have the right to its Management Fee from the Enterprise, but such termination shall not affect the Manager's rights under Section 12, the Loan Documents or any other agreements entered pursuant hereto.

11.6 CONSEQUENCES OF TRIBE'S BREACH. In the event of termination of this Agreement by the Manager for cause under Section 11.2 or without cause under Section 11.4, the Manager shall not be required to perform any further services under this Agreement and the Tribe shall indemnify and hold the Manager harmless against all liabilities of any nature whatsoever relating to the Enterprise arising after the date of termination, but only insofar as these liabilities result from acts within the control of the Tribe or its agents.

11.7 NOTICE PROVISION. The Tribe will give the Manager notice of any alleged violation of the Tribal Gaming Ordinance and thirty (30) days opportunity to cure before the Gaming Agency may take any action based on such alleged violation.

12. CONCLUSION OF THE MANAGEMENT TERM. Upon the conclusion of the Term, or the termination of this Agreement under other of its provisions, in addition to other rights under this Agreement, the Manager shall have the following rights:

12.1 TRANSITION. If termination occurs at any time other than upon the conclusion of its Term, Manager shall be entitled to a reasonable period of not less than thirty (30) days to transition management of the Enterprise to the Tribe or its designee during which period the Manager shall be entitled to pay an amount equal to its Management Fee as if the termination had not occurred.

12.2 UNDISTRIBUTED NET REVENUES. If the Enterprise has Net Revenues (Accrued) (irrespective of whether such Net Revenues (Accrued) are known or unknown upon the expiration of the Term or the sooner termination of this Agreement) which have not been distributed under Section 6 of this Agreement, the Manager shall receive at such time as such Net Revenues can be distributed that portion of such Net Revenues that it would have received had such Net Revenues been distributed during the Term. Any funds in the Reserve Funds, other than the Capital Reserve Fund, shall be deemed to be Net Revenues to the extent that the depositing of such funds into the Reserve Funds was treated as an Operating Expense. The Capital Reserve Fund shall be distributed to the Tribe.

12.3 RIGHTS UNDER IGRA. The Manager shall have the rights to continue as Manager as set forth in Section 2710(d)(2)(D)(iii) of IGRA.

13. CONSENTS AND APPROVALS

13.1 TRIBE. Where approval or consent or other action of the Tribe is required, such approval shall mean the written approval of the Tribal Council evidenced by a resolution thereof,



certified by a tribal official as having been duly adopted, or, if provided by resolution of the Tribal Council, the approval of the Gaming Agency, or such other person or entity designated by resolution of the Tribal Council. Any such approval, consent or action shall not be unreasonably withheld or delayed; provided the foregoing does not apply where a specific provision of this Agreement allows the Tribe an absolute right to deny approval or consent or withhold action.

13.2 MANAGER. Where approval or consent or other action of the Manager is required, such approval shall mean the written approval of the Managing Officer. Any such approval, consent or other action shall not be unreasonably withheld or delayed.

14. DISCLOSURES

14.1 SHAREHOLDERS AND DIRECTORS. Manager will disclose to the Tribe and the NIGC on the date that this Agreement is submitted to the NIGC, the names of and other information on its affiliates, shareholders, directors and officers as required by 25 CFR 533.3.

14.2 WARRANTIES. The Manager further warrants and represents as follows: (i) no person or entity has any beneficial ownership interest in the Manager other than as shall be identified pursuant to Section 14.1; (ii) no officer, director or owner of five percent (5%) or more of the stock of the Manager has been arrested, indicted for, convicted of, or pleaded nolo contendere to any

felony or any gaming offense, or had any association with individuals or entities known to be connected with organized crime; and (iii) no person or entity disclosed pursuant to Section 14.1 of this Agreement, including any officers and directors of the Manager, has been arrested, indicted for, convicted of, or pleaded nolo contendere to any felony or any gaming offense, or had any association with individuals or entities known to be connected with organized crime.

14.3 CRIMINAL AND CREDIT INVESTIGATION. The Manager agrees that all of its shareholders, directors and officers (whether or not involved in the Enterprise), shall:

(a) consent to background investigations to be conducted by the Tribe, the State of Michigan, the Federal Bureau of Investigation (the "FBI") or any other law enforcement authority to the extent required by the IGRA or any Compact.

(b) be subject to licensing requirements in accordance with Tribal law and this Agreement,

(c) consent to a background, criminal and credit investigation to be conducted by or for the NIGC, if required,

(d) consent to a financial and credit investigation to be conducted by a credit reporting or investigation agency at the request of the Tribe,

(e) cooperate fully with such investigations, and

(f) disclose any information requested by the Tribe which would facilitate the background and financial investigation.



Any materially false or deceptive disclosures or failure to cooperate fully with such investigations by an employee of the Manager or an employee of the Tribe shall result in the immediate dismissal of such employee. The results of any such investigation may be disclosed by the Tribe to federal officials as required by law.

14.4 DISCLOSURE AMENDMENTS. The Manager agrees that whenever there is any material change in the information disclosed pursuant to this Section 14, it shall notify the Tribe of such change no later than thirty (30) days following the change or within ten days after it becomes aware of such change, whichever is later. The Tribe shall, in turn, provide the NIGC copies of any such notifications. All of the warranties and agreements contained in this Section 14 shall apply to any person or entity who would be disclosed pursuant to this Section 14 as a result of such changes.

14.5 BREACH OF MANAGER WARRANTIES AND AGREEMENTS. The material breach of any warranty or agreement of the Manager contained in this Section 14 shall be grounds for immediate termination of this Agreement; provided that (a) if a breach of the warranty contained in clause (ii) of Section 14.2 is discovered, and such breach was not disclosed by any background check conducted by the FBI as part of the NIGC or other federal approval of this Agreement, or was discovered by the FBI investigation but all officers and directors of the Manager sign sworn affidavits that they had no knowledge of such breach, then the Manager shall have thirty (30) days after notice from the Tribe to terminate the interest of the offending person or entity and, if such termination takes place, this Agreement shall remain in full force and effect; and (b) if a breach relates to a failure to update changes in financial position or additional gaming related activities, then the Manager shall have thirty (30) days after notice from the Tribe to cure such default prior to termination.

15. RECORDATION. If applicable, at the option of Manager or the Tribe, any security agreement related to the Loan Agreement may be recorded in any public records. Where such recordation is desired in any relevant recording office maintained by the Tribe, and/or in the public records of the BIA, the Tribe will accomplish such recordation upon the request of the Manager. Manager shall promptly reimburse the Tribe for all expense, including attorney fees, incurred as a result of such request. No such recordation shall waive the Tribe's sovereign immunity.

16. NO PRESENT LIEN, LEASE OR JOINT VENTURE. The parties agree and expressly warrant that neither the Management Agreement nor any exhibit thereto is a mortgage or lease and, consequently, does not convey any present interest whatsoever in the Facility or the Property, nor any proprietary interest in the Enterprise itself. The parties further agree and acknowledge that it is not their intent, and that this Agreement shall not be construed, to create a joint venture between the Tribe and the Manager; rather, the Manager shall be deemed to be an independent contractor for all purposes hereunder.

17. ARBITRATION. Either party may submit any dispute arising under the terms of this Agreement, the Loan Documents and any other document executed in conjunction with this Agreement to arbitration under this Section, including without limitation a claim that a party has

breached this Agreement and the Agreement should be terminated. Arbitration shall be the exclusive means of dispute resolution between the parties and shall take place under the procedure set forth in this Section 17. The arbitrators shall have the right to grant injunctive relief and specific performance.

17.1 Unless the parties agree upon the appointment of a single arbitrator, a panel of arbitrators consisting of three (3) members shall be appointed. One (1) member shall be appointed by the Tribe and one (1) member shall be appointed by the Manager within ten (10) working days' time following the giving of notice submitting a dispute to arbitration. The third member shall be selected by agreement of the other two (2) members. In the event the two (2) members cannot agree upon the third arbitrator within fifteen (15) working days' time, then the third arbitrator shall be chosen by the Chief Judge of the United States District Court for the Western District of Michigan. If for any reason the Chief Judge refuses to choose the third arbitrator, the Dean of the Law School at the University of Michigan shall make the selection.

17.2 Expenses of arbitration shall be shared equally by the parties unless the arbitrator or arbitration panel determines that the expenses should be paid by the non prevailing party under standards similar to those in Rule 11 of the Federal Rules of Civil Procedure. Meetings of the arbitrators may be in person or, in appropriate circumstances, by telephone. All decisions of any arbitration panel shall be by majority vote of the panel, shall be in writing, and, together with any dissenting opinions, shall be delivered to both parties.

17.3 The arbitrator or arbitration panel shall have power to administer oaths to witnesses, to take evidence under oath, and, by majority vote, to issue subpoenas to compel the attendance of members of the Tribe or employees of the Manager for the production of books, records, documents and other relevant evidence by either party. The Tribe and the Manager agree to comply with such subpoenas.

17.4 The arbitrator or arbitration panel shall hold hearings in the proceeding before it and shall give reasonable advance notice to the Tribe and the Manager by registered mail not less than five (5) days before any hearing. Unless otherwise agreed by the Tribe and the Manager, all hearings shall be held at the Tribal Offices on the Huron Band of Potawatomi Reservation. Appearance at a hearing waives such notice. The arbitrator or arbitration panel may hear and determine the controversy only upon evidence produced before it and may determine the controversy notwithstanding the failure of either the Tribe or the Manager duly notified to appear. The Tribe and the Manager are each entitled to be heard at all hearings, to present evidence material to the matter subject to arbitration, to cross-examine witnesses appearing at the hearing, and to be represented by counsel at its own expense.

17.5 If the matter being submitted to arbitration involves a notice to terminate the Agreement for material breach, the party seeking termination may apply to the arbitrator or arbitration panel for an order suspending performance of the Agreement during the pendency of arbitration, and the arbitrator or arbitration panel shall properly hear and decide that application.



17.6 The decision of the arbitrator or arbitration panel shall be presumed to be valid, shall be enforceable in full in any court of competent jurisdiction and may be vacated or modified only by the United States District Court for the Western District of Michigan on one of the following grounds; (a) the decision is not supported by substantial evidence; (b) the decision was procured by corruption, fraud or undue means; (c) there was evident partiality or corruption by the arbitrator, arbitration panel or any member; (d) the arbitrator, arbitration panel or any member was guilty of misconduct in refusing to hear the question, or in refusing to hear evidence pertinent and material to the question, or any other clear misbehavior by which the rights of either party have been substantially prejudiced; (e) the arbitrator or arbitration panel or any member exceeded its authority under the terms of this Agreement; or (f) the arbitrator or arbitration panel's decision is contrary to law.

17.7 The Tribe waives its sovereign immunity only to the extent of allowing arbitration and judicial review and enforcement under the procedures set forth in this Section. This Agreement does not constitute and shall not be construed as a waiver of sovereign immunity by the Tribe except to permit arbitration and judicial review and enforcement under the procedures set forth in this Section.

17.8 Notwithstanding this or any other provision, the only tribal income, assets and property which shall be subject to any claim or award under this Agreement are (a) any undistributed or future income, revenues or proceeds from the Enterprise and/or Facility, including without limitation such revenues arising or generated after the termination of this Agreement, and (b) Tribal gaming and related revenues from the Property and/or Facility arising or generated after the date that the matter in dispute is referred to arbitration.

17.9 This Section 17 shall survive the termination of this Agreement.

18. ENTIRE AGREEMENT. This Agreement constitutes the entire understanding and agreement of the parties hereto and supersedes all other prior agreements and understandings, written or oral, between the parties, including without limitation, the agreements referred to in Section 1.1, provided that during the Term the Manager shall have a right of first refusal to manage any Class II gaming operation of the Tribe if the Tribe elects to engage a management company for such operation, which right may be exercised by serving written notice upon the Tribe within thirty (30) days after the Tribe notifies the Manager in writing of the terms and conditions pursuant to which the Tribe intends to engage another management company for a Class II gaming operation.

19. GOVERNMENT SAVINGS CLAUSE. Each of the parties agrees to execute, deliver and, if necessary, record any and all additional instruments, certifications, amendments, modifications and other documents as may be required by the United States Department of the Interior, BIA, the NIGC, the Office of the Field Solicitor, or any applicable statute, rule or regulation in order to effectuate, complete, perfect, continue or preserve the respective rights, obligations, liens and interests of the parties hereto to the fullest extent permitted by law; provided, that any such additional instrument, certification, amendment, modification or other document shall not



materially change the respective rights, remedies or obligations of the Tribe or the Manager under this Agreement or any other agreement or document related hereto.

20. EXECUTION. This Agreement is being executed in four counterparts, two to be retained by each party. Each of the four originals is equally valid. This Agreement shall be binding upon both parties when properly executed and approved by the Chairman of the NIGC.

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

NOTTAWASEPPI HURON BAND OF
POTAWATOMI

By: /s/ SHIRLEY ENGLISH
---

Name: Shirley English
---

Title: Tribal Chairperson
---

Dated: 11-29-96
---

GAMING ENTERTAINMENT (MICHIGAN), LLC

By: /s/ ROBERT L. KELLEY
---
Robert L. Kelley

By: /s/ JOHN TAYLOR
---
John Taylor, Member of
Management Committee

Name: /s/ JOHN E. TAYLOR JR.
---

Title:---

Dated: 12/2/96
---

Approved pursuant to 25 U.S.C.ss.2711 and
Approved pursuant to 25 U.S.C.ss.81



NATIONAL INDIAN GAMING COMMISSION

By:---

Name:----------

Title: Chairman
----------

Dated:----------

Green Acres Casino Management Company, Inc. and Full House Resorts, Inc. join in this agreement solely for the purpose of consenting to the provisions of Section 9.25 in consideration of the release granted by the Tribe under Section 9.26.

GREEN ACRES CASINO MANAGEMENT COMPANY, INC.

By: /s/ DOROTHY GREEN
----------
Name: Dorothy Green
Title: President
Dated: November

FULL HOUSE RESORTS, INC.

By: /s/ ROBERT L. KELLEY
----------
Name: Robert L. Kelley
Title: President
Dated: November 30, 1996

EXHIBIT 21

LIST OF SUBSIDIARIES OF FULL HOUSE RESORTS, INC.

| NAME OF SUBSIDIARY | JURISDICTION OF INCORPORATION |
|---|---|
| Deadwood Gulch Resort and Gaming Corp. | South Dakota |
| Full House Subsidiary, Inc. | Delaware |
| Full House Subsidiary of Nevada, Inc. | Nevada |
| Full House Subsidiary of Oregon, Inc. | Delaware |
| Full House Joint Venture Subsidiary, Inc. | New York |
| Gaming Entertainment L.L.C.* | Delaware |
| Gaming Entertainment (Delaware) L.L.C.* | Delaware |
| Gaming Entertainment (Michigan) L.L.C.* | Delaware |
| Gaming Entertainment (California) L.L.C.* | Delaware |
| Greenhouse Management, Inc. | Michigan |

*50% owned
**85% owned

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No.'s 33-84226 and 33-80858 of Full House Resorts, Inc. on form S-8 of our report dated March 7, 1997, appearing in this Annual Report on Form 10-KSB of Full House Resorts, Inc. for the year ended December 31, 1996.

DELOITTE & TOUCHE llp

Reno, Nevada
March 24, 1997

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