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, 1998

[ ] 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.)

2300 West Sahara Avenue, Suite 450 - Box 23, Las Vegas, Nevada 89102
(Address and zip code of principal executive offices)

(702) 221-7800
(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. [ ]

State issuer's revenues for its most recent fiscal year: $3,529,687.

The aggregate market value of registrant's voting $.0001 par value common stock held by non-affiliates of the registrant, as of March 24, 1999, was: $12,668,189.

The number of shares outstanding of registrant's $.0001 par value common stock, as of March 24, 1999, was 10,340,380 shares.

PART I

1. DESCRIPTION OF BUSINESS.

Background

Full House Resorts, Inc. ("Full House" or the "Company"), a developer of destination resorts and entertainment, gaming and commercial centers, was incorporated in the State of Delaware on January 5, 1987. 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 net proceeds of $6,742,841. The Company extended the exercise period of the Warrants until February 10, 1997.

In May 1994, Lee Iacocca, currently a director of the Company, 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.

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 Merger between LAI and FHS was consummated. 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 merger with Omega 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 accrued interest, payable quarterly, at a rate equal to the "prime" rate and such principal amount, together with all accrued interest, was 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. The promissory note was paid in full in 1998. 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.

Full House's executive offices are located at 2300 West Sahara Avenue, Suite 450 - Box 23, Las Vegas, Nevada 89102, telephone (702) 221-7800.

GTECH Relationship

Effective April 1, 1995, 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. 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 agreed to guarantee one-half of the obligations of the joint venture companies to GTECH under these loans and at December 31, 1998 had guaranteed to GTECH one-half of a loan to the Oregon Tribe with a balance of $2 million. The Delaware venture loan was paid in full during February 1998. GTECH 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. Although the loan was convertible into 600,000 shares of Full House's Common Stock in January 1998, the loan conversion clause expired without exercise. 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, 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 (as of December 31, 1998, there were 350 video lottery terminals, 10 blackjack tables and nine poker tables). 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 sublease expires in 2002.

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. The Coos County population, which includes the Bay area, is 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 seven Indian casinos presently operating in Oregon. The closest competing casino is located approximately 90 miles from North Bend and operates 700 devices, a card room, bingo and keno. The other casinos are located approximately 140, 160, 200, 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, financed and is managed by a Full House-Dreamport joint venture company. The facility employs approximately 270 people, and features 702 gaming devices and a 150-seat simulcast parlor. 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. The development loan was paid in full in February 1998.

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 currently operates 1,000 devices with plans to add an additional 500 devices in 1999. 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. During 1998, the 150-seat simulcast parlor was moved to the Harrington Raceway Grandstand, the food and beverage operation in the Grandstand was improved and expanded, and the number of gaming devices in the facility was increased by 122. Harrington Raceway, Inc. secured a bank loan to pay for these and other improvements and pay off the development loan from the joint venture company.

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. A joint venture company owned by Full House and Dreamport has 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. A third party 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 occurred in December, 1998. Approval by the U. S. Department of the Interior and National Indian Gaming Commission remains pending. The Company is in the process of identifying a suitable site for the Tribe's gaming operation and beginning the process of having the land placed in trust for the Tribe.

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. Construction of temporary facilities has begun with openings projected in 1999. The Company does not believe that operation of three gaming facilities in Detroit will materially adversely impact the proposed Huron Potawatomi casino.

TORRES MARTINEZ BAND OF DESERT CAHUILLA INDIANS-THERMAL, CALIFORNIA. In April 1995, Full House entered into a Gaming and Development Agreement and a Gaming Management Agreement with the Torres Martinez Desert Cahuilla Indians. The agreements grant Full House certain rights to develop, manage and operate gaming activities for the Tribe and the right to receive a defined percentage of the net revenues from gaming activities subject to the obligation of Full House to arrange or provide financing for the development. The rights to these agreements were assigned to a Full House-Dreamport joint venture company. In 1997, a new Gaming Management Agreement was executed, further defining the rights and obligations of the Tribe and the 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 not by the Senate. The bill was not reintroduced during the 1997 session as the Tribe focused its attention upon a settlement with the State of California under which it will also take replacement lands in exchange for granting a right of way through its reservation to accommodate the re-routing of a state highway.

On March 6, 1998, California Governor Pete Wilson announced that he had reached an agreement on a compact for gaming which was intended to be the standard for gaming compacts with all Indian tribes in California. The Compact would limit electronic gaming devices in Indian casinos to lottery-style devices and limit the number of devices to 19,900 statewide, which would be allocated equally among California's 100 federally recognized tribes. Tribes that do not choose to operate their own casinos could lease their allotment of gaming devices for up to $5,000 per device, per year. Tribal casinos would be limited to 975 gaming devices each, including leased machines. In November 1998, the "Tribal Government Gaming and Economic Self-Sufficiency Act of 1998" (the "Act") was passed by the voters of California in the general election. The Act guarantees any federally recognized tribe within the state that has land eligible for gaming, the right to operate limited forms of Class III gaming under specific terms. However, the Act's constitutionality is pending before the California Superior Court.

The Tribe and the Company have not determined which course of action to pursue, if any, in light of the continuing uncertainty of the future scope and direction of Indian gaming in California. Therefore, the Company cannot determine the impact on the future development of gaming operations with the Tribe.

THEME HOTEL/CASINO-BILOXI, MISSISSIPPI

The Company purchased a one acre parcel of land on the gulf coast in Biloxi, Mississippi in February 1998, with the intent of developing a themed casino resort. The land is located near the interchange of Beach Blvd. and

Interstate 110, and next to the recently opened Beau Rivage Resort developed by Mirage Resorts, Inc. The Company has subsequently obtained options to purchase and/or lease approximately six additional acres, which, together with the parcel already acquired, will constitute the project site.

The Company and Mr. Allen Paulson (the Company's principal stockholder) have formed a limited liability company, equally owned, for the purpose of owning and developing the proposed resort. Mr. Paulson has agreed to contribute a gaming vessel (the former Treasure Bay barge in Tunica, Mississippi) and the Company has agreed to contribute its rights to various agreements with Hard Rock Cafe International ("Hard Rock").

These agreements provide the Company with the exclusive right to develop a Hard Rock Casino-Hotel in the defined territory in exchange for the payment of a $2,000,000 territory fee and a continuing fee based on gaming and hotel revenues generated by the project. The Company has paid $1,000,000 towards the territory fee as of December

31, 1998, with the balance due on March 31, 1999. The Company has formed a management company with Hard Rock, which will serve as the manager and developer of the project.

The Hard Rock-Biloxi, as currently envisioned, is expected to cost between $250 and $300 million, and the Company is exploring various financing alternatives. Substantial additional financing will be required for the Company to effect its business strategy, and there can be no assurance that the Company will be able to obtain such financing on acceptable terms.

DEADWOOD GULCH RESORT

On May 12, 1998, the Company completed the sale of Deadwood Gulch Resort ("DGR") for $6 million cash and the proration of certain related items. The Company received net proceeds of $5,933,160 from the sale of DGR, which includes the $6 million cash portion of the sales price in addition to $11,439 received from the buyer for the proration of inventory, receivables and prepaid assets, offset by advance deposits, progressive jackpot liabilities and closing costs of $78,279. The gain on the sale, recorded in the second quarter 1998, was $385,225.

The Company determined that its ownership of this facility was 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. From the time of its acquisition through its sale, the Resort had a cumulative operating deficit of approximately $3.41 million and the Company had recognized an impairment loss of $4.15 million through such date.

Full House operated Deadwood Gulch Resort in Deadwood, South Dakota until its sale in May 1998. The Deadwood Gulch Resort consists of a 56-acre complex which includes a 99-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. Full House operated 96 slot machines, two blackjack tables and three video lottery devices within the resort complex.

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 construction costs; (iv) a ceiling on the repayment of such development and construction 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. 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.

MISSISSIPPI. The ownership and operation of casino gaming facilities in Mississippi are subject to extensive state and local regulation, but primarily the licensing and regulatory control of the Mississippi Gaming Commission. The Mississippi Gaming Commission has the authority to require a finding of suitability with respect to any security holder of a licensed entity, regardless of the percentage of ownership.

Applicable Mississippi law requires the Company, and its respective officers, directors, members and significant equity holders to submit to a background regulatory review process prior to the licensing of the Hard Rock-Biloxi. The review process includes the submission of a gaming application, an investigation and submission of a personnel history and financial information. In addition, employees engaged in gaming operations will have to be separately licensed. The applicant for the gaming license has the burden of proving its qualifications for license. Any license issued or other approval granted is a revocable privilege, and must be renewed, as a general rule, on an annual basis. The Mississippi gaming authorities have broad discretion to condition, suspend, revoke, limit, restrict or deny renewal of any gaming license at any time. Persons found unsuitable by the Mississippi gaming authorities may be required immediately to terminate any interest in, association or agreement with or relationship to a licensee. A finding of unsuitability with respect to any officer, director, employee, associate, lender or beneficial owner of a licensee or applicant also may jeopardize the licensee's license or the applicant's license application. A license grant may be conditioned upon the termination of any relationship with unsuitable persons.

Unless properly licensed, no person is permitted to collect gaming revenues. In addition, no person is permitted to act as an attorney in fact for any licensee. Gaming licensed are not saleable, otherwise transferable or subject to nominee arrangements.

EMPLOYEES

As of March 15, 1999, the Company and its subsidiaries had six full-time employees, three of whom are executive officers of the Company. 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 revenues of the gaming facility. The lease is treated as a capital lease and payments commenced on August 20, 1996. See "Description of Business - GTECH Relationship."

The Company owns a parcel of land in Biloxi, Mississippi, which is intended to be a portion of a future gaming development site. The property was

acquired in February 1998 and comprises approximately one acre.

3. LEGAL PROCEEDINGS.

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 appealed that judgment to the Mississippi appellate court. In April 1998, the Appeals Court affirmed the dismissal of all counts against all parties, excepting Lone Star's claim against the Company for breach of contract, which it remanded to the trial court for additional hearing. No action has been taken on that matter to date. Management is unable to determine the outcome of this litigation, but does not believe the outcome will have a material adverse effect on the Company's financial condition.

In January 1999, the Company was advised that the U.S. Securities and Exchange Commission ("SEC") was conducting an informal inquiry into trading of the Company's stock by its President, Gregg R. Giuffria, for a period beginning prior to his association with the Company and continuing for a short period after he became a consultant to the Company. In February 1999, the Company was further advised that the SEC had issued a Formal Order of Investigation in the matter. The Company is cooperating fully with the SEC in its investigation.

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 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, 1998		
First Quarter	$3.88	$2.00
Second Quarter	3.75	1.94
Third Quarter	3.00	1.25
Fourth Quarter	3.50	1.50
YEAR ENDED DECEMBER 31, 1997		
First Quarter	$4.38	$2.75
Second Quarter	3.63	2.38
Third Quarter	2.88	1.38
Fourth Quarter	3.06	1.69

The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions. On March 24, 1999, the last sale price of the Common Stock as reported by the Nasdaq SmallCap Market was $2.19.

(B) HOLDERS

As of March 24, 1999, the Company had approximately 161 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 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 $.30per 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 has not declared or paid the accrued dividends on its Preferred Stock which were payable since issuance, totaling $1,365,000 and, accordingly, is in default in regard thereto.

As 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 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.

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

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

JOINT VENTURE INCOME. Joint venture income increased $419,822, or 13.5% for the year ended December 31, 1998 as compared to 1997. These increases are due to the improved operating results from the Delaware and Oregon joint ventures.

DELAWARE JOINT VENTURE. The Company's share of income from the Delaware joint venture was $2,506,437 for the year ended December 31, 1998. This represented an increase in the Company's share of income of $350,011, or 16.2%, over 1997. The increase is attributed to a new marketing plan at the facility and the addition of 122 video slot machines on May 22, 1998. As a result of operating results exceeding initial projections, Midway Slots and Simulcast has prepaid its obligation to the Delaware joint venture. The joint venture, in turn, prepaid its obligation to the Company in February 1998.

OREGON JOINT VENTURE. The Company's share of income from the Oregon joint venture increased $80,662, or 8.1% for the year ended December 31, 1998 as compared to 1997 primarily as a result of improved marketing of the casino.

CALIFORNIA AND MICHIGAN JOINT VENTURES. The Company's share of the loss from the California and Michigan joint ventures increased to $57,486 for the year ended December 31, 1998 as compared to $46,634 in 1997. These joint venture companies are still in the development stage and do not have operating revenues.

GENERAL AND ADMINISTRATIVE EXPENSES. Non-resort expenses increased $217,416, or 13.5% for the year ended December 31, 1998 as compared to 1997. This increase is primarily due to the grant, on January 6, 1998 of a vested stock option to Gregg Giuffria, who later became president and chief operating officer of the Company, to purchase 70,001 common shares at $2.03, and an unvested option to purchase 279,999 shares at $2.03. The value of $240,964 for the options was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: expected volatility of 95 percent, risk-free interest rate of 5.4 percent, and expected life of 2.0 years. As the vested options were granted to a then nonemployee in return for prior services, consulting expense was recognized in the first quarter of 1998 in the amount of $74,644, and the remaining $166,320 is being amortized over the 36 month vesting period beginning April 1998. In addition, in 1998, 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.

INTEREST EXPENSE AND DEBT ISSUE COSTS. For the year ended December 31, 1998, interest expense and debt issue costs decreased by $98,131 as compared to 1997. This decrease is primarily due to interest on the $3 million GTECH note, which became interest bearing in January 1998, and the bank loan used to fund the Mississippi land acquisition, offset by the decrease in interest expense due to the payoff of the DGR loan.

INTEREST AND OTHER INCOME. Interest and other income increased by $443,271 for the year ended December 31, 1998 primarily due to the $385,227 gain on the sale of DGR and a one time reimbursement of $85,532 from the former Chairman of the Board for costs

associated with the gaming opportunities presented to the Company by him, partially offset by a reduction in interest income due to the prepayment of the Delaware LLC note receivable.

INCOME TAX EXPENSE. Income tax expense was $344,082 for the year ended

December 31, 1998 and primarily reflects state taxes due on joint venture revenues. At December 31, 1998, the Company had net operating loss carryforwards for federal income tax purposes of approximately $3,600,000, which may be carried forward to offset future taxable income. The loss carryforwards expire in 2007 through 2018. The availability of the loss carryforwards may be limited in the event of a significant change in ownership of the Company or its subsidiaries.

DEADWOOD GULCH RESORT

INCOME (LOSS) FROM OPERATIONS. The operating loss from DGR was ($345,769) for 1998 as compared to a profit of $424,815 in 1997 primarily due to the sale of the Resort in May 1998, which was prior to the beginning of the peak season.

IMPAIRMENT OF LONG-LIVED ASSETS. In January 1996, the Company announced its intent to dispose of DGR. The Company adopted the provisions of SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF 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. Since the adoption of SFAS No. 121, the Company has written off $4,154,290 related to DGR.

GAIN ON SALE OF ASSETS HELD FOR SALE. The Company recognized a gain on the sale of DGR of $385,227 after considering the impairment of long-lived assets discussed above. DGR was sold on May 12, 1998. See also "Liquidity and Capital Resources".

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

Revenues for the year ended December 31, 1997 increased $628,451 or 8.2% to $8,298,789 as compared with revenues of $7,670,338 for the year ended December 31, 1996. The net income per share for the year ended December 31, 1997 increased $0.17 or 189% to $.08 as compared with a loss per share of $0.09 for the year ended December 31, 1996.

JOINT VENTURE INCOME

Joint Venture income increased $1,000,832 or 47.5% for the year ended December 31, 1997 as compared to 1996. This increase is due to inclusion of income from the Delaware joint venture, which was not in operation until August 1996 for a full year in 1997, and to the improved operating results from the Oregon joint venture. The revenues for 1996 include a one time gain of $834,370 relating to the formation of the four joint venture companies with GTECH.

OREGON JOINT VENTURE. The Company's share of income from the Oregon joint venture increased $172,324 or 20.8% year ended December 31, 1997, as compared to 1996 as a result of improved marketing of and road access to the casino.

DELAWARE JOINT VENTURE. The Company's share of income from the Delaware joint venture was $2,156,427 for the year ended December 31, 1997. Midway Slots and Simulcast began operations in August of 1996. As reported by the Delaware Lottery Board, Midway Slots & Simulcast had a net win of $58.2 million for the year ended December 31, 1997. As a result of operating results exceeding initial projections, Midway Slots and Simulcast has prepaid a portion of its obligation to the Delaware joint venture. The joint venture, in turn, prepaid a portion of the obligation to the Company. The outstanding principal balance of the obligation to the Company was $544,911 at December 31, 1997, which was paid in full in February 1998.

CALIFORNIA AND MICHIGAN JOINT VENTURES. As compared to 1996, the Company's share of the loss from the California and Michigan joint ventures declined by $25,563 during 1997. These joint venture companies are still in the development stage and do not have operating revenues.

DEADWOOD GULCH RESORT

The annual report of the South Dakota Commission on Gaming, which was released during the second quarter of 1997, announced that gaming revenues in Deadwood had declined by 6.4% in 1996 and that only 40% of the gaming businesses were profitable in 1996 versus 58% in 1995. This trend has continued during the first nine months of 1997 with a further decline in gaming revenues. The Company believes that the decline is attributable in part to decreased attendance at regional national parks (Mount Rushmore, Badlands National Park and Yellowstone National Park).

These factors have significantly impacted the operating results of Deadwood Gulch Resort. However, as a result of management programs, Resort income from operations for 1997 increased by $72,700 despite a decline in revenues of $372,381.

CASINO OPERATIONS. Revenues decreased 12.0% Or $173,909 to $1,271,413 for the year ended December 31, 1997 as compared to 1996. Although departmental expenses decreased 13.9% in 1997, department profit decreased $25,783. Management attributes the decline in revenues to the general decline in the market area explained above and aggressive giveaways by other casinos.

HOTEL/RV RESORT. Hotel/RV Resort revenues increased 3.7% or $56,918, to $1,580,340 for the year ended December 31, 1997 as compared to 1996. Hotel/RV Resort departmental profit increased $119,817 or 13.0%. Management attributes the improvements to marketing and cost-reduction measures in both the Hotel and RV Resort.

RETAIL. For the year ended December 31, 1997, revenues decreased 7.8% or $99,671 to $1,171,001 and departmental profits decreased 40.8% or $46,568 to $67,600 as compared to the same period in 1996. Department profit was lower than the prior year period due to a decline in sales as a result of lower tourism and increased pricing competition.

FOOD AND BEVERAGE. Revenues for the year ended December 31, 1997 decreased 1.4% or $10,821 to $755,621 (which includes $139,646 of promotional allowances) as compared to $766,422 (which includes $132,292 of promotional allowances). The departmental income after subtracting promotional allowances increased $14,688 over the year ended December 31, 1996. Management attributes the improvement to continued management of cost of sales and reduced departmental expenses.

GULCHES OF FUN FAMILY CENTER. Although revenues decreased 19.8% or $139,250 to $564,958 for the year ended December 31, 1997, departmental profits increased 13.8% or $27,517 to $226,734 as compared to 1996, due to a change in staffing of the facility and other cost-reduction measures.

SALES AND MARKETING EXPENSES. Sales and Marketing expenses increased 10.2% or $26,396 to $286,195 as compared to the same period in 1996. Management attributes the increase to efforts to increase or maintain market share.

GENERAL AND ADMINISTRATIVE EXPENSES - RESORT. For the year ended December 31, 1997, expenses decreased 0.5% or $3,094 to $580,220 as compared to 1996.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased 2.4% or $12,465 to $524,049 for the year ended December 31, 1997 as compared to 1996.

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. Further analysis of the estimated realizable value of the Deadwood Gulch Resort assets resulted in an additional impairment loss of $1,051,070 recorded during the year ended December 31, 1996 and $3,220 for the year ended December 31, 1997. Pursuant to SFAS No. 121, the Company has suspended recording depreciation of the assets of the Deadwood Gulch Resort.

GENERAL AND ADMINISTRATION EXPENSES

Non-Resort expenses for the year ended December 31, 1997 totaled $1,614,677, an increase of $95,577 over the prior year, reflecting savings resulting from the consolidation of the Company's executive offices in 1996 offset by increases in 1997 expenditures 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.

INTEREST EXPENSE AND DEBT ISSUE COSTS

For the year ended December 31, 1997, interest expense and debt issue cost decreased by $122,813 as compared to 1996, as a result of reduced levels of debt.

INTEREST AND OTHER INCOME

Interest and other income decreased by $113,113 during the year ended December 31, 1997 compared to 1996 due to a reduction of notes receivables from the Delaware joint venture.

INCOME TAX EXPENSE

Federal and state income tax expense was $275,641 for the year ended December 31, 1997 and -0- for the same period in 1996. At December 31, 1997, the Company had net operating loss carryforwards for federal income tax purposes of approximately $2,620,000, which may be carried forward to offset future taxable income. The loss carryforwards expire in 2007 through 2014. The availability of the loss carryforwards may be limited in the event of a significant change in ownership of the Company or its subsidiaries.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

Earnings before interest, taxes, depreciation and amortization (EBITDA), for the year ended December 31, 1997 improved by $977,955 over 1996 after exclusion of the impairment of long-lived assets (sale of Deadwood Gulch Resort) to $2,341,136 for the year ended December 31, 1997. EBITDA should not be construed as an indication of the Company's operating performance, or as an alternative to cash flows from operating activities as a measure of liquidity. The Company has presented EBITDA solely as supplemental disclosure because the Company believes that it enhances the understanding of the financial performance of companies with substantial depreciation and amortization.

LIQUIDITY AND CAPITAL RESOURCES

The Company held cash and cash equivalents of $1,092,178 as of December 31, 1998. Net cash provided by operating activities was $2,446,719 as compared to $2,116,766 in the comparable prior year period. Net cash provided by investing activities of $144,074 and net cash used in financing activities of $3,921,499 were the result of two significant transactions described below.

On May 12, 1998, the Company completed the sale of DGR for $6 million cash and the proration of certain related items. The Company received net proceeds of $5,933,160 from the sale of DGR, which includes the $6 million cash portion of the sales price in addition to $11,439 received from the buyer for the proration of inventory, receivables and prepaid assets, offset by advance deposits, progressive jackpot liabilities and closing costs of $78,279. On May 31, 1995, DGR had borrowed $5 million, secured by its real property. The Company repaid the remaining $3,165,861 due under this note from the proceeds from the sale. The Company also used approximately $200,000 of the sale proceeds to payoff the remaining current liabilities of DGR.

On February 23, 1998, the Company completed the purchase of a portion of a proposed gaming site in Biloxi, Mississippi. The Company acquired the site for $4,155,000 and the payment of certain related costs. The Company utilized cash on hand of $2,155,000 and obtained a $2 million bank loan in connection with the purchase. The bank loan was repaid on June 3, 1998 using proceeds from the sale of DGR. The Company has spent an additional $450,000 on deposits and purchase options for additional parcels of land in Mississippi.

Upon the payoff of the bank loan, the Company negotiated a $2 million line of credit with the same bank. The line bears interest adjustable daily at one percent above prime, requires interest payments monthly on the outstanding balance, and all principal and accrued interest is due at maturity on February 25, 1999. No amounts have been drawn on the line through December 31, 1998. In February 1999, the Company received a one year extension on the line and the interest rate was reduced to prime, plus 1/2%.

In November 1998, the Company executed a series of agreements with Hard Rock Cafe International related to its proposed development project in Biloxi, Mississippi. Pursuant to a licensing agreement, the Company has agreed to pay a $2,000,000 territory fee with $1,000,000 paid in 1998, and the second $1,000,000 due March 31, 1999.

In September 1998, the Company and Allen Paulson formed a limited liability company, equally owned, for the purpose of developing this project. Mr. Paulson agreed to contribute a gaming vessel (the former Treasure Bay barge in Tunica, Mississippi) and the Company agreed to contribute its rights to the Hard Rock agreements. The newly formed entity expects to develop a Hard Rock-Biloxi and is currently exploring various financing alternatives. The project, as currently envisioned, is expected to cost between $250 and $300 million. Substantial 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, or at all.

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 accrued interest, payable quarterly, at a rate equal to the "prime" rate, and such principal amount, together with all accrued interest, was due and payable in full upon demand by the holder of this note. 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. The note was paid in full

in 1998.

Full House is a party to a series of agreements with GTECH Corporation, a leading supplier of computerized systems and services for government-authorized lotteries, 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. 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 has guaranteed to GTECH one-half of a $2.0 million loan to the North Bend, Oregon Indian Tribe. GTECH also provides 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 was convertible, until January 1998 into 600,000 shares of Full House Common Stock. The loan conversion clause expired without exercise. 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 parties are no longer required to present gaming opportunities to the other for joint development.

The Company advanced funds to the Delaware joint venture company totaling $1,886,498, of which $544,911 was outstanding as of December 31, 1997. The note was paid in full as of February 1998.

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, with the sale of DGR, the Company's continuing cash flow is dependent on the operating performance of its joint ventures, and the ability to receive monthly distributions.

As of December 31, 1998, Full House had cumulative undeclared and unpaid dividends in the amount of $1,365,000 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.

On May 31, 1995, DGR borrowed $5 million, secured by its real property. The note accrued interest at prime plus 2-1/4%, and payments were 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 was guaranteed by Messrs. McComas and Paulson and a former director of the Company. This note was paid in full from the proceeds of the sale of the Resort in 1998.

YEAR 2000 ISSUES

The Company has implemented a Year 2000 program to ensure that its computer systems and applications will function properly beyond 1999. The Company believes that it has allocated adequate resources for this purpose and expects its Year 2000 date conversion program to be completed successfully on a timely basis. Although the ability of third parties with whom the Company transacts business to address their Year 2000 issues is outside the Company's control, the Company is discussing with its joint venture partners, significant vendors and customers the possibility of any interface difficulties which may affect the Company.

The Company has analyzed all of its internal hardware and software applications and has incurred approximately $10,000 to replace or upgrade the deficient components. Based upon a comprehensive review, the Company does not anticipate incurring any material additional costs to resolve its internal Year 2000 issues.

The Company continues to monitor the progress of its joint venture partners and vendors in their efforts to address this issue and provide assurances concerning their state of readiness.

RECENTLY ISSUED ACCOUNTING STANDARDS - In June 30, 1998, the Financial Accounting Standards Board issued SFAS No. 133, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES". This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position, and measure those instruments at fair value, and is effective for all fiscal quarters of the fiscal years beginning after

June 15, 1999. Management has not completed its determination of this new statement's impact on the consolidated financial statements of the Company.

RECENT ACCOUNTING PRONOUNCEMENTS - In April 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" (the "SOP"). The SOP requires the costs of start-up activities that had been previously capitalized be expensed as incurred. The Company is required to adopt the provisions of the SOP in the fiscal year beginning January 1, 1999. Accordingly, the Company will expense approximately $824,000, in the first quarter of 1999, as a cumulative effect accounting change, which results from the Company's Joint Venture investments.

7. FINANCIAL STATEMENTS.

The following financial statements are filed as part of this Report

/bullet/ Independent Auditors' Report

/bullet/ Consolidated Balance Sheets as of December 31, 1998 and 1997

/bullet/ Consolidated Statements of Income for the years ended December 31, 1998 and 1997

/bullet/ Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 1998 and 1997

/bullet/ Consolidated Statements of Cash Flows for the Years Ended December 31, 1998 and 1997

/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 1999 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, 1998 are as follows:

<TABLE>
<CAPTION>

NAME	AGE	POSITIONS
<S>	<C>	
William P. McComas	72	Chairman, Chief Executive Officer
Gregg R. Giuffria	47	President, Chief Operating Officer and Director
Michael P. Shaunnessy	45	Executive Vice President-Finance
Megan G. McIntosh	43	Secretary

</TABLE>

WILLIAM P. MCCOMAS became Chairman of the Board and Chief Executive Officer on March 5, 1998. Mr. McComas has been a Director of Full House since November, 1992. Mr. McComas has been President of McComas Properties, Inc., a California real estate development company since January 1984. Mr. McComas and companies controlled by him have developed several hotels and resorts, including Marina Bay Resort, Fort Lauderdale, Florida; Ocean Colony Hotel and Resort, Half Moon Bay, California; Residence Inn by Marriott, Somers Point, New Jersey; and five Holiday Inns located in Des Moines, Iowa; San Angelo, Texas; Suffern, New York; Niagara Falls, New York; and Fort Myers, Florida.

GREGG R. GIUFFRIA joined the Company as President, Chief Operating Officer and Director in April 1998. Mr. Giuffria has been involved in the gaming industry since 1991, following nearly 20 years in the music, film, and

publishing business. From 1995 to 1996 he was with Casino Data Systems, Inc. as the head of corporate development with responsibility for design and development of innovative technology for casino gaming. From 1993 to 1995 he was Vice President of MEC American Leisure Technology. Since 1997 he has owned American Laser Cutting, Inc., which provides specialty items to the gaming industry, among others.

MICHAEL P. SHAUNNESSY joined the Company as Executive Vice President-Finance and Chief Financial Officer in July 1998. Mr. Shaunnessy has over 15 years experience in the gaming industry. From 1995 to 1998 he was Vice President-Finance and Chief Accounting Officer of Primadonna Resorts, Inc., the developer of New York - New York in Las Vegas, Nevada. He was with Aztar Corporation from 1983 to 1995, serving in senior financial positions at properties in New Jersey and Nevada.

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 1999 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 1999 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 1999 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-8 (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 Kober 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 Keweenah 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 Indians 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 Indians 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 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1996.)

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 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1996.)

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 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1996.)

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 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1996.)

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. (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1996.)

10.52 License Agreement between Hard Rock Cafe International (USA), Inc. and Full House Mississippi, LLC dated November 18, 1998.*

10.53 Management and Development Agreement by and between FH/HR Management, LLC and Full House Mississippi, LLC dated November 18, 1998.*

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

23.1 Consent of Deloitte & Touche LLP*

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 29, 1999

By: /s/ WILLIAM P. MCCOMAS

William P. McComas, CEO

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/ WILLIAM P. MCCOMAS William P. McComas, Chairman of the Board and Chief Executive Officer	March 29, 1999
/s/ GREGG R. GIUFFRIA Gregg R. Giuffria, President , Chief Operating Officer and Director	March 29, 1999
/s/ RONALD K. RICHEY Ronald K. Richey, Director	March 29, 1999
/s/ LEE A. IACOCCA Lee A. Iacocca, Director	March 29, 1999
/s/ JAMES C. GILSTRAP James C. Gilstrap, Director	March 29, 1999
/s/ MICHAEL P. SHAUNNESSY Michael P. Shaunnessy, Executive Vice President-Finance (Principal Financial and Accounting Officer)	March 29, 1999

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Full House Resorts, Inc. and Subsidiaries (the "Company") as of December 31, 1998 and 1997, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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, 1998 and 1997, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Reno, Nevada
February 19, 1999

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

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

ASSETS	1998	1997

<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,092,178	$ 2,422,884
Note receivable - joint venture, current-portion	-	544,911
Restricted cash	-	530,881
Accounts receivable	-	10,210
Receivable from director	-	106,760
Inventories	-	89,437
Income tax refund receivable	35,871	-
Receivable from joint ventures	216,188	343,200
Prepaid expenses	88,018	286,126
Total current assets	1,432,255	4,334,409
LAND HELD FOR DEVELOPMENT	4,621,670	-
ASSETS HELD FOR SALE - net	-	5,542,078
INVESTMENTS IN JOINT VENTURES	5,017,470	5,025,379
GOODWILL - net	1,392,249	1,898,517
NOTE RECEIVABLE - JOINT VENTURE	232,421	23,748
DEPOSITS AND OTHER ASSETS	2,777,199	922,612
TOTAL	$15,473,264	$17,746,743
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ -	$ 697,100
Accounts payable	33,566	93,504
Income taxes payable	-	16,862
Accrued expenses	1,111,158	526,297
Total current liabilities	1,144,724	1,333,763
LONG-TERM DEBT, net of current portion	3,000,000	6,190,562
DEFERRED INCOME TAXES	121,235	-
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Cumulative, preferred stock, par value $.0001, 5,000,000 shares authorized; 700,000 shares issued and outstanding; aggregate liquidation preference of $3,465,000	70	70
Common stock, par value $.0001, 25,000,000 shares authorized; 10,340,380 shares issued and outstanding	1,034	1,034
Additional paid in capital	17,218,065	16,957,487
Accumulated deficit	(6,011,864)	(6,736,173)
Total stockholders' equity	11,207,305	10,222,418
TOTAL	$15,473,264	$17,746,743

</TABLE>

See notes to consolidated financial statements.

<TABLE>
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FULL HOUSE RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
<S>	<C>	<C>
OPERATING REVENUES:		
Casino	$ 281,796	$ 1,271,413
Hotel/RV park	320,313	1,580,340
Retail	303,713	1,171,001
Food and beverage	230,659	755,621
Fun park	3,985	564,958
Joint ventures	3,529,687	3,109,865
	4,670,153	8,453,198
Less: promotional allowances	(64,226)	(154,409)
Net operating revenues	4,605,927	8,298,789
OPERATING COSTS AND EXPENSS:		
Casino	286,134	916,783
Hotel/RV park	172,675	539,031

Retail	304,032	1,103,401
Food and beverage	176,409	579,122
Fun park	18,680	338,224
Sales and marketing	95,154	286,195
General and administrative	1,957,346	2,194,897
Depreciation and amortization	517,081	524,049
Impairment of long-lived assets	--	3,220
Total operating costs and expenses	3,527,511	6,484,922
INCOME FROM OPERATIONS	1,078,416	1,813,867
OTHER INCOME (EXPENSE):		
Interest expense and debt issue costs (including $11,702 and $31,567 to related parties)	(597,921)	(696,052)
Interest and other income	587,896	144,625
INCOME BEFORE INCOME TAXES	1,068,391	1,262,440
INCOME TAX PROVISION	(344,082)	(275,641)
NET INCOME	724,309	986,799
Less, undeclared dividends on cummulative preferred stock	(210,000)	(210,000)
NET INCOME APPLICABLE TO COMMON SHARES	$ 514,309	$ 776,799
INCOME PER COMMON SHARE, BASIC AND DILUTED	$ 0.05	$ 0.08
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	10,340,380	10,340,284

</TABLE>

See notes to consolidated financial statements.

<TABLE>
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FULL HOUSE RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	ACCUMULATED	
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	DEFICIT	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE JANUARY 1, 1997	700,000	$ 70	10,339,549	$ 1,034	$16,853,042	$ (7,722,972)	$ 9,131,174
Net income	-	-	-	-	-	986,799	986,799
Amortization of deferred compensation expense	-	-	-	-	100,945	-	100,945
Proceeds from exercise of warrants	-	-	831	-	3,500	-	3,500
BALANCE DECEMBER 31, 1997	700,000	70	10,340,380	1,034	16,957,487	(6,736,173)	10,222,418
Net income	-	-	-	-	-	724,309	724,309
Amortization of deferred compensation expense	-	-	-	-	260,578	-	260,578
BALANCE							

DECEMBER 31, 1998	700,000	$ 70	10,340,380	$ 1,034	$17,218,065	$ (6,011,864) $11,207,305

See notes to consolidated financial statements.

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 724,309	$ 986,799
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	517,081	524,049
Debt issue costs and debt discount	33,840	257,112
Amortization of deferred compensation expense	260,578	100,945
Impairment of long-lived assets	-	3,220
Gain on disposition of assets	(385,227)	(274)
Equity in earnings of joint ventures	(3,529,687)	(3,109,865)
Distributions from joint ventures	3,537,597	3,445,000
Investments in joint ventures	-	(177,060)
Changes in assets and liabilities:		
Decrease in restricted cash	530,881	55,053
(Increase) decrease in accounts receivable	125,671	(96,481)
Decrease in inventories	8,297	3,141
Decrease in prepaid expenses	171,734	31,598
Increase in other assets	(229,151)	(1,479)
Increase (decrease) in federal income taxes payable	(52,733)	16,862
Increase in deferred taxes	121,235	-
Increase in accounts payable and accrued expenses	612,294	78,146
Net cash provided by operating activities	2,446,719	2,116,766
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of assets held for sale	(5,855)	(67,962)
Proceeds from disposal of assets held for sale	5,933,160	43,660
Proceeds from sale of current assets and liabilities	11,439	-
Decrease in notes receivable	-	1,236,708
Acquisition of land for development	(4,007,920)	-
(Increase) decrease in receivables from GTECH and joint ventures	463,250	(778,856)
Deposits on purchase option	(2,250,000)	(890,000)
Net cash (used in) provided by investing activities	144,074	(456,450)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of debt	2,000,000	-
Repayment of debt	(5,921,499)	(290,115)
Proceeds from exercise of warrants	-	3,500
Net cash used in financing activities	(3,921,499)	(286,615)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,330,706)	1,373,701
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,422,884	1,049,183
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,092,178	$ 2,422,884

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 on January 5, 1987. FHRI is currently pursuing various gaming opportunities throughout North America.

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 ("Joint Ventures") were formed. FHRI has a 50% interest in the joint ventures, which interest is accounted for using the equity method.

FHRI and its principal stockholder entered into an agreement to jointly pursue development of a themed casino resort in Biloxi, Mississippi and formed a limited liability company for such purpose, which is 50% owned by each member.

Through its subsidiary, Deadwood Gulch Resort and Gaming Corp. ("DGR"), FHRI operated a 99-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 in May 1998 consummated a sale. The Company has classified DGR as assets held for sale.

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

CASH AND CASH EQUIVALENTS - Cash in excess of daily requirements is invested in highly liquid 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.

CONCENTRATIONS OF CREDIT RISK - The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents. A portion of the Company's cash equivalents are in high quality securities placed with major banks and financial institutions. Management does not believe that there is significant risk of loss associated with such investments.

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. 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 both 1998 and 1997 totaled $506,268.

IMPAIRMENT OF LONG-LIVED ASSETS - The Company has adopted 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." SFAS No. 121 establishes 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 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, receivables and accounts payable, approximates fair value because of the short maturity of those instruments. The Company estimates the fair value of its 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 long-term debt approximate their recorded values at December 31, 1998.

INCOME TAXES - The Company accounts for income taxes in accordance with 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.

EARNINGS (LOSS) PER COMMON SHARE - Statement of Financial Accounting Standards ("SFAS") No. 128, "EARNINGS PER SHARE," was issued by the Financial Accounting Standards Board ("FASB") in February 1997. SFAS 128 replaced the presentation of primary and fully diluted earnings per share ("EPS") with a presentation of basic and diluted EPS. Unlike primary EPS, basic EPS excludes any dilutive effects of options, warrants and convertible securities. Diluted EPS is similar to the previously reported fully diluted EPS. The Company adopted the provisions of SFAS No. 128 during the fourth quarter of the year ended December 31, 1997. Earnings per common share is computed based upon the weighted average number of common and common equivalent shares outstanding during the year.

AWARDS OF STOCK-BASED COMPENSATION - The Company has adopted SFAS No. 123, "ACCOUNTING FOR AWARDS OF STOCK-BASED COMPENSATION," which 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 continues to apply APB Opinion No. 25 to its stock based compensation awards to employees and discloses the required pro forma effect on net income and net income per common share. (See Note 13.)

SEGMENT INFORMATION - The Company adopted FASB statement No. 131, "DISCLOSURE ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION," for its annual report as of December 31, 1998. The Company operated one hotel/casino property in Deadwood, South Dakota which was sold during May 1998, and has investments in four joint venture companies which have developed or are developing gaming opportunities through management contracts in the states of California, Delaware, Michigan and Oregon.

Footnote 6 to the financial statements contains information as to the operations of the joint venture companies which are accounted for under the equity method. The statements of income of the Company contain the information as to the operations of the Deadwood property. The Company evaluates performance on several factors, of which the primary financial measure is business segment operating income. The accounting policies of the business segments are the same as those described in the summary of significant accounting policies (Note 2).

RECENTLY ISSUED ACCOUNTING STANDARDS - In June 30, 1998, the Financial Accounting Standards Board issued SFAS No. 133, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES". This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position, and measure those instruments at fair value, and is effective for all fiscal quarters of the fiscal years beginning after June 15, 1999. Management has not completed its determination of this new statement's impact on the consolidated financial statements of the Company.

RECENT ACCOUNTING PRONOUNCEMENTS - In April 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" (the "SOP"). The SOP requires the costs of start-up activities that had been previously capitalized be expensed as incurred. The Company is required to adopt the provisions of the SOP in the fiscal year beginning January 1, 1999. Accordingly, the Company will expense approximately $824,000, in the first quarter of 1999, as a cumulative effect accounting change, which results from the Company's Joint Venture investments.

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

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.

3. LAND HELD FOR DEVELOPMENT

On February 23, 1998, the Company purchased a parcel of land for $4,621,670 which represents a portion of a proposed gaming site in Biloxi, Mississippi. The Company has options to acquire the necessary additional six acres.

4. DEPOSITS AND OTHER ASSETS

On November 18, 1998, the Company executed a series of agreements with Hard Rock Cafe International ("Hard Rock") for purposes of developing a Hard Rock Hotel & Casino on the Gulf Coast of Mississippi. The agreements required a Territory Fee of $2,000,000, due in two installments. The first was paid in November 1998, and the second is due in March 1999 (included in "Accrued Expenses"). The Company has also expended $450,000 for options and deposits on a number of parcels of land contiguous to the parcel it acquired in February 1998.

5. ASSETS HELD FOR SALE

Because of the Company's intent to dispose of DGR, the Company previously reclassified certain assets of DGR to other assets - assets held for sale. The Company previously determined that the carrying amount of the assets held for sale were not recoverable and therefore recorded an allowance for impairment as of December 31, 1997 of $4,154,290. The allowance was calculated using available information which indicated the estimated loss which would be incurred upon disposition, based on estimated fair value of the assets, less costs of disposition.

In May 1998, the Company sold all of the assets and operations of DGR for $6,000,000 cash and the proration of certain related items, and recorded a gain on the transaction of $385,227. This gain represented the proceeds in excess of the carrying value, which had been reduced by the impairment loss estimate.

The operations of DGR prior to its sale resulted in an operating loss of $345,769 in 1998 and operating income of $424,815 for 1997.

6. INVESTMENTS IN JOINT VENTURES

GTECH RELATIONSHIP

The Company entered into a series of agreements with GTECH in 1995 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").

The Company contributed to the capital of the joint ventures its rights to agreements with the Coquille Indian Tribe to finance and develop a gaming and entertainment facility in North Bend, Oregon and the rights to develop the Torres Martinez, Nottawaseppi Huron Band of Potawatomi and Delaware State Fair gaming projects. In payment for its interest in the joint ventures, GTECH contributed cash and other intangible assets and committed to loan the joint ventures up to $16.4 million to complete the North Bend, Oregon, and Delaware facilities. The Company agreed to guarantee one-half of the obligations of the joint ventures to GTECH under these loans. At December 31, 1998, the advances to the joint venture had been repaid. 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 a stockholder have granted to GTECH an option to purchase their shares of the Company 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 material items which the Company has contributed, at book value, to

capital of the joint ventures.

GELLC

GELLC leases approximately 12.5 acres of Tribal Trust Lands from an entity owned by the Coquilla 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.

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

GEDLLC developed, constructed and equipped a gaming entertainment center at Harrington Raceway in Harrington, Delaware, 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, 1997, the Company had advanced funds to GEDLLC totaling $544,890 evidenced by an interest bearing note at prime, plus 1% (9. 5% at December 31, 1997), and payable from available operating cash flows. The note was secured by a similar receivable from Midway Slots and Simulcast, a division of Harrington Raceway, Inc., with the same terms and interest rate. The note was paid in full in March 1998.

GEMLLC

In late 1996, GEMLLC renegotiated its management contract with the Nottawaseppi Huron Band of Potawatomi 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. During 1996, the assignment of the development rights by the Company to GEMLLC was approved by the tribe, and gaming development costs of $4,372,446 were contributed to capital of GEMLLC by the Company. During 1997, the Company contributed additional gaming development costs of $160,962 and cash of $12,500 to capital of GEMLLC.

On December 18, 1998, the Michigan legislature approved a gaming compact that had been negotiated between the Tribe and the Governor of Michigan. The Company is in the process of identifying a suitable site for the

Tribe's gaming operation and beginning the process of having the land placed in trust for the Tribe. GEMLLC is a development stage company as of December 31, 1998.

GECLLC

GECLLC, pursuant to an agreement with the Torres Martinez Desert Cahuilla Indians, has certain rights to develop, manage and operate gaming activities for the tribe. During 1997 and 1996, the Company contributed gaming development costs of $67,768 and cash of $12,500 to the capital of GECLLC. GECLLC is a development stage company as of December 31, 1998.

The following is a summary of condensed financial information for the joint ventures as of December 31, 1998 and 1997 and for the years then ended:

<TABLE>
<CAPTION>

1998
CONDENSED BALANCE SHEETS

	GELLC	GEMLLC	GEDLLC	GECLLC	TOTAL

<S>	<C>	<C>	<C>	<C>	<C>
Total assets	$ 550,624	$ 5,490,350	$ 516,194	$ 265,954	$ 6,823,122
Long term debt	$ -	$ 49,130	$ -	$ -	$ 49,130
Members' capital	$ 333,650	$ 5,236,275	$ 263,781	$ 45,962	$ 5,879,668
CONDENSED STATEMENTS OF OPERATIONS					
Revenues	$ 2,236,903	$ -	$ 12,152,631	$ -	$ 14,389,534
Operating income (loss)	$ 2,159,382	$ (34,371)	$ 4,870,523	$ (80,602)	$ 6,914,932
Interest expense	$ -	$ -	$ 45,478	$ -	$ 45,478
Net income (loss)	$ 2,161,470	$ (34,371)	$ 5,012,876	$ (80,602)	$ 7,059,373
Company's equity in net income (loss)	$ 1,080,735	$ (17,185)	$ 2,506,438	$ (40,301)	$ 3,529,687

</TABLE>

<TABLE>
<CAPTION>
1997
CONDENSED BALANCE SHEETS

	GELLC	GEMLLC	GEDLLC	GECLLC	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
Total assets	$ 550,624	$ 5,490,350	$ 516,194	$ 265,954	$ 6,823,122
Total assets	$ 561,679	$ 5,488,694	$ 4,403,546	$ 265,911	$ 10,719,830
Long term debt	$ -	$ 47,499	$ 3,303,416	$ -	$ 3,350,915
Member's capital	$ 365,694	$ 5,270,646	$ 132,643	$ 126,564	$ 5,895,547
CONDENSED STATEMENTS OF OPERATIONS					
Revenues	$ 2,062,212	$ -	$ 11,242,145	$ -	$ 13,304,357
Operating income (loss)	$ 1,987,691	$ (19,424)	$ 4,307,605	$ (73,843)	$ 6,202,029
Interest expense	$ -	$ -	$ 218,836	$ -	$ 218,836
Net income (loss)	$ 2,000,145	$ (19,424)	$ 4,312,854	$ (73,843)	$ 6,219,732
Company's equity in net income (loss)	$ 1,080,073	$ (9,712)	$ 2,156,426	$ (36,922)	$ 3,109,865

</TABLE>

<TABLE>
<CAPTION>
7. DEBT

Debt consists of the following at December 31, 1998 and 1997:

	1998	1997
<S>	<C>	<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, and the personal guarantee of certain stockholders; interest at prime plus 21/4%, paid in full during 1998.	$ -	$ 3,530,983
Convertible, unsecured note payable to GTECH Corporation; original principal amount of $3,000,000, no payments or accrued interest until January 25, 1998 when interest began to accrue at the lesser of the maximum lawful rate of interest, or the prime rate (7 3/4% at December 31, 1998); interest due monthly beginning February 1, 1998 through		

January 25, 2001, at which time all unpaid principal and interest will be due. The note was convertible, subject to regulatory approval, at the holder's 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, recorded net of unamortized discount at December 31, 1997 of $18,321 based on imputed interest rate of 8.25%. On January 25, 1998, the conversion option expired. 3,000,000 2,981,679

Note payable to stockholder; interest at prime payable quarterly commencing on January 31, 1996; principal payable on demand, paid in full during 1998. - 375,000

Total	3,000,000	6,887,662
Less current portion	-	697,100
Long-term portion	$ 3,000,000	$ 6,190,562

</TABLE>

The Company obtained a $2,000,000 line of credit from the bank that provided the initial loan for its acquisition of land in Biloxi, Mississippi. The line bears interest at prime, plus 1%, requires interest payments monthly, and all principal and accrued interest is due at maturity on February 25, 1999. As of December 31, 1998, there was no amount outstanding. In February 1999, the line was extended for an additional one year period, and the interest rate was reduced to prime, plus 1/2%.

The scheduled maturities of debt are as follows:

YEAR ENDING DECEMBER 31,	
1998	$ -
1999	-
2000	-
2001	3,000,000
Total	$ 3,000,000

8. STOCKHOLDERS' EQUITY

As part of a public offering in August 1993, the Company sold to the underwriters 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 January 1, 1997, 57,500 warrants to purchase 68,393 shares of common stock at $4.20 per share were exercisable through, and expired on February 10, 1997. As of January 1, 1998, warrants to purchase 22,500 units at $13.17 per unit were exercisable through, and expired on, August 9, 1998.

Also part of the public offering, 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 were based on a dilution agreement and, as of January 1, 1997, 778,534, warrants to purchase 925,988 shares of common stock at $4.20 per share were exercisable through February 10, 1997. 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.

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 a consultant, all of which were exercisable at December 31, 1998. These options were repriced in June 1998 at $2.25 per share (market value on the repricing date). The fair value of $43,410 for the options was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: expected volatility of 97 percent, risk-free

interest rate of 5.0 percent, and expected life of 2.0 years. As the options were granted to a nonemployee in return for services, consulting expense of $43,410 was recognized in 1998, along with an equivalent increase in paid in capital. All of these options were exercisable at December 31, 1998.

On December 20, 1996, a consultant, who is also a principal stockholder, 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 is being be recognized ratably over the three year service period commencing in 1997.

Options to purchase 70,001 shares of common stock at $2.06 per share (market value on date of grant) were issued in 1998 to the Company's current President for services previously performed in a consulting capacity. The Company recognized consulting expense of $116,224 and recorded an equivalent increase in paid in capital. The fair value for the options was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: expected volatility of 95 percent, risk-free interest rate of 5.4 percent, and expected life of two years.

The Company's preferred stock 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 $1,365,000 and $1,155,000 at December 31, 1998 and 1997, respectively. Through December 31, 1998, no dividends have been declared or paid.

9. INCOME TAX PROVISION

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

<TABLE>
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	1998	1997
<S>	<C>	<C>
Current: Federal	$ --	$ (16,862)
State	(222,847)	(258,779)
Total current	(222,847)	(275,641)
Deferred: Federal	132,495	-
State	(253,730)	-
Total deferred	(121,235)	-
Total Provision	$ (344,082)	$ (275,641)

</TABLE>

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

<TABLE>
<CAPTION>

	1998	1997
<S>	<C>	<C>
Tax provision at U.S. statutory rate	$ (363,253)	$ (429,230)
State taxes	(314,541)	(170,794)
Change in valuation allowance	507,315	493,249
Goodwill amortization	(172,131)	(172,131)
Other	(1,472)	3,265

Total	$ (344,082)	$ (275,641)

The Company's deferred tax items as of December 31, 1998 and 1997 are as follows:

	1998	1997
Deferred tax assets:		
Net operating loss carryforward	$ 1,225,606	$ 890,765
Tax credit carryforwards	23,416	24,414
Difference between book and tax basis of assets held for sale	-	1,380,700
Intangibles	21,497	-
Accrued expenses	6,437	22,123
State taxes	115,548	-
Stock option plans	109,443	-
Total deferred tax assets	1,501,947	2,318,002

Deferred tax liabilities:		
Difference between book and tax basis of gaming rights	(1,618,339)	(2,008,915)
Other	(4,843)	(2,025)
Total deferred tax liabilities	(1,623,182)	(2,010,940)
Valuation allowance	-	(307,062)
Net	$ (121,235)	$ -

At December 31, 1998, the Company had net operating loss carryforwards for income tax purposes of approximately $3,600,000, which may be carried forward to offset future taxable income. The loss carryforwards expire in 2007 through 2018. The availability of the loss carryfowards may be limited in the event of a significant change in ownership of the Company or its subsidiaries.

10. RELATED PARTY TRANSACTIONS

At December 31, 1997, the Company held a note receivable of $106,760 from a director of the Company. This note was paid in full in 1998.

Total interest expense charged to operations in 1998 and 1997 related to the note payable to a stockholder were $11,702 and $31,567, respectively.

See Note 6 for discussion of transactions with joint ventures.

See Note 7 for a discussion of a note payable to stockholder.

11. SUPPLEMENTAL STATEMENT OF CASH FLOWS INFORMATION

Cash payments for interest for the years ended December 31, 1998 and 1997 were $518,187 and $440,612, respectively.

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

During the year ended December 31, 1997, the Company purchased property with a fair value of $24,047, in exchange for property with a net book value of $11,005 which approximated its fair value, and cash payment of $13,042.

During the year ended December 31, 1997, the Company transferred computer equipment with a net book value of $16,530 from assets held for sale to other assets.

During the year ended December 31, 1998, additional paid-in capital increased by $260,578 as a result of granting and repricing stock

options issued to non-employees for consulting services.

During the year ended December 31, 1998, the Company applied purchase option deposits of $613,750 towards the acquisition of land held for development.

12. COMMITMENTS AND CONTINGENCIES

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 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 appealed that judgment to the Mississippi appellate court. In April 1998, the Appeals Court affirmed the dismissal of all counts against all parties, excepting Lone Star's claim against the Company for breach of contract, which it remanded to the trial court for additional hearing. No action has been taken on that matter to date. Management is unable to determine the outcome of this litigation, but does not believe the outcome will have a material adverse effect on the Company's financial condition.

See notes 3, 4 and 6 for additional information.

13. STOCK-BASED COMPENSATION PLANS

At December 31, 1998, the Company had three 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, Incentive Stock Plan (except as disclosed below related to options granted under the Incentive Stock Plan to a consultant/principal shareholder) and an informal director stock plan. Had compensation cost for options granted under the Company's three 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 income and income per common share would have been restated to the pro forma amounts indicated below:

<TABLE>
<CAPTION>

		1998	1997
<S>	<C>	<C>	<C>
Net income	As reported	$ 724,309	$ 986,799
	Pro forma	$ 568,250	$ 113,181
Income (loss) per common share, basic and diluted	As reported	$ 0.05	$ 0.08
	Pro forma	$ 0.03	$ (0.01)

</TABLE>

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 1998 and 1997: expected volatility of 95% and 80%, risk-free interest rate of 5.1 percent and 6.2 percent, and expected life of 3.6 years and 3.5 years.

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. The Company issued 20,000 options under the Plan during 1998, and 10,000 options in 1997.

The Company has reserved 1,000,000 shares of its common stock for issuance under the 1992 Incentive Plan. On September 24, 1998, the Board approved an increase of an additional 500,000 shares, subject to

shareholder approval. 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.

On March 3, 1997 ("the Grant Date"), the Board of Directors approved a grant of an option ("Option") to each of the Company's three directors, to purchase 250,000 shares of common stock at an exercise price per share of $3.375, the closing price of the common stock on the business day of the Grant Date. The Options were granted in consideration of the fact that services to the Company by such directors have exceeded and are expected to continue to exceed the duties of a typical corporate director. On May 12, 1997, at the Company's annual meeting, the stockholders ratified the Options. The Options become exercisable in 50,000 share increments commencing April 9, 1997 and on each anniversary thereafter. In addition, the Options for two of the directors provide that a 50,000 share increment became exercisable on the Grant Date. In March 1998, 250,000 of these shares were forfeited, and in June 1998, the remaining 500,000 shares were repriced to $2.25 per share (fair market value at repricing).

The total options outstanding under the 1992 Incentive Plan, including the consulting options at December 31, 1998 and 1997 were 1,236,000 and 510,000, respectively. The total options outstanding under the Nonemployee Director Stock Plan at December 31, 1998 and 1997 were 30,000 and 10,000, respectively. The total options outstanding under the Director Stock Plan at December 31, 1998 and 1997 were 575,000 and 750,000, respectively.

A summary of the status of the Company's stock option plans, including consultant options, as of December 31, 1998 and 1997, and changes during the years then ended is presented below:

<TABLE>
<CAPTION>

	1998		1997	
	SHARES	WEIGHTED - AVERAGE EXERCISE PRICE	SHARES	WEIGHTED - AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>
Outstanding at beginning of year	1,420,000	$ 3.45	660,000	$ 3.54
Granted	1,081,000	$ 2.11	760,000	$ 3.38
Exercised	-	-	-	-
Forfeited	510,000	$ 3.34		-
Outstanding at end of year	1,991,000	$ 2.36	1,420,000	$ 3.45
Options exercisable at year-end	835,000	$ 2.68	890,000	$ 3.50
Weighted-average fair value of options granted during the year		$ 1.53		$ 1.97

</TABLE>

As of December 31, 1998, the 1,991,000 options outstanding have exercise prices ranging between $2.00 and $3.69, and a weighted average remaining contractual life of 7 years. The options exercisable of 835,000 also have exercise prices ranging between $2.00 and $3.69, and their weighted average remaining contractual life is 7.7 years.

EXHIBIT INDEX

EXHIBIT	DESCRIPTION
10.52	License Agreement by and between Hard Rock Cafe International

	(USA), Inc. and Full House Mississippi, LLC dated November 18, 1998
10.53	Management and Development Agreement by and between FH/HR Management, LLC and Full House Mississippi, LLC dated November 18, 1998
21	List of Subsidiaries of Full House Resorts, Inc.
23.1	Consent of Deloitte & Touche LLP
27.1	Financial Data Schedule

EXHIBIT 10.52

LICENSE AGREEMENT

by and between

HARD ROCK CAFE INTERNATIONAL (USA), INC.

and

FULL HOUSE MISSISSIPPI, LLC

Dated: as of November 18, 1998

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EXHIBITS

Exhibit F Description of Pre-Approved Site

v

LICENSE AGREEMENT

This LICENSE AGREEMENT (the "AGREEMENT") is made and executed as of November 18, 1998, by and between HARD ROCK CAFE INTERNATIONAL (USA), INC., a Florida corporation ("Licensor"), and Full House Mississippi, LLC, a Mississippi limited liability company ("Licensee").

RECITALS

A. Licensor owns or is the licensee of the rights to develop and operate in the Competitive Territory music themed hotels and casinos under the Hard Rock Hotel name (the "Hotel Mark").

B. Licensee is desirous of developing and operating a Hotel/Casino (as hereafter defined) using the Hotel Mark and certain other trademarks and has requested that Licensor grant to the Licensee the Licensed Rights defined hereunder and the other rights contained in this Agreement for use at the Licensed Location within the Territory.

C. Licensee and Licensor desire to enter into this Agreement to have a hotel and casino developed and operated at the Licensed Location within the Territory upon the terms and conditions set forth herein.

TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual covenants and obligations contained herein, the grant by Licensor to Licensee of the rights to utilize the Licensed Rights as contained herein, and for other good and valuable consideration, the receipt and sufficiency of all of which is hereby acknowledged by each party hereto, Licensor and Licensee hereby agree as follows:

SECTION 1. DEFINITIONS AND INTERPRETATION

(A) Definitions. For purposes of this Agreement, the following definitions shall apply:

"AAA" shall have the meaning set forth in Section 18(B)(i) hereof.

"AAA RULES" shall have the meaning set forth in Section 18(B)(i) hereof.

"ACCOUNTING REFEREE" shall have the meaning set forth in Section 18(A)(i) hereof.

"ACHIEVEMENT DATE" shall mean the earlier of (i) the last day of a twenty-four (24) calendar month period beginning at any time after the end of the first Operating Year in which the Licensee's aggregate EBITDA during such period equals or exceeds the aggregate Target EBITDA for such period, or (ii) the date Full House no longer holds a Controlling Interest.

"ADJUSTED EBITDA" shall mean, during the relevant period, Licensee's EBITDA for such period increased by the amount of any Management Fees (as defined in the Management Agreement) deferred with respect to such period pursuant to Section 9.3(a) and (c) of the Management Agreement.

"ADJUSTED FOR INFLATION" shall have the meaning set forth in Section 22(M) hereof.

"ADVISORY SERVICES" shall have the meaning set forth in Section 5(H) hereof.

"AFFILIATE" shall mean, with respect to any Person, any other Person which, directly or indirectly, controls, is controlled by, or is under common control with, such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

"AGREEMENT" shall have the meaning set forth in the first paragraph hereof.

"BOOKS AND RECORDS" shall have the meaning specified in Section 12(B) hereof.

"BRANDED MERCHANDISE" shall mean those items of personal property, products and merchandise bearing the Licensed Marks which Licensor sells in the Hotel/Casino Retail Store leased to Licensor pursuant to the Lease Agreement.

"BUSINESS DAY" shall mean any day other than a day on which banking institutions are required or authorized to be closed in Orlando, Florida or Biloxi, Mississippi.

"CLAIMS" shall have the meaning set forth in Section 19(A) hereof.

"COMPETITIVE TERRITORY" shall mean the area within a 340 mile radius of the Licensed Location, but in any event the Competitive Territory shall include all of the State of Mississippi, and shall not include any portion of the State of Tennessee or any portion of the Atlanta, Georgia Metropolitan Statistical Area.

"CONFIDENTIAL INFORMATION" shall mean any information or material that is proprietary to one of the parties hereto, or imparted or made available by one of the parties hereto to the other party hereto, that, in either case, is normally deemed confidential, including, but not limited to, certain legally protectible portions of the Hotel/Casino System and related Manuals and all information, components and elements set forth in such portions, and all information, knowledge or data relating to new products and entertainment concepts, and either party's strategic plans, pricing policies, recipes (other than generic recipes) and the testing thereof, ideas, trade secrets, training programs and techniques, proprietary ideas and concepts, marketing and advertising techniques and plans, design, sourcing and providing goods and services, customer research, and financial information concerning the Hotel/Casino and its businesses; provided, however, that Confidential Information shall not include information or material that: (i) is or becomes generally available to the public other than as a result of a disclosure by the party receiving it hereunder, (ii) is or becomes available to the

party receiving it hereunder on a non-confidential basis form a source which, to the knowledge of the party receiving it hereunder, is entitled to disclose it without restriction, (iii) was known to the party receiving it hereunder prior to its disclosure hereunder, or (iv) is verifiably developed by the party receiving it hereunder without the benefit of the information or materials disclosed hereunder. "Continuing Fee(s)" means the fee(s) Licensee will pay for the duration of this Agreement to Licensor as consideration for the use of the Licensed Rights under the terms and conditions of this Agreement, and as more specifically provided for in Section 4 hereof.

"CONTRIBUTION" shall have the meaning set forth in Section 8(F) hereof.

"CONTROLLING INTEREST" shall mean both (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of Licensee, whether through the ownership of voting securities, by contract, or otherwise, and (ii) the direct or indirect ownership of twenty percent (20%) or more of the equity interests of Licensee. For purposes of determining whether Full House has a Controlling Interest in Licensee, clause (ii) above shall be deemed satisfied as long as Full House, Gregg R. Giuffria and Paul Steelman collectively own, directly or indirectly, twenty percent (20%) or more of the equity interests of Licensee.

"DISPUTE" shall have the meaning set forth in Section 18(B)(i) hereof.

"DISPUTE NOTICE" shall have the meaning set forth in Section 18(A)(i) hereof.

"EBITDA" shall mean, during the relevant period, net income, before (i) interest charges (net of interest income), federal, state and local income taxes, and depreciation and amortization, calculated in accordance with GAAP, and (ii) any rent or similar expense relating to the lease of any portion of the real property (other than tidelands) at the Licensed Location by Licensee as a tenant.

"FEES" shall the meaning set forth in Section 4(C) hereof.

"FF&E" shall mean all furniture, fixtures and equipment (other than Operating Equipment and Operating Supplies) located at or used in connection with the Project, including without limitation: (i) all gaming equipment, including without limitation, all slot machines and video gaming devices; (ii) all furniture, furnishings, built-in furniture, carpeting, draperies, decorative millwork, decorative lighting, doors, cabinets, hardware, partitions (but not permanent walls), televisions and other electronic equipment, interior plantings, interior water features, artifacts and artwork, and interior and exterior graphics; (iii) communications equipment; (iv) all fixtures and specialized hotel equipment used in the operation of kitchens, laundries, dry cleaning facilities, bars and restaurants; (v) telephone and call accounting systems; (vi) rooms management systems, point-of-sale accounting equipment, front and back office accounting, computer, duplicating systems and office equipment; (vii) cleaning and engineering equipment and tools; (viii) vehicles; (ix) recreational equipment; and (x) all other similar items which are used in the operation of the Project, excluding, however, any personal property which is owned by subtenants, licensees, concessionaires or contractors.

"FINANCING RATE" shall mean the annual interest rate attributable to the Primary Debt. For purposes of calculating the amount of the Required EBITDA and the Target EBITDA, the Financing Rate shall not exceed twelve percent (12%) per annum.

"FISCAL YEAR" shall mean the twelve (12) month period commencing January 1 and ending December 31, except that the first Fiscal Year shall be that period commencing on the Opening Date and ending on the next December 31, which is at least one (1) year thereafter.

"FORCE MAJEURE" shall have the meaning set forth in Section 22(K) hereof.

"FULL HOUSE" shall mean Full House Resorts, Inc., a Delaware corporation.

"GAAP" shall mean United States generally accepted accounting principles as in effect from time to time.

"GOVERNMENTAL AUTHORITY" means any foreign, federal, state or local governmental entity or authority, or any department, commission, board, bureau, agency, court or instrumentality thereof having control over the Licensed Location, the Hotel/Casino or the Project.

"HARD ROCK ELEMENTS" shall have the meaning set forth in Section 5(A)(iii)(a) hereof.

"HARD ROCK MARKS" shall mean the name "Hard Rock Cafe" and all associated or related trademarks, trade names, service marks, logos, slogans, trade dress, commercial symbols, and other intellectual property rights of Licensor and its Affiliates related thereto.

"HARD ROCK STP" shall mean Hard Rock Cafe International (STP), Inc., a New York corporation.

"HOTEL/CASINO" shall mean the hotel and casino and live music venue to be developed and operated at the Licensed Location and all related improvements, including FF&E, as approved in accordance with the provisions of this Agreement.

"HOTEL/CASINO SYSTEM" shall mean the method of operation of the Hotel/Casino to be jointly developed by Licensor and Licensee pursuant to this Agreement. The Hotel/Casino System, and all amendments or modifications thereto, will be subject to the joint approval of Licensor and Licensee. Licensor and Licensee shall jointly own the Hotel/Casino System, except for the Licensed Rights incorporated into the Hotel/Casino System, which Licensed Rights will be owned exclusively by Licensor.

"HOTEL/CASINO RETAIL STORE" shall mean that area within the Project to be leased to Hard Rock STP pursuant to the Lease Agreement where Hard Rock STP shall sell Branded Merchandise. Licensee shall build the Hotel/Casino Retail Store in accordance with criteria specified by Licensor in the Lease Agreement.

"HRC COMPETITOR" shall mean (a) a Planet Hollywood, Motown Cafe, House of Blues, Rainforest Cafe, Country Star, or Harley Davidson Cafe, or (b) a restaurant chain (i) operating under the same name in six or more Metropolitan Statistical Areas, (ii) with theme-related icons or memorabilia displayed throughout the premises in a museum or collection type manner (but excluding self promotional items of a single individual), and (iii) which derives greater than twenty percent (20%) of its gross revenues from the sales of merchandise.

"INDEMNIFY" means to defend, indemnify against, hold harmless from, and reimburse for.

"INTEREST RATE" means the prime rate listed in the "Money Rates" section of the WALL STREET JOURNAL from time to time plus four percent (4.0%) per annum, provided that in no event shall the Interest Rate exceed the maximum rate permitted by applicable Law(s).

"INVESTMENT AGREEMENT" shall mean that certain Investment Agreement, of even date herewith, by and among Licensee, AEP & FHR LLC, Full House, Allen E. Paulson and Licensor.

"LAW(S)" means any and all laws, judgments, decrees, orders, rules, regulations or official legal interpretations of any Governmental Authority.

"LEASE" shall have the meaning set forth in Section 6 hereof.

"LEASE AGREEMENT" shall mean that certain Lease Agreement by and between Licensee, as landlord, and Hard Rock STP, as tenant, whereby Licensee shall lease space within the Project to Hard Rock STP to operate a Hard Rock

Cafe and the Hotel/Casino Retail Store, in the form attached hereto as Exhibit B.

"LICENSED MARKS" shall mean those Hard Rock Marks, as depicted (and subject to the restrictions) set forth in Exhibit A hereto, as such exhibit may from time to time be amended by written agreement of the parties to this Agreement.

"LICENSED LOCATION" means the real property upon which the Hotel/Casino is to be located as approved by Licensor pursuant to Section 5(B) hereof, and includes such real property, all structures located or constructed thereon, all FF&E, and all appurtenances to any of the foregoing, together with all easements, entrances, exits, rights of ingress and egress thereto, and all improvements thereon or thereto.

"LICENSED RIGHTS" means the right to use (i) the Licensed Marks, and (ii) the trade dress elements representing the total image and overall appearance of a Hard Rock Hotel and casino, including but not limited to, distinctive exterior and interior designs, layouts, concepts, decor, color schemes, music-related memorabilia and icons, furnishings, and staff uniforms; all in accordance with this Agreement. Licensor will own all of the Licensed Rights incorporated into the Hotel/Casino System, the Manuals, the Hotel/Casino and/or the Project, in each case, whether developed by Licensor or Licensee.

"LICENSING FEE REVENUES" shall mean, during the relevant period, the aggregate of: (a) the Net Win from all gaming activities conducted at the Hotel/Casino or within the Project, less any taxes imposed upon such Net Win (other than income taxes, franchise taxes, or other taxes imposed generally on Persons involved in non-gaming activities), (b) all revenues, income and proceeds of any kind from the rental of guest rooms, conference rooms and meeting rooms at the Hotel/Casino, excluding any Federal, state and municipal excise, sales, resort, use, and other taxes collected from patrons or guests as a part of or based upon the sales price of any goods or services, including, without limitation, gross receipts, room, bed, admission, cabaret, or similar taxes, and (c) the proceeds (after deduction from said proceeds of all necessary expenses incurred in the adjustment or collection thereof) of business interruption insurance actually received by Licensee with respect to the revenue items described in subsections (a) and (b) of this definition with respect to the Project.

For the avoidance of doubt, the parties agree that Licensing Fee Revenues shall not include: (i) revenues from the Project's food and beverage operations; (ii) revenues generated by Licensor at the Hard Rock Cafe and the Hard Rock Retail Store located at the Project; (iii) revenues from the parking facility; (iv) the value of complimentary hotel rooms; and complimentary gaming (E.G., promotional "free pulls", slot tournaments, etc.); and (v) revenues from any other ancillary Project facilities.

"MANAGEMENT AGREEMENT" shall mean that certain Management and Development Agreement, of even date herewith, by and between Licensee and Operator.

"MANAGEMENT STANDARD" shall mean the standard of a first-class resort hotel as defined by the current standard as of the date hereof of the Hard Rock Hotel located in Las Vegas, Nevada.

"MANUALS" shall mean, collectively, all operating manuals, training manuals and all accompanying workbooks to be jointly developed by Licensor and Licensee to implement the Hotel/Casino System pursuant to this Agreement. The Manuals, and all amendments or modifications thereto, will be subject to the joint approval of Licensor and Licensee. Licensor and Licensee shall jointly own the Manuals, except for the Licensed Rights incorporated into the Manuals, which will be owned exclusively by Licensor.

"MEMORABILIA LEASE" shall mean that certain Memorabilia Lease by and between Hard Rock STP, as lessor, and Licensee, as lessee, whereby Hard Rock STP shall lease "rock and roll" memorabilia to Licensee for display in the Hotel/Casino, in the form attached hereto as Exhibit C.

"METROPOLITAN STATISTICAL AREA" shall mean the designation by the U.S. Census Bureau for metropolitan areas with a central city or an urbanized area having a minimum population of 50,000 with a total metropolitan population of at least 100,000 and including all counties that have strong economic and social ties to the central city.

"NET WIN" shall mean the amount remaining after payment of and accrual for prizes to players, as defined by the Mississippi Gaming Commission on the date hereof.

"NOTICE(S)" shall the meaning set forth in Section 22(B) hereof.

"OPENING DATE" shall mean the date the Hotel/Casino is opened for

business to the public, the deadline of which is set forth in Section 5(M) hereof.

"OPERATING AGREEMENT" shall mean that certain Operating Agreement, of even date herewith, by and among Full House, Hard Rock STP and Operator.

"OPERATING COORDINATOR" shall have the meaning set forth in Section 9(C) hereof.

"OPERATING ELEMENTS" shall the meaning set forth in Section 5(A)(iii)(b) hereof.

"OPERATING PERIOD" means the period beginning with the Opening Date and continuing for the term of this Agreement.

"OPERATING YEAR" shall mean the twelve consecutive (12) month periods commencing on the first day of the first calendar month after the Opening Date and ending on the last day of the twelfth full calendar month after the Opening Date, except that the first Operating Year shall be that period commencing with the Opening Date and ending on the last day of the twelfth full calendar month after the Opening Date.

"OPERATOR" shall mean FH/HR Management, LLC, a Mississippi limited liability company, and operator of the Project pursuant to the Management Agreement.

"PERMITS" means any and all licenses, permits, approvals, variances, waivers or consents from any Governmental Authority.

"PERSON" shall mean (i) an individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, estate, trust, unincorporated, associated or other entity, (ii) any Federal, state, county or municipal government or any bureau, department, political subdivision or agency thereof, and (iii) a fiduciary acting in such capacity on behalf of any of the foregoing.

"PREFERRED INVESTMENT" shall mean an amount equal to fifty percent (50%) of the difference between (i) the Total Project Costs, and (ii) the Primary Debt. For purposes of calculating the amount of the Required EBITDA, the amount of the Preferred Investment shall not exceed $35,000,000.

"PRE-OPENING PERIOD" means the period from the date hereof until the Opening Date.

"PRIMARY DEBT" shall mean, during any relevant period, the average daily outstanding principal amount of all secured indebtedness incurred by Licensee to finance the Total Project Costs. For purposes of calculating the amount of Required EBITDA and the Target EBITDA, the amount of the Primary Debt shall not exceed $200,000,000.

"PROJECT" shall mean (i) the Hotel/Casino and its related amenities, (ii) a barge to be moored at the site with approximately 42,000 square feet of gaming space, (iii) a Hard Rock Live! music venue, (iv) all real property interests at the Licensed Location, and (v) such other developments as the parties may mutually agree to include in the Project, in each case, together with all buildings, structures, FF&E, and improvements related thereto.

"PROTECTED PERSONS" shall the meaning set forth in Section 17(C) hereof.

"REQUIRED EBITDA" shall mean, during any relevant period, an amount equal to the sum of: (i) the Primary Debt, multiplied by the Financing Rate, and (ii) the Preferred Investment, multiplied by ten percent (10%) per annum. Examples of the calculation of Required EBITDA are set forth on Exhibit D to this Agreement.

"RESERVE FUND" shall the meaning specified in Section 9(D) hereof.

"TARGET EBITDA" shall mean, during any relevant period, an amount equal to the sum of: (i) the Primary Debt, multiplied by the Financing Rate, and (ii) the amount of the Total Project Costs less the Primary Debt, multiplied by ten percent (10%) per annum. Examples of the calculation of Target EBITDA are set forth on Exhibit D to this Agreement.

"TERRITORY" shall mean the area within a twenty-five (25) mile radius of the center of Biloxi, Mississippi.

"TOTAL PROJECT COSTS" shall mean the sum of: (i) the total aggregate capitalized costs incurred by Licensee for the Project, as determined in accordance with GAAP, (ii) $6.2 million, if the "O'Keefe parcel" is included as part of the Licensed Location and is leased rather than purchased by Licensee, and (iii) $5.25 million, if the "Suntan Motel parcel" is included as part of the Licensed Location and is leased rather than purchased by Licensee. For purposes

of calculating the amount of Required EBITDA and the Target EBITDA, the amount of the Total Project Costs shall not exceed $270 million. If any parcel of the real property comprising the Licensed Location the cost of which was included as part of the Total Project Costs is sold or otherwise transferred by Licensee, then the $270 million limit on the amount of the Total Project Costs set forth above shall be reduced by the acquisition cost of the parcel which is sold or otherwise transferred at the time of such sale or transfer.

"TOTAL REVENUES" shall mean, during the relevant period, total revenue as determined under GAAP, and in any event shall include, without limitation, all income of every kind and all proceeds of sales of every kind (whether in cash or on credit) resulting from the operation of the Project and any of the facilities therein and goods and services provided thereby, including, without limitation, (a) the Net Win from all gaming activities conducted at the Site or within the Project, (b) all income and proceeds from the rental of rooms, food and beverage sales, sales of other goods and services, (c) vending machine income, telephone revenues, parking revenues, revenues from any recreational facilities, and entertainment charges, (d) all income and proceeds received from tenants, transient guests, customers, lessees, licensees and concessionaires, including rental payments from the Hard Rock Cafe and the Hotel/Casino Retail Store pursuant to the Lease Agreement (but not including the gross receipts of such lessees, licenses or concessionaires) and other Persons occupying space at the Project and/or rendering services to Project guests (but exclusive of all consideration received at the Project for hotel accommodations, goods and services to be provided elsewhere, although arranged by, for or on behalf of Licensee), (e) the fair market values of any barter and other non-cash property and services received by Licensee as an alternative to cash payments pursuant to recurring practices that reduce or offset or substitute for revenues, (f) the value (as reflected in the audited financial statements of Licensee) of any Hotel rooms, facilities or services offered to guests, customers or clients without charge or for a reduced charge, whether as part of a "frequent traveler" program offered by Licensee or the Hotel manager or for any other reason, (g) revenues arising from corporate sponsorships (where permitted herein), (h) awards (other than condemnation awards for the value of the Project), any other form of incentive payments or awards from any source whatsoever which are attributable to the operation of the Project, (i) the proceeds from any temporary taking (after deduction from said proceeds of all necessary expenses incurred in the restoration of the improvements as may have been necessitated by such taking), and (j) the proceeds (after deduction from said proceeds of all necessary expenses incurred in the adjustment or collection thereof) of business interruption insurance actually received by Licensee with respect to the operation of the Project.

Notwithstanding the above, the following shall, however, be excluded from Total Revenues: (i) all revenues, receipts and income of every kind received by Licensor or any Affiliate of Licensor in respect of, or attributable to, the Hard Rock Cafe and the Hotel/Casino Retail Store at the Licensed Location; (ii) Federal, state and municipal excise, sales, resort, use, and other taxes collected from patrons or guests as a part of or based upon the sales price of any goods or services, including, without limitation, gross receipts, room, bed, admission, cabaret, or similar taxes; (iii) any gratuities collected and paid over to employees; (iv) the proceeds of any financing or refinancing of the Project or capital contributions or advances to Licensee; (v) interest on funds in the Reserve Fund; (vi) proceeds from the sale of any FF&E; (vii) proceeds from the sale of the Hotel/Casino or other facilities included in the Project; and (viii) proceeds of hazard insurance, other than business interruption insurance.

(B) SCOPE OF TERMS. The use of the words defined herein shall include the plural or singular forms of such terms, and the male, female, or neutral gender thereof, as appropriate.

(C) REFERENCE TERMS. The use of the words "herein", "thereof", "hereinafter", "hereinabove", and other words of similar import shall be deemed to refer to this Agreement as a whole, and not to a specific section, subsection, or paragraph thereof.

(D) OTHER AGREEMENTS. Any term that is defined herein by reference to the Management Agreement shall mean the definition of such term in effect on the date hereof under the Management Agreement.

SECTION 2. GRANT; SCOPE

(A) GRANT. Licensor hereby grants to Licensee, upon and subject to the terms and conditions contained in this Agreement, the exclusive right and license to develop, operate, own, and manage a hotel and casino and a Hard Rock Live! facility using the Licensed Rights at the Licensed Location and to promote such facilities anywhere in the world. Licensor's right to license, develop, own or operate a Hard Rock Hotel with a casino or a Hard Rock casino within the

Competitive Territory during the term of this Agreement shall be subject to the restrictions set forth in Section 17(B) hereof.

(B) SCOPE. All rights granted to Licensee hereunder are limited to the establishment, operation and promotion of one hotel and casino and Hard Rock Live! facility at and from the Licensed Location to the extent specifically provided for in this Agreement. Licensee may not otherwise commercialize or utilize, whether or not for profit, any of the Licensed Rights. Licensee may not use the Hard Rock Marks unless they are Licensed Marks. The rights granted to Licensee hereunder shall not entitle Licensee to sell Branded Merchandise from the Licensed Location or any other location, and Licensee acknowledges that Branded Merchandise may be sold at the Licensed Location only by Licensor or its Affiliates or by a Person duly licensed by Licensor to sell Branded Merchandise. The rights granted to Licensee do not include any rights to brand and operate other facilities at the Hotel/Casino on or from the Licensed Location utilizing the Hard Rock Marks, except as expressly approved in advance by Licensor, in its sole discretion.

(C) RESERVED RIGHTS. Licensor reserves all rights respecting the Hard Rock Marks not specifically granted to Licensee pursuant to this Agreement. Nothing in this Agreement shall prevent Licensor or its Affiliates from (i) developing or licensing others to develop: (a) Hard Rock Hotels with casinos or Hard Rock casinos anywhere outside the Competitive Territory, (b) Hard Rock Hotels (without casinos) anywhere outside the Territory, except as provided in Section 17(B)(i) of this Agreement, (c) Hard Rock Cafes anywhere within the Competitive Territory, except as provided in Section 17(B)(i) of this Agreement, or anywhere outside the Competitive Territory, (d) Hard Rock Live! facilities anywhere outside the Territory, except for a period of five (5) years after the date of this Agreement, within the city limits of New Orleans, Louisiana, (e) facilities utilizing the Hard Rock Marks (other than Hard Rock Hotels, Hard Rock casinos, Hard Rock Cafes and Hard Rock Live! facilities) anywhere in the world, and (f) resorts, hotels and/or casinos, and other facilities using any names or marks other than the Licensed Marks, anywhere in the world, and (ii) promoting and protecting all such facilities anywhere in the world. Licensee acknowledges and agrees that no rights are or will be granted in this Agreement for the development, construction, operation or maintenance or other interest in any "Hard Rock Cafe".

(D) RESTRICTIONS.

(i) The rights granted to Licensee do not include any rights to use or otherwise identify the Hard Rock name or the Licensed Marks with any businesses or facilities other than for one hotel and casino and Hard Rock Live! facility at and from the Licensed Location, except as expressly approved in advance in writing by Licensor, in its sole discretion, and except that Licensee may utilize the Licensed Marks on designation and directional signage and consumables within the confines of the Hotel/Casino. Licensee shall not use or register any trademark which is confusingly similar to the Licensed Marks or use the Licensed Marks in any manner which creates a unitary or composite trademark with the trademark of any third party. Licensee shall use the representations of the Licensed Marks, with respect to the location of the words in the design logo, only in the manner set forth in this Agreement with the words "Hard Rock Hotel" or "Hard Rock Live!", as the case may be, within the circle logo and the geographic or other designation described therein below the circle logo. Without Licensor's express written consent, in its sole discretion, Licensee shall not replace the words "Hotel" or "Live!" within the circle logo with any other designation.

(ii) Neither Licensee nor its Affiliates shall, or shall permit any third party to, at any time, construct, operate or maintain at the Hotel/Casino (a) any other business that is confusingly similar to a Hard Rock Cafe, or (b) any other business that utilizes the Hard Rock Marks, except as expressly permitted herein, or take any actions that would infringe or otherwise violate the Hard Rock Marks.

SECTION 3. TERM; EXTENSION OF TERM

(A) INITIAL TERM. This Agreement shall be effective and binding from the date of its execution, as set forth on the first page hereof, and shall continue for an initial term of twenty (20) Fiscal Years after the Opening Date, unless sooner terminated as provided herein.

(B) RENEWAL TERM. Except as otherwise provided for in this Agreement, Licensee shall have the option of renewing the term hereof for two (2) successive ten (10) year renewal terms upon the same term and conditions as are contained herein, by providing Licensor with written notice of its exercise of its option not more than nine (9) months and not less than six (6) months prior to the expiration of the then current term of this Agreement, provided that at the time of the exercise of such option: (i) Licensee is not in default under the terms of this Agreement or any other agreement between Licensee and Licensor or any of its Affiliates, and (ii) the Continuing Fees received by Licensor with

respect to the two (2) most recent Fiscal Years prior to such date, less the amount of any Section 4(D) Payments by Licensor with respect to such period, equaled or exceeded Eight Million Dollars ($8,000,000), in the aggregate, Adjusted for Inflation.

(C) EARLY TERMINATION. This Agreement shall immediately terminate in the event that: (i) prior to the Opening Date, Licensor is notified by the Mississippi Gaming Commission that it has been found unsuitable for a gaming license in Mississippi and Licensor withdraws its application therefor, (ii) prior to the Opening Date, Licensor has been formally notified by the Mississippi Gaming Commission that it has been found unsuitable for a gaming license in Mississippi, or (iii) at any time during the term hereof, Licensor's gaming license is revoked or is not renewed by the Mississippi Gaming Commission.

SECTION 4. COMPENSATION TO LICENSOR

(A) TERRITORY FEE. As consideration for the grant of the right to use the Licensed Rights as provided herein, Licensee shall pay to Licensor a territory fee of Two Million Dollars ($2,000,000) (the "TERRITORY FEE") as follows: (i) One Million Dollars ($1,000,000) shall be payable on or before November 30, 1998, and (ii) the balance of the Territory Fee shall be payable on or before March 31, 1999. In the event this Agreement is terminated pursuant to Section 3(C) above, the Territory Fee shall be refunded to Licensee as follows: (i) if such termination occurs prior to the Opening Date, the entire amount of the Territory Fee shall be refunded to Licensee (without interest), and (ii) if such termination occurs during the period commencing on the Opening Date and ending three (3) years after the Opening Date, the Territory Fee shall be amortized over such three (3) year period and the unamortized portion of the Territory Fee as of the date of such early termination shall be refunded to Licensee (without interest). Except as provided in the preceding sentence, the Territory Fee is non-refundable.

(B) CONTINUING FEES. As further consideration for the grant of the right to use the Licensed Rights as provided herein, Licensee hereby agrees to pay to Licensor a fee equal to five percent (5%) of the Licensing Fee Revenues during the term of this Agreement (the "CONTINUING FEES").

(C) PAYMENT OF FEES. The Continuing Fees will be payable to Licensor monthly, within ten (10) days after the end of each calendar month, based on Licensing Fee Revenues generated during the preceding calendar month. The Territory Fee and Continuing Fees and all other fees, contributions, expenses and reimbursements due from Licensee hereunder (collectively, "FEES"), shall be paid by wire transfer of immediately available funds to an account designated in writing from time to time by Licensor.

(D) LICENSOR PAYMENT.

(i) For any Operating Year ending prior to the Achievement Date, if Licensee's EBITDA during such Operating Year is less than its Required EBITDA for such Operating Year, then Licensor shall pay to Licensee the following amount:

(a) the lower of: (x) Licensee's Required EBITDA for such Operating Year, less Licensee's Adjusted EBITDA for such Operating Year; (y) the amount of Continuing Fees paid or payable to Licensor pursuant to Section 4(B) above with respect to such Operating Year; and (z) $2 million; less

(b) the amount by which the total rent paid to Licensee as landlord (or its successors as landlord) under the Lease Agreement with respect to such Operating Year exceeds $2,020,000.

The amount payable by Licensor pursuant to this Section 4(D)(i) is referred to herein as the "SECTION 4(D) PAYMENT". Examples of the calculation of the Section 4(D) Payment are set forth on Exhibit E to this Agreement.

(ii) Within 120 days after the end of each Operating Year, Licensee shall deliver to Licensor its calculation of the amount, if any, of the Section 4(D) Payment. Within (30) days after its receipt of such notice, (a) Licensor shall pay to Licensee the amount of the Section 4(D) Payment or (b) Licensee shall have the right to deduct the amount of the Section 4(D) Payment from the amount of the Continuing Fees payable by Licensee to Licensor pursuant to Section 4(B) above. Licensor will not be required to pay the Section 4(D) Payment within the thirty (30) day period provided for in the preceding sentence and Licensee shall not have the right to deduct the amount of the Section 4(D) Payment from the amount of the Continuing Fees payable hereunder if Licensor has objected to Licensee's calculation of the Section 4(D) Payment within said

period as provided in Section 4(D)(iii) below.

(iii) Notwithstanding the payment of the Section 4(D) Payment as provided in Section 4(D)(ii) above, Licensor shall have the right to object to Licensee's calculation of the Section 4(D) Payment at any time by written notice to Licensee, subject to the limitations set forth in Section 18(A)(iii) hereof. Any such dispute shall be resolved by Licensor and Licensee in the manner provided in Section 18(A) of this Agreement.

(E) LATE PAYMENTS. Unpaid amounts due and owing from Licensee or Licensor, shall bear interest, pro rata per day, on the past due balance at the Interest Rate; provided, however, that if the last day on which any such amounts due and owing from Licensee or Licensor can be paid without being considered past due falls on a non-Business Day, then the last day for paying such sums without being considered past due shall be the next Business Day thereafter.

(F) ALL FEES ARE NONREFUNDABLE. No Fees or other sums payable hereunder shall be refundable to Licensee, except as specifically provided herein. Notwithstanding the foregoing, Licensor shall refund any overpayments made by Licensee.

SECTION 5. DEVELOPMENT/OPERATION OF HOTEL/CASINO

(A) LICENSEE RESPONSIBLE FOR DEVELOPMENT.

(i) Licensee shall acquire and develop the Licensed Location and the Hotel/Casino as provided in the Management Agreement, and shall, with all reasonable diligence, construct, complete, furnish and equip the Hotel/Casino, which in no event shall be of a lesser quality than the plans, designs and specifications set forth in the Project Concept Plan (as defined below), and in accordance with all of the requirements of this Agreement. Licensee shall be solely responsible and solely at risk to make certain the Licensed Location and the Hotel/Casino, as constructed and operated, comply in all respect with all applicable Laws and all other requirements of all Governmental Authorities.

(ii) The Project shall be designed and developed subject to an aggregate maximum cost of $270,000,000 in accordance with in the project concept plan and preliminary budget attached hereto as Exhibit E (the "PROJECT CONCEPT PLAN"). The Project Concept Plan generally depicts the plans, designs and specifications for the Hotel/Casino, which plans are subject to Licensor's approval with respect to the Hard Rock Elements (as determined in its sole discretion in accordance with subparagraph (D) below). The number of keys or rooms within the Hotel shall not be less than 350 nor more than 500, without Licensor's prior written consent, in its sole discretion. The Project Concept Plan for the Hotel/Casino, and the Hotel/Casino as finally constructed, shall include a retail establishment conforming to standards prescribed by Licensor and set forth in the Lease Agreement, which retail establishment shall be leased to Licensor pursuant to the Lease Agreement.

(iii) The Hotel/Casino shall be developed, constructed and operated in accordance with the Hotel/Casino System, except as otherwise mutually agreed by the parties hereto. The Hotel/Casino System shall involve criteria consistent with the Project Concept Plan for the design, development and operation of a hotel and casino that conforms to the image and overall energy, ambience and theme of the Hard Rock Cafes and the Hard Rock Hotel located in Las Vegas, Nevada. The Hotel/Casino System and Manuals shall be jointly developed by Licensor and Licensee and shall include the following elements:

(a) the "HARD ROCK ELEMENTS" relating to the overall "look and feel" of a Hard Rock Hotel and Casino, and including but not limited to (1) the use of distinctive exterior and interior designs, layouts, concepts, decor, color schemes, music-related memorabilia and icons, furnishings and staff uniforms; (2) the process for selecting and training employees in all customer service and interface positions, except for gaming employees; (3) the electronic visual and audio aspects of the Hotel/Casino, including but not limited to music selection and the use of videos; (4) the nature and quality of entertainment and other media events and activities on the Hotel/Casino premises; (5) advertising and marketing standards for the uses and presentation of the Licensed Marks, including such usage in connection with media events, television, radio and print, and coordination of public relations activities; (6) any other use or display of the Hard Rock trademarks; and (7) restaurant concepts and food and beverage menus on the Hotel/Casino premises.

(b) the "OPERATING ELEMENTS" relating to the operation of a hotel and casino generally, and including but not limited to (1) quality and service criteria for food, beverage and bar services; (2) the establishment and maintenance of operational standards regarding quality assurance and quality control, cleanliness and image, customer relations and customer service, including food and beverage operations,

and (3) any other aspect of the operation and management of the Hotel/Casino which is outside the scope of the Hard Rock Elements.

The Hard Rock Elements and Operating Elements of the Hotel/Casino System applicable to the Hotel/Casino shall be comparable to and on a par with corresponding elements of the existing systems for the Hard Rock Cafe restaurants and the Hard Rock Hotel in Las Vegas, Nevada (although it is anticipated that the actual design and appearance of the Hotel/Casino and staff uniforms may vary).

(iv) Licensor and Licensee shall jointly own the Hotel/Casino System and the Manuals, except for the Licensed Rights incorporated into the Hotel/Casino System and/or the Manuals, which will be owned exclusively by Licensor. At all times during and after the term of this Agreement, each of Licensor and Licensee and their respective Affiliates shall be entitled to use for any other purpose: (i) the Hotel/Casino System and the Manuals, and (ii) restaurant concepts and menus used at the Hotel/Casino at any time and from time to time if such concepts and menus are not sufficiently significant to be uniquely associated with the Hotel/Casino; provided, however, that Licensee and its Affiliates shall not be permitted to use, or authorize any other Person to use, any of the Licensed Rights incorporated into the Hotel/Casino System and/or the Manuals, except as otherwise permitted in this Agreement. The provisions of this clause (iv) shall survive the termination of this Agreement.

(B) SITE REVIEW AND APPROVAL RIGHTS. (i) Licensor has reviewed and preapproved the site described on Exhibit F attached hereto (the "PREAPPROVED SITE"). Prior to any commitment by Licensee to a location other than the Preapproved Site, Licensee shall have submitted to Licensor a written request for written approval by Licensor of such proposed site, and the specific location of the Hotel/Casino thereon. The written request for approval of a proposed site shall be accompanied by a feasibility study for the proposed site comparable to the feasibility study prepared for the Preapproved Site and all other locational, demographic, and operating information as Licensor shall reasonably request, including, without limitation, area maps, initial site plans, initial floor plans and layouts, initial business and operating plan (including Total Revenues and expense projections), basic demographic and traffic pattern information, local transportation and parking facilities, and location of competing establishments. Licensee shall also provide Licensor with a site report for the Hotel/Casino (the "REPORT"). The Report shall include salient features of the proposed site, building type and placement information (and anticipated development expenditures, preliminary plans, specifications or sketches of the Hotel/Casino) and other information reasonably requested by Licensor in order to understand the Hotel/Casino and surrounding development. Licensee shall bear all costs it incurs in connection with the preparation and delivery of any feasibility studies and Reports pursuant hereto. Licensor shall be permitted to visit and inspect the proposed site prior to date by which it would be required to submit any objections to such proposed site, and thereafter. Licensor's approval of the proposed site will not be unreasonably withheld provided that the projected revenues set forth in the feasibility study for the proposed site are not less than eighty percent (80%) of the projected revenues set forth in the feasibility study prepared by Urban Systems Inc. (dated November 1997) for the Preapproved Site. Otherwise, Licensor's approval may be withheld in its sole discretion. In the event Licensor does not approve any proposed site, Licensor shall provide to Licensee in reasonable detail the reasons therefor. Licensor will approve or disapprove of the location proposed by Licensee within sixty (60) days following the submission of all information requested by Licensor. The failure by Licensor to approve or disapprove a proposed site within such sixty (60) day period shall be deemed to be an approval of such proposed site by Licensor. A site for the Hotel/Casino shall be selected by Licensee and approved by Licensor as provided above and acquired by Licensee no later than three (3) years after the date of this Agreement.

(ii) Licensee hereby acknowledges and agrees that the selection of a site as provided above, or the failure of Licensor to object to a site, does not constitute an assurance, representation or warranty by Licensor of any kind, express or implied, as to the suitability (commercially or otherwise) of the site for the Hotel/Casino or for any other purpose. Both Licensor and Licensee acknowledge that application of criteria that may have been effective with respect to any other site and premises may not be predictive of commercial or other potential for all sites and that, subsequent to the selection of a site, demographic and/or economic factors, such as competition from other similar businesses, could change, thereby altering the potential of the site. Such factors are unpredictable and are beyond Licensor's control, and Licensor shall not be responsible for the failure of a site approved by Licensor to meet expectations as to revenue, income or operational criteria. Licensee further acknowledges and agrees that acceptance of a site of a Hard Rock Hotel is based on its own independent investigation of the suitability of the site.

(C) FINANCING. (i) Prior to Licensee or its Affiliates entering into any direct or indirect financing arrangement with respect the Project, Licensee shall submitted to Licensor a written request for written approval by Licensor

of its proposed financing for the Project. Such approval may be withheld in Licensor's reasonable discretion, but, in the event of any such disapproval, Licensor shall provide to Licensee in reasonable detail the reasons therefor. The written request for approval of the financing for the Project shall include a general description of all of the material terms of the proposed financing and detailed budgets for the Project. Licensee shall provide Licensor with such additional information and documentation regarding the proposed financing for the Project as Licensor may reasonably request. Licensor will approve or disapprove of the proposed financing for the Project within thirty (30) days following the submission of all information requested by Licensor. The failure by Licensor to approve or disapprove the proposed financing within such thirty (30) day period shall be deemed to be an approval of such financing by Licensor. Licensee shall have obtained Licensor's approval and secured all necessary financing and/or equity contributions to complete the Project not later than three (3) years following the execution of the Agreement.

(ii) Licensee hereby acknowledges and agrees that: (a) Licensor has not made any agreements or commitments of any kind, whether express or implied, to Licensee that Licensor or any of its Affiliates will provide a completion guaranty or any other financial assistance to Licensee in connection with its financing of the Project, and (b) if Licensor or any of its Affiliates do agree to provide financial assistance to Licensee, then the terms of such financial assistance will be subject to Licensor's or such Affiliates' approval, in its sole and absolute discretion.

(D) APPROVAL RIGHTS. Notwithstanding any provision of this Agreement to the contrary, Licensor shall have full discretionary approval, in its sole discretion, over all aspects of the Project involving Hard Rock Elements. Licensor's approval rights shall not include approval over the design and layout of the gaming area (E.G., the placement within the gaming area of table games, slot

machines, cashier's cages and other elements associated with gaming activity) but shall include approval, in its sole discretion, over the display and use of the Licensed Marks within the gaming area. Licensor shall not have the right to require Licensee to alter, change or remove any item which was previously approved by Licensor in accordance with this Agreement. Licensor agrees to reasonably consult with Licensee with respect to its approval over the aspects of the Project involving Hard Rock Elements.

(E) ADDITIONAL APPROVALS. Licensee shall also timely submit to Licensor for Licensor's approval prior to construction, purchase or hire, as applicable, the following:

(1) all preliminary and final plans and specifications for the Hotel/Casino and all FF&E, including, without limitation, all preliminary and final designs, site plans, floor plans and layouts, and artist renderings relating to the initial construction of the Hotel/Casino, which approval shall not be unreasonably withheld;

(2) the identity and qualifications of the Project Manager for the Project, which approval may be given or withheld in Licensor's sole discretion;

(3) the identity and qualifications of all contractors, architects and other consultants proposed to be utilized by Licensee for preparation of the preliminary and final plans and specifications for the Hotel/Casino and the construction of the Hotel/Casino, which approval shall not be unreasonably withheld; and

(4) all such other information regarding the Project as Licensor shall reasonably request.

Licensor shall have the right to disapprove any of the foregoing items within five (5) Business Days of written submission by Licensee. If Licensor fails to approve or disapprove of any item within such period, Licensee shall notify Licensor of such failure, and Licensor shall have an additional five (5) Business Days after such notice to approve or disapprove such item. The failure by Licensor to approve or disapprove of any item prior to the end of the second five (5) Business Day period shall be deemed to be an approval of such item by Licensor. If Licensor disapproves any item, Licensor shall provide to Licensee in reasonable detail the reasons therefor, together with general suggestions for revisions.

(F) DESIGN CONSULTANTS. Licensor shall have the right to hire up to two (2) design consultants to review the designs of the Hotel/Casino and consult with the Project's architects and designers with respect to the Hard Rock Elements and other aspects of the design of the Hotel/Casino. Licensee shall reimburse Licensor for the fees and other expenses of such consultants, up to a maximum aggregate amount of $75,000. Such amounts shall be payable by Licensee within ten (10) days following Licensor's invoice therefor.

(G) DISPUTES. The parties agree to use their reasonable efforts to promptly resolve any disputes regarding any approvals relating to the development or operation of the Hotel/Casino. If the parties are unable to resolve any dispute within five (5) Business Days, then either party shall have the right to submit such dispute to arbitration as provided in Section 18 of this Agreement (other than matters which are not subject to arbitration as provided herein).

(H) ADVISORY SERVICES. Licensor will, upon Licensee's written request, render the following advisory services to Licensee during the Pre-Opening Period (the "ADVISORY SERVICES"):

(i) advice in formulating or refining the preliminary plans and specifications for the construction of the Hotel/Casino and all related Hotel/Casino facilities, including landscaping, and in formulating or refining preliminary layouts, drawings, and designs for the interior of the Hotel/Casino and the furnishing and equipping thereof, and, in connection therewith, may recommend to Licensee layouts and other criteria and specifications for the facilities to be included in the Hotel/Casino;

(ii) advice as to architects, contractors, engineers, designers, decorators, landscape architects, and such other specialists and consultants as shall be necessary for completing the Hotel/Casino, provided, however, that Licensee shall not be obligated to utilize any such Person recommended by Licensor, and Licensor shall have no liability or responsibility for any act or omission of any such Person utilized by Licensee; and

(iii) advice in preparing budgets for the initial purchase of FF&E for the Hotel/Casino.

It is the intention of the parties hereto that responsibility for implementation of each of the foregoing items is upon Licensee, but that Licensor shall remain available to assist Licensee in such implementation. All reasonable costs incurred by Licensor after the date hereof for up to three (3) representatives of Licensor to attend up to seven (7) meetings, including, without limitation, travel, accommodations, and other reasonable expenses incurred by Licensor in providing Advisory Services, shall be reimbursed by Licensee commencing after Licensee obtains its financing for the Project within ten (10) days following invoice therefor.

Licensor, where practical and in its sole discretion, shall make available to Licensee Licensor's facilities for the purchase of required FF&E, and other necessary items, and may recommend to Licensee a firm or firms from which such items may be purchased. Any such purchase through Licensor's facilities shall be subject to such price mark-ups or other charges as to which Licensor and Licensee may mutually agree in each instance. Any such purchase through sources recommended by Licensor shall include an acknowledgment, in form acceptable to Licensor, specifying that the seller is not contracting with Licensor, and that Licensor is not responsible for any payment or performance by Licensee. Licensee shall not be obligated to purchase such items from the firms or sources recommended by Licensor; provided, however, that, prior to purchasing from nonrecommended sources, Licensee shall submit to Licensor such samples and/or other information with respect to the proposed purchases as shall be necessary to assure Licensor that the

quality, design, and safety of such items, together with their compliance with applicable Law, is at least equal to that available from sources recommended by Licensor, and that the design, appearance, and all other aspects thereof conform to the requirements of this Agreement.

(I) LICENSOR MAY DELEGATE DUTIES. In rendering the Advisory Services, Licensor shall have the right, at its sole discretion, to be assisted by third Persons, and, accordingly, some or all of such Advisory Services which Licensor undertakes to provide under this Agreement may be provided by such third Persons. Licensor may, upon Notice to Licensee, require Licensee to pay directly to any such third Person any portion or all of any payment due to Licensor hereunder.

(J) HARD ROCK REPRESENTATIVE. Licensor shall have the right, but not the obligation, to assign a full time or part time, representative at the Project to act as Licensor's on-site representative during the Pre-Opening Period (the "HARD ROCK REPRESENTATIVE"). The responsibilities of the Hard Rock Representative shall include acting as a liaison between Licensor and Licensee with respect to Licensor's approval rights under Sections 5(D) and 5(E) hereof and the Advisory Services to be rendered by Licensor pursuant to Section 5(G) hereof and to generally assist in the coordination of activities between Licensor and Licensee, provided that the Hard Rock Representative shall not have the authority to approve any matters requiring Licensor's approval under this Agreement.

(K) LICENSOR ONLY AN ADVISOR. Licensee hereby acknowledges that Licensor acts only an advisory capacity for purposes of this Section 5, and Licensor shall not be responsible for the adequacy or coordination of any plans or specifications, the structural integrity of any structures or the systems thereof, compliance with applicable Laws, including, without limitation, any building code of any Governmental Authority, or any insurance requirement, or for the obtaining of any necessary Permits, all of which shall be the sole responsibility, and at the sole risk, of Licensee. Upon request by Licensor, Licensee shall supply Licensor with copies of all certificates of architects, contractors, engineers and designers, and such other similar verifications and information as Licensor shall reasonably request.

(L) PRE-OPENING PROGRAM. Licensor and Licensee shall cooperate with each other to develop a written pre-opening program for the Project (the "PRE-OPENING PROGRAM") specifying, in reasonable detail: (i) any services to be provided by Licensor in connection with the Pre-Opening Program, as mutually agreed by the parties hereto; (ii) any sales and promotion efforts by Licensor in connection with the Pre-Opening Program, as mutually agreed by the parties hereto; (iii) appropriate inaugural ceremonies for the Hotel/Casino, all as mutually agreed by the parties hereto; and (iv) an estimate of other pre-opening costs and expenses relating to the foregoing. Licensee shall reimburse Licensor for the costs incurred by it to provide the services described in items (i) and (ii) above, within ten (10) days after Licensor's invoice therefor, and shall otherwise be solely responsible for payment of all such pre-opening costs and expenses which are approved by Licensee with respect to the Project.

(M) OPENING DATE. Subject to Force Majeure, the Hotel/Casino shall be in operation and open to the public not later than five (5) years following the execution of the Agreement (the "OPENING DATE"), and shall thereafter remain continuously open (during normal business hours) during the term of this Agreement.

(N) LIMITATIONS OF PRIOR APPROVALS. Notwithstanding any other term or provision of this Agreement, the approval of any item by Licensor in accordance with this Agreement shall not constitute a waiver by Licensor of its right to insist upon strict compliance by Licensee with any of the other terms of this Agreement, or prevent Licensor from requiring Licensee to alter, remove, replace or repair any other item which was not previously approved by Licensor and which does not comply with the requirements of this Agreement or any applicable Law.

(O) ANCILLARY AGREEMENTS. After the acquisition by Licensee of the site for the Hotel/Casino and prior to the commencement of the construction of the Hotel/Casino, Licensee and Hard Rock STP shall enter into the Lease Agreement and the Memorabilia Lease.

(P) HOTEL MANAGER. Licensor shall have the right to approve the Person engaged as the management company for the Hotel/Casino, which Person shall have seven (7) years or more of experience in the management of two (2) or more hotel/gaming properties. Licensor's approval of the management company for the Hotel/Casino shall not be unreasonably withheld. In addition, if Full House, directly or indirectly, manages or possesses an ownership or other interest in the Person engaged as the management company for the Hotel/Casino, Licensor shall have the right to participate in the management of the Hotel/Casino on an equal basis with Full House, provided Licensor obtains (or possesses) any required gaming licenses in connection therewith.

(Q) SALE OF SECURITIES.

(i) If Licensee or any of its Affiliates shall, at any time or from time to time, "sell" or "offer to sell" any "securities" issued by it through the medium of any "prospectus" or otherwise, it shall do so only in compliance with all applicable federal or state securities laws, and Licensee shall clearly disclose to all purchasers and offerees that (a) neither Licensor, nor any of its Affiliates, nor any of their respective officers, directors, agents or employees, shall in any way be deemed an "issuer" or "underwriter" of said "securities," and that (b) Licensor, its Affiliates and said officers, directors, agents and employees have not assumed and shall not have any liability or responsibility for any financial statements, prospectuses or other financial information contained in any "prospectus" or similar written or oral communication.

(ii) Licensee shall deliver to Licensor three (3) draft copies of any "prospectus" or similar communication delivered in connection with the sale or offer by Licensee of any "securities" not less than (30) days prior to the filing thereof with any Government Authority or the delivery thereof to any prospective purchaser and three (3) copies of such materials in substantially final form at least five (5) days prior to the filing thereof with any Government Authority or the delivery thereof to any prospective purchaser. Notwithstanding the above, Licensor shall have the right to approve the final description of this Agreement and Licensee's relationship with Licensor hereunder, and any use of the Licensed Marks contained in such materials. Licensor's approval of the description of this Agreement and Licensee's relationship with Licensor hereunder, and any use of the Licensed Marks

contained in such materials shall not constitute any judgment or determination by Licensor that such description is in compliance with applicable disclosure requirements.

(iii) Licensee agrees to indemnify, defend and hold Licensor and its Affiliates and their respective officers, directors, agents and employees harmless of and from any and all liabilities, costs, damages, claims or expenses arising out of or related to the "sale" or "offer" of any "securities" of Licensee. All terms used in this Section 5(Q) shall have the same meaning as in the Securities Act of 1933, as amended.

SECTION 6. LEASE

(A) LEASE OF LICENSED LOCATION. If Licensee is leasing any portion of the Licensed Location as a tenant, Licensee shall provide Licensor with a copy of all leases, use agreements or similar agreements for or relating to any real property constituting any portion of the Licensed Location or the Hotel/Casino (each, a "LEASE").

(B) LEASE TERMS AND CONDITIONS. Licensee shall use its commercially reasonable efforts to include provisions in each Lease which permit, without lessor's consent, the assignment of all of the right, title and interest of Licensee under the Lease to Licensor or its designee.

SECTION 7. PERSONNEL

(A) APPOINTMENT OF GENERAL MANAGER. Prior to the Opening Date, Licensee shall appoint a General Manager for the Hotel/Casino. Licensee shall provide Licensor with all information available to Licensee as Licensor shall reasonably request regarding the experience, qualifications and character of the individual that Licensee proposes to appoint as General Manager of the Hotel/Casino. Such appointment shall be subject to Licensor's reasonable approval.

(B) TRAINING OF MANAGEMENT PERSONNEL. Licensee shall require the individual appointed as General Manager of the Hotel/Casino and the individuals holding the top seven (7) management positions at the Hotel/Casino to attend not more than one (1) week of initial training with respect to Licensor's methods, procedures and protocols, at Licensee's expense, and such additional training as Licensor requires from time to time for its own personnel, at a location to be designated by Licensor.

(C) TRAINING COMPLETED. Licensee will not open the Hotel/Casino to the public until the individuals described in Section 7(B) hereof have satisfactorily completed all training required pursuant to Section 7(B).

(D) TRAINING OF REPLACEMENT MANAGING PERSONNEL. In the event any of the individuals described in Section 7(B) ceases to be employed in such capacity by Licensee, all approval and training requirements specified in Section 7(B) shall be equally applicable to each employee replacing each such individual in such position. Licensee shall use its reasonable efforts to promptly fill any vacant Hotel/Casino management position described in Section 7(B).

(E) FULL STAFFING; ADDITIONAL TRAINING. Licensee will retain as Hotel/Casino employees all such staff as may be required from time to time by Licensor for the proper operation of the Hotel/Casino in accordance with the terms of this Agreement and the Manuals, and will ensure that

such staff (and all replacements of each member thereof) are fully trained in accordance with this Agreement and the Manuals. If and whenever required by Licensor, each Hotel/Casino employee (including gaming employees) shall attend, at Licensee's facilities, such initial and additional training with respect to Licensor's methods, procedures and protocols as may be required by Licensor from time to time. Licensor shall be responsible for its own costs and expenses in providing such training.

SECTION 8. ADVERTISING

(A) ADVERTISING PRIOR TO OPENING DATE. Licensee will, prior to the Opening Date and at Licensee's expense, carry out or cause to be carried out advertising for the opening of the Hotel/Casino. Licensee shall utilize all reasonable commercial efforts to diligently promote the Hotel/Casino by advertisements on television and radio and in newspapers, magazines, telephone or trade directories, distributions to customers and potential customers in the most effective manner, point-of-service advertising material, and other forms of publication.

(B) ADVERTISING AFTER OPENING DATE. Licensee will, subject to the provisions of this section, during each Fiscal Year, expend at least three and one-half percent (3.5%) of Total Revenues on advertising and publicity for the Hotel/Casino. Advertising, marketing and publicity expenses qualifying under

this provision will include, but not be limited to, costs incurred for (i) media (television, radio and print) advertising, (ii) Casino bus and air programs, (iii) direct mail programs, including the value of goods and services provided, (iv) Casino slot and table club programs, (v) promotions and giveaways including tournaments, special events, drawings, and slot jackpot prizes, (vi) coupon promotions, (vii) customer transportation reimbursement, (viii) customer gifts, and (ix) complimentary goods and services provided to customers. All non-cash expenses will be valued at normal retail transfer prices as reflected in Licensee's financial statements, or at fair market value, where appropriate. Licensee shall provide to Licensor, from time to time, promptly upon request, such evidence of compliance with the requirements of this section as Licensor shall reasonably request.

(C) ANNUAL MARKETING PLANS. Licensee shall prepare and submit to Licensor a marketing plan for the Hotel/Casino for each Fiscal Year, including, without limitation, Licensee's itemized (by category) projections of Total Revenues and other operating results. Such plan shall be submitted to Licensor no later than thirty (30) days before the beginning of each Fiscal Year.

(D) COOPERATION WITH LICENSOR'S ADVERTISING CAMPAIGNS. Licensee will, at Licensor's request, cooperate reasonably with Licensor and Licensor's Affiliates, and other licensees of Licensor and Licensor's Affiliates, in any advertising campaign, sales promotion program or other special advertising activity in which Licensor may engage or specify from time to time.

(E) COOPERATION WITH LICENSOR. Licensee shall publicize such information and details of Licensor' s business operations and that of Licensor' s Affiliates and other licensees of Licensor and Licensor's Affiliates in such places in the Hotel/Casino as Licensor shall from time to time reasonably require.

(F) GLOBAL ADVERTISING FUND. Licensee shall contribute to Licensor's Global Advertising Fund, an amount equal to one-half percent (0.5%) of its Total Revenues, provided that such amount shall not exceed $500,000 per year (the "CONTRIBUTION"), provided that such obligation shall not commence until such time as Full House no longer owns a Controlling Interest in Licensee. The Contribution will be payable to Licensor quarterly, within thirty (30) days after the end of each calendar quarter, based on Total Revenues generated during the immediately preceding calendar quarter. Such Contribution shall be used to meet any and all of Licensor's costs in maintaining, administering, directing, preparing and reviewing advertising materials and programs, and to provide for worldwide advertising programs, as Licensor shall, in its sole discretion, deem appropriate for the Hard Rock Marks. Licensee recognizes that Licensor is under no obligation, in administering the Global Advertising Fund, to ensure that expenditures are proportionate to Contributions of Licensee, or that Licensee benefits directly or proportionately from the development or placement of advertising supplied by or through the Global Advertising Fund. Licensor shall not be obligated to expend all or any certain part of the Global Advertising Fund during any specific period of time or to refund any of the same to Licensee.

(G) NO DONATIONS OR CONTRIBUTIONS. Licensee will not, except with the Licensor's prior written consent in each instance, make political or religious donations or contributions or subscriptions of any variety, and will not, except with the Licensor's prior written consent in each instance, permit any portion of the Hotel/Casino or the Licensed Location to be used by any political party or religious organization or for any political or religious purpose that is endorsed or promoted by the Hotel/Casino.

(H) PRIOR APPROVAL OF ADVERTISING MATERIALS. No later than six (6) months prior to the Opening Date, Licensor shall provide Licensee with a branding manual which shall set forth the approved color, form and style of the Licensed Marks in advertising and marketing materials and other specified uses at the Project. All advertising carried out by Licensee utilizing the Licensed Marks shall be in accordance with Licensor's standards and guidelines therefor set forth in the branding manual. A copy of all advertisements and other promotional materials utilizing the Licensed Marks in a manner other than in accordance with the branding manual shall be submitted to Licensor prior to publication of such advertisements or use of such promotional materials. Licensee shall be legally responsible for the content of any advertising material, other than with respect to the Licensed Marks or any content directly reproduced from the branding manual, each of which shall be the legal responsibility of Licensor.

(I) APPROVAL OF OTHER ADVERTISING. Licensee will not, in connection with any advertising of the business or operations of the Hotel/Casino, utilize any tradename, trademark, service mark or other intellectual property right other than the Licensed Rights and other rights reasonably approved by Licensor. Licensee will not advertise any product or service, or display any promotional material in the Hotel/Casino, other than with respect to the business and/or operations of the Project, provided that the foregoing shall not (i) apply to Persons leasing commercial space at the Licensed Location from Licensee, or (ii) restrict Licensee from operating and promoting "participation gaming" activities

(such as "Megabucks" and "Cool Million") in the Hotel/Casino.

(J) LICENSEE'S CROSS PROMOTIONS. Licensee agrees not to enter into any sponsorship or other similar arrangements providing for the marketing or promotion of the Hotel/Casino or the Hotel Marks or the Licensed Marks jointly with the name or trademark of another person or entity or otherwise associate any other Person's name or trademarks with the Hotel Marks or the Hard Rock Marks without the Licensor's written consent in its sole and absolute discretion, and Licensee may engage in cross promotions at the Hotel/Casino or utilizing the Licensed Marks only as approved in writing by Licensor.

(K) INTERNET. Licensee shall not in any manner utilize the Licensed Marks on or in connection with any Internet Site, including but not limited to any utilization or display of the Licensed Marks or any derivation thereof or any trademarks, trade names, service marks, logos or designs confusingly similar thereto, or in any buried computer code, meta-tags or otherwise, except as specifically permitted herein. For purposes of this Agreement, the term "INTERNET SITE" shall include any world wide web site, USENET, newsgroup, bulletin board or other online service or any successor thereto at any electronic domain name, address or location, or any other form of online service or electronic domain name, address or location, or any other form of online service or electronic commerce whatsoever, that is accessible by persons other than Licensee's employees.

Licensor and its Affiliates may develop and maintain, or license the development and maintenance, of an Internet Site for Branded Merchandise and other products and other Hard Rock businesses as Licensor, in its sole discretion, shall determine (a "HARD ROCK INTERNET SITE"). Licensor and its Affiliates shall have the right to utilize any Licensed Marks on and in connection with a Hard Rock Internet Site (and in any other manner whatsoever) without payment or obligation of any kind to Licensee. Licensee shall not participate in any manner in any revenues (and shall not be liable for any costs and expenses) resulting from the offer and sale of Branded Merchandise on the Hard Rock Internet Site, or by reason of any link from any Licensee Internet Site (as defined in the following paragraph) to a Hard Rock Internet Site. At Licensor's request, each advertisement of the Project shall prominently display the Internet Uniform Resource Locator (URL) of a Hard Rock Internet Site designated by Licensor to Licensee.

In the event that Licensee develops an Internet Site for the Hotel/Casino (a "LICENSEE INTERNET SITE"), Licensee may include a simple link from that site to a Hard Rock Internet Site designated by Licensor to Licensee, provided that (i) the Hard Rock Internet Site shall not be framed or otherwise made to appear as a part of the Licensee Internet Site or any other Internet Site; (ii) such link shall not be designed so as to imply any association with or endorsement by Licensor or the Hard Rock Internet Site with the Licensee Internet Site or any other Internet Site; (iii) any use of the Licensed Marks on the Licensee Internet Site shall be subject to Licensor's approval, in its sole discretion; (iv) there are no other links on the Licensee Internet Site to any other Internet Sites that (a) are offering any merchandise utilizing any Hard Rock Marks or otherwise utilizing in any manner any Hard Rock Marks for the sale of any merchandise (other than the Hard Rock Internet Site), or are otherwise utilizing any Hard Rock Marks unless Licensee shall have obtained Licensor's prior written approval to any links to such Internet Sites; or (b) are operated by or on behalf of or otherwise promote any products or services of any person or entity that would in Licensor's judgment be prejudicial to Licensor or the Hard Rock Marks.

SECTION 9. STANDARDS OF QUALITY AND OPERATION

(A) OPERATION OF HOTEL/CASINO MUST MEET QUALITY STANDARDS. Licensee will, at all times, operate the Hotel/Casino as provided for herein consistent with the high quality standards required of Licensee hereunder and in accordance with the Hotel/Casino System and Manuals.

(B) LICENSEE'S OBLIGATIONS. Licensee shall:

(1) Refrain from using the Hotel/Casino, the Licensed Location or any portion thereof for any purpose other than operating a Hotel/Casino pursuant to provisions herein;

(2) Operate the Hotel/Casino and use the Licensed Rights in the manner prescribed in this Agreement, the Hotel/Casino System and the Manuals;

(3) Feature in the Hotel/Casino and on the various articles therein as approved by Licensor, and in advertising and promotional material, the names, logos, colors and other aspects of the Licensed Marks in the size, color, combinations, arrangements and manner as reasonably determined periodically by Licensor;

(4) Advertise or cause to be advertised the Hotel/Casino and related facilities and services and, upon the written request of Licensor, cease and desist from using or continuing to use any advertising or publicity which Licensor reasonably believes is not in the best interests of the preservation of the Licensed Rights or other related intellectual property rights of Licensor;

(5) Upon reasonable notice, permit Licensor or its authorized agents to enter the Hotel/Casino and the Licensed Location during regular business hours to inspect the same with respect to the Licensee's use of the Licensed Rights;

(6) Upon reasonable notice, permit Licensor, its authorized agents and/or its invited guests to enter the Hotel/Casino and the Licensed Location during regular business hours to tour the Hotel/Casino facilities;

(7) Operate the Hotel/Casino in accordance with the Hotel/Casino System, the Manuals and all applicable Laws and Permits;

(8) Provide to Licensor for its approval samples of staff uniforms to be used in connection with operation of the Hotel/Casino;

(9) Comply with the terms of the Lease Agreement and the Memorabilia Lease. Licensee shall not locate on the Licensed Location or in the Hotel/Casino any "rock and roll" memorabilia other than as permitted by the Memorabilia Lease;

(10) Provide Hard Rock Hotel promotional materials and other Hard Rock literature in guest rooms and other locations at the Hotel/Casino, as reasonably requested by Licensor;

(11) Participate in any Hard Rock approved reservation system which may be in existence from time to time, to the extent Licensee determines such participation is commercially reasonable;

(12) Provide Licensor with up to fifty (50) hotel room nights on a rooms-available basis at the Hotel/Casino during each calendar year, on a complimentary basis, for invited guests of Licensor in return for Licensor's reasonable efforts to provide Licensee with a comparable number of room nights on a rooms-available basis at other Hard Rock Hotels;

(13) Cause the Hotel/Casino staff and employees to attend such training as may be required from time to time by Licensor, as provided in Section 7 hereof;

(14) Cooperate with Licensor by making available to Licensor and its Affiliates, at Licensor's request, subject to availability, the facilities at the Hotel/Casino for use by Licensor as a facility for the training of Licensor's and its licensees' employees and staff in the operation and management of the Hotel/Casino System, provided that any costs arising out of such cooperation shall be borne by Licensor and such cooperation does not unreasonably interfere with the operation of the Hotel/Casino;

(15) Not permit third parties to use the Licensed Location in the manner prohibited by Section 2(D)(ii) of this Agreement;

(16) Refrain from making any alterations, changes or modifications to any Hard Rock Elements (other than repairs or replacements which are consistent with Licensor's prior approval of such Hard Rock Elements) without obtaining Licensor's prior approval, which approval may be given or withheld in Licensor's sole discretion;

(17) Play only the type of music (at the decibel level) prescribed by Licensor in the Manuals. Live music which is in accordance with the standards established at other Hard Rock Hotels or Hard Rock Cafe restaurants may be played within the Hotel/Casino or upon or from the Licensed Location only upon the prior consent of Licensor, which consent shall not be unreasonably withheld;

(18) Provide on television in guest rooms at the Hotel/Casino (i) at least one video music channel, and (ii) one channel provided by Licensor or its designee to provide music entertainment and information about Licensor and its affiliated and related entities; and

(19) Provide to Licensor a copy of the lease agreement for each lessee of commercial space at the Licensed Location prior to its execution for the purpose of verifying the compliance of such lease with the terms of this Agreement.

(C) OPERATING COORDINATOR. At any time and from time to time during the Operating Period, Licensor may, in its sole discretion, designate an employee or representative of Licensor to act as Licensor's on-site representative at the Licensed Location (the "OPERATING COORDINATOR"). The functions and duties of the Operating Coordinator shall be as assigned by Licensor from time to time, but it is the intention of the parties that the primary duties of the Operating Coordinator shall be to: (i) review the operations of the Hotel/Casino and the use by the Licensee of the Licensed Rights, and (ii) to serve as a liaison between Licensor and Licensee in connection with Hotel/Casino System and Licensed Marks issues. Licensee shall provide to the Operating Coordinator its full cooperation to enable the Operating Coordinator to fulfill his duties as contemplated herein, including, without limitation, providing full access to the Hotel/Casino and all information relating to its operation. After the earlier to occur of (x) the date Operator ceases to manage the operations of the Hotel, and (y) the date Licensor or one of its Affiliates ceases to own at least fifty percent of the equity interests of Operator, Licensee shall thereafter reimburse Licensor within ten (10) days following invoice therefor, for all costs and expenses incurred by Licensor in connection with the retention, training, and services provided by the Operating Coordinator pursuant to this Agreement, including, without limitation, salary, travel expenses, office space, office assistance, and supplies, and similar items, up to a maximum amount of $150,000 per year. For all purposes of this Section 9(C), travel expenses and accommodations shall include all trips to the Hotel/Casino, and, if the Operating Coordinator does not permanently reside in the city where Licensor conducts management training, two (2) trips per Fiscal Year to such city for training purposes. At its option, Licensor may replace any Operating Coordinator with a Regional Coordinator of Licensor's designation upon the same terms and conditions, including, without limitation, expense reimbursement, as are provided for in this Section 9(C).

(D) RESERVE FUND. Licensee will establish a reserve fund of two percent (2%) of Total Revenues in the first Fiscal Year and each subsequent Fiscal Year of the term (the "RESERVE FUND"). Such Reserve Fund shall be used to refurbish and renovate the Hotel/Casino from time to time in order to maintain at least the Management Standard. Licensee shall use the Reserve Fund for (1) replacements and renewals of FF&E; (2) renovations of public areas and guest rooms; and (3) repairs to and maintenance of the Hotel/Casino's physical facilities (which costs are normally capitalized under generally accepted accounting principles), such as exterior and interior repainting, resurfacing building walls, floors, roofs, and parking lots, and replacing folding walls. Subject to the foregoing provisions, Licensee must spend the Reserve Funds for these purposes and shall not accumulate monies in the Reserve Fund when replacements, renovations or repairs are reasonably needed in order to maintain the Hotel/Casino at its highest level of operation and standard.

(E) GAMING. Except with the Licensor's written consent, in its sole discretion, this Agreement shall prohibit Licensee from (i) accepting wagering on any aspect of professional basketball, and (ii) promoting within the Hotel/Casino or at the Licensed Location gaming by any other Person other than "participation gaming" activities (such as "Megabucks" and "Cool Million").

(F) QUALITY NOTICES.

(i) Licensor shall have the right to engage in regular surveillance of the quality of the services rendered and the products sold by Licensee under or in connection with Licensee's use of the Licensed Marks by inspecting the Hotel/Casino, and Licensee shall upon reasonable notice being given by Licensor permit duly authorized representatives of Licensor to have access to all areas of Hotel/Casino for such inspection purposes.

(ii) In the event that Licensor should note any failure by Licensee to maintain in any respect quality standards set forth herein, Licensor shall notify Licensee in writing as provided herein of the particular failure or deficiency noted, and Licensee shall promptly and in all events within thirty (30) days after such notice correct the same, provided that if the nature of such failure is such that more than thirty (30) days is required to correct such failure or deficiency, then Licensee shall be in compliance with this paragraph if within such thirty (30) day period it promptly takes appropriate steps to correct such failure or deficiency and thereafter diligently pursues those steps to completion.

(iii) All uses of the Licensed Marks, including all signs, advertisements and promotional and packaging material, shall at all times bear appropriate trademark notices as approved in advance by Licensor in the branding manual referred to in Section 8(H) hereof.

(iv) The parties acknowledge that all rights of Licensor to monitor Licensee's operations, and all standards of operation set forth herein, are established solely to ensure the quality of the goods and services associated with the Licensed Marks and to protect the goodwill accrued in the Licensed Marks.

(v) Licensee shall not include the Hard Rock name or any Licensed Mark within its legal name or the name of any Affiliate, without Licensor's approval, which may be given or withheld in its sole discretion.

SECTION 10. ADDITIONAL COVENANTS OF LICENSEE

(A) KEEP HOTEL/CASINO OPEN; OBTAIN AND MAINTAIN NECESSARY PERMITS. Subject to Force Majeure, Licensee will continuously during the term hereof keep the Hotel/Casino open (during normal business hours) for providing gaming to the public and lodging to guests in accordance with the terms of this Agreement. Licensee will obtain and maintain such gaming, liquor and other licenses and other Permits as shall be necessary to operate the Hotel/Casino in accordance with the terms hereof, including, without limitation, all required Permits in respect of music played in the Hotel/Casino. The risk of obtaining and maintaining any Permits required to develop and/or to operate the Hotel/Casino and/or the Licensed Location as contemplated herein shall be upon Licensee, and Licensor assumes no responsibility therefor.

(B) ATTEND CONFERENCES. Licensee will, at Licensor's reasonable request from time to time, send a suitable representative at Licensee's expense to any conference arranged by Licensor which is relevant to the operation of the Hotel/Casino.

(C) REASONABLE EFFORTS REQUIRED. Licensee will use its reasonable efforts to procure the greatest volume and value of turnover for the Hotel/Casino consistent with good service to the public and compliance with the terms of this Agreement.

(D) MAINTENANCE OF HOTEL/CASINO. Licensee will, at all times, maintain the interior and exterior of the Licensed Location and the Hotel/Casino, and all contents thereof, in a high standard of decoration, repair, cleanliness and orderliness consistent with the Management Standard and the standards of the Hotel/Casino System and Manuals. Licensee shall make such replacements and renewals to FF&E and repairs to the Hotel/Casino's physical facilities as are necessary to maintain the Hotel/Casino at such standards. Licensee acknowledges that Licensor bears no responsibility for any renovations at the Hotel/Casino and that Licensee in all respects bears the responsibility for the conduct and adequacy of each renovation.

(E) PARTICIPATION IN CHARITABLE CAUSES. Licensee will adopt and maintain a positive attitude towards charitable causes supported by Licensor with a view to providing facilities and assistance comparable to that provided by other Hard Rock establishments of Licensor and its Affiliates.

(F) PAYMENT OF TAXES AND OTHER INDEBTEDNESS. Licensee shall promptly pay when due all taxes levied or assessed, including, without limitation, individual and corporate income taxes, gaming taxes, sales and use taxes, gross receipts taxes, unemployment taxes, liquor taxes, value added taxes, personal property taxes and real estate taxes, and all accounts and other indebtedness of every kind incurred by Licensee in the operation of the Hotel/Casino and the occupation of the Licensed Location under this Agreement. This includes the prompt filing of all required tax returns and the prompt payment of all taxes and indebtedness related to, or resulting from, the operation of the Hotel/Casino and/or the occupation of the Licensed Location covered by this Agreement.

(G) USE OF APPROVED SIGNAGE. Licensee shall not (i) erect or alter any sign or other medium of display or advertisement upon Hotel/Casino or Licensed Location utilizing the Licensed Marks, in each case, without Licensor's prior written approval, in its sole discretion, or (ii) erect or alter any other sign or other medium of display or advertisement upon Hotel/Casino or Licensed Location, in each case, without Licensor's prior written approval, which will not be unreasonably withheld; provided that the foregoing shall not apply to designation and directional signage which does not bear the Licensed Marks. Each such alteration, erection, or installation shall be made only in accordance with plans, drawings, and specifications previously submitted to and approved by Licensor.

(H) APPEARANCE AND DEMEANOR OF PERSONNEL. Licensee shall ensure that all personnel employed or otherwise retained by Licensee or utilized by Licensee in connection with the operation of the Hotel/Casino shall, at all times, be clean, cleanly and tidily clothed and polite.

(I) ATMOSPHERE. Licensee shall maintain an appropriate atmosphere for the Licensed Location and the Hotel/Casino and will not permit any illegal, immoral or other inappropriate activity to be conducted thereon.

(J) PERMITS TO EFFECT PAYMENTS. Licensee will obtain all Permits necessary to effect payment of any sum due hereunder in accordance with the provisions hereof.

(K) COMPENSATION TO PERSONNEL OF LICENSOR. Except for complimentary hotel rooms and meals and expense reimbursements payable to Licensor as provided for in this Agreement, Licensee shall not, at any time, directly or indirectly, compensate or otherwise provide remuneration, whether in cash, property, services or otherwise, to personnel, agents or employees of Licensor or any Affiliates thereof, without Licensor's prior written approval.

(L) SOFTWARE SYSTEMS. Licensee shall use its reasonable efforts to select software systems for use at the Hotel/Casino which will interface and are otherwise compatible with the software systems used by Licensor and its Affiliates.

(M) FRANCHISE LAWS AND REGULATIONS. Licensee and its Affiliates are sophisticated entities engaged in the business of operating hotels and/or casinos throughout the United States in accordance with applicable laws and have significant experience in the business of developing and operating hotels and/or casinos. Licensee and its Affiliates shall not initiate any claim or proceeding or take any action under, or with respect to, the franchise laws or regulations of any jurisdiction, with respect to the negotiation, execution, delivery and performance of this Agreement and the other agreements, instruments and documents to be executed and delivered in connection herewith, and the consummation of the transactions contemplated hereby and thereby.

SECTION 11. PROTECTION AND ACKNOWLEDGMENT OF THE LICENSED RIGHTS

(A) LICENSED RIGHTS EXCLUSIVE PROPERTY OF LICENSOR. Subject to this Agreement, Licensee recognizes and acknowledges the exclusive rights of Licensor to the Licensed Rights and all other intellectual property rights related thereto or derived therefrom and acknowledges that all such rights are subject to the total control in their exercise by Licensor and its Affiliates. For all purposes of the relationship between Licensor and Licensee created hereunder, Licensor shall be deemed to be the sole and exclusive owner of all right, title and interest in and to the Licensed Rights in all forms and embodiments thereof, subject only to the specific rights granted to Licensee hereunder. Licensee agrees that its use of the Licensed Rights, and all associated goodwill generated by the Licensed Rights, inures to the sole benefit of Licensor in accordance with its rights in the Licensed Rights. Licensee specifically acknowledges that the exclusive rights granted to it pursuant to this Agreement shall not prevent or prohibit Licensor or any licensee thereof to commercialize or otherwise utilize (and retain all profits from) the Licensed Rights or any other intellectual property right of Licensor in any endeavor, except as otherwise provided in Section 17(B) hereof. Licensor represents and warrants to Licensee that it owns or otherwise has the right to license the registered trademarks included in the Licensed Marks but otherwise makes no representation and gives no

warranty of whatsoever nature or kind with respect to the validity of, or its rights, title and interest in or to, the Licensed Rights.

(B) LICENSEE HAS NO RIGHT OF OWNERSHIP IN LICENSED RIGHTS. Nothing contained in this Agreement shall be construed to confer upon Licensee any right to the Licensed Rights registered in the name of Licensee as proprietor or to vest in Licensee any right of ownership to the Licensed Rights, and Licensee shall not, directly or indirectly, register or cause to be registered, in any country or with any Governmental Authority or use any trademark, tradename, service mark or other intellectual property right consisting of, related to, similar to and/or deceptively similar to, any of the Licensed Rights or any other intellectual property right of Licensor or any Affiliate of Licensor.

(C) LICENSEE WILL NOT CHALLENGE LICENSOR'S OWNERSHIP OF THE LICENSED RIGHTS. During the term of this Agreement and thereafter, Licensee will not, and will not assist any Person to: (i) challenge the validity of Licensor's ownership of, or right to license, the Licensed Rights or any registration or application for registration therefor; (ii) contest the fact that Licensee's rights under this Agreement are solely those of a Licensee and terminate upon termination or expiration of this Agreement; and (iii) represent in any manner that it has any title or right to the ownership, registration or use of the Licensed Rights in any manner except as set forth in this Agreement.

(D) LICENSEE TO COOPERATE WHERE REQUESTED. In the event, at any time during the term of this Agreement, Licensor applies or decides to apply for registration of a trademark, tradename, service mark or other intellectual property right that is or may become a part of the Licensed Rights, Licensee will render to Licensor all reasonable assistance, at Licensor's expense, in obtaining and thereafter maintaining registration thereof (including, without limitation, the execution of all necessary registered user or similar agreements) with applicable Government Authorities.

(E) LICENSEE'S DUTIES. With respect to use of the Licensed Rights at the Licensed Location, Licensee shall use the Licensed Rights only as permitted by this Agreement. Licensee shall not use or exploit the Licensed Marks or the Licensed Rights outside the Licensed Location, except the Licensee may engage in

the promotion, advertising or marketing of the Hotel/Casino anywhere in the world. Licensee shall not have any right to assign, sublicense or franchise any of the Licensed Marks to any other persons; or develop, use, or exploit any Hard Rock Marks not expressly identified as Licensed Marks in this Agreement without the express written consent of Licensor, which may withheld in Licensor's sole discretion.

(F) HOTEL/CASINO NAME. In the absence of Licensor's prior written consent, in each instance which may be withheld in Licensor's sole discretion, Licensee will operate the Hotel/Casino only under the Licensed Marks.

(G) LICENSEE'S DUTIES. Licensee shall:

(i) Hold all goodwill generated by the Licensed Rights as trustee for Licensor.

(ii) Not cause or permit anything within Licensee's control to occur which may damage, endanger, or reduce the value of the Licensed Rights or any other trademark,

tradename, service mark, or other intellectual property right of Licensor or any Affiliate of Licensor, or Licensor's or such Affiliate's title thereto, or the rights of any other Licensee of Licensor or any Affiliate of Licensor thereto, or assist or suffer any other Person to do so.

(iii) Not interfere in any manner with, nor attempt to prohibit, the use or registration by Licensor, with applicable Governmental Authorities of the Licensed Rights or any other trademark, tradename, service mark or other intellectual property right of Licensor or any Affiliate thereof.

(iv) Not use any name or mark similar to or capable of being confused with the trademarks, tradenames, service marks, or other intellectual property rights included in the Licensed Rights or any other trademark, tradename, service mark, or other intellectual property right of Licensor or any Affiliate thereof.

(v) Take such action in relation to the Licensed Rights as Licensor may, from time to time, reasonably require, in order to protect or promote the same, including, without limitation, the marking of any advertising material, signs, or other items bearing the Licensed Rights, in such manner as Licensor may reasonably require.

(vi) Give notice on all business stationery, merchandise cards, purchase order forms, guest checks, maintenance requests, invitations, employment applications and on such other items, and in such other places, as Licensor may, from time to time, reasonably require, that the Hotel/Casino is operated under license from Licensor pursuant to this Agreement and such other notices as Licensor may deem reasonably necessary to inform third parties that Licensor does not accept liability for the acts, omissions, debts, or defaults of Licensee, and promotional material and advertisements will, if Licensor reasonably requires, include a statement that the Hotel/Casino is operated under license from Licensor and such other information as Licensor may deem reasonably necessary to inform third parties that it does not accept liability for the acts, omissions, debts, or defaults of Licensee. Licensor's approval of the form and style of such notices shall not be unreasonably withheld.

(H) LICENSEE'S DUTIES REGARDING INFRINGEMENT. Licensee will immediately notify Licensor in writing of any infringement or suspected infringement of or claim of infringement of any of the Licensed Rights or any other trademark, tradename, service mark, or other intellectual property right of Licensor or any Affiliate thereof, or any action constituting passing off or any claim for passing off against the Licensed Rights or any other trademark, tradename, service mark, or other intellectual property right of Licensor or any Affiliate thereof, of which Licensee becomes aware. Licensee shall not institute any legal action with respect to any infringement or suspected infringement of or claim of infringement of any of the Licensed Rights, but will, if requested by Licensor and at Licensor's expense, lend all reasonably necessary assistance in any legal action Licensor or any Affiliate thereof may institute, against any Person infringing or passing off as described herein, or suspected of doing so, or any legal action Licensor or any Affiliate thereof may defend as described herein. Licensor shall, at all times, have full control of any such proceedings.

(I) LICENSOR'S EXCLUSIVE RIGHTS. Licensee hereby acknowledges the exclusive rights of Licensor and its Affiliates:

(i) to the Licensed Rights and all parts thereof, including, without limitation, all amendments and modifications thereto and all

advertising matter, slogans, and similar items and ideas which may, from time to time, be used to promote the same;

(ii) to make such additions or modifications to the Licensed Marks, including, without limitation, the addition, renewal, or substitution of other intellectual property rights as may from time to time, in Licensor's sole judgment, be necessary to promote, improve, or protect the Licensed Marks; provided that such additions or modifications do not significantly impair the value of the Licensed Marks and Licensor shall provide Licensee with reasonable advance notice of any such additions or modifications; and

(iii) to take all actions Licensor deems reasonably necessary to protect and promote the Licensed Rights.

SECTION 12. ACCOUNTING RECORD; RIGHT TO INSPECT

(A) REPORTING REQUIREMENTS. Licensee shall deliver, or cause to be delivered, to Licensor, the following statements:

(i) by Wednesday of each week, and in a form as may be prescribed by Licensor, a detailed statement of Total Revenues and Licensing Fee Revenues of the Hotel/Casino for the previous week, and such other information as may be reasonably requested by Licensor; and

(ii) within thirty (30) days after the end of each calendar month of operation of the Hotel/Casino, a monthly income statement for the Hotel/Casino showing the results of operation of the Hotel/Casino for the preceding month and for the year to date (including, without limitation, Total Revenues, Licensing Fee Revenues and EBITDA of the Hotel/Casino for such period), in such reasonable detail as Licensor shall require, and showing the previous month's Continuing Fees and all expenditures of Licensee pursuant to Sections 8(B) and (F) of this Agreement, for such preceding month and year to date; and

(iii) within one hundred twenty (120) days after the end of each Fiscal Year, audited separate and/or consolidated statements of the Hotel/Casino for such Fiscal Year certified by a firm of independent certified public accountants, showing the results of operation for the immediately preceding Fiscal Year (including, without limitation, Total Revenues, Licensing Fee Revenues and EBITDA of the Hotel/Casino for such Fiscal Year).

(iv) within fifteen (15) days prior to the end of each calendar quarter, a written narrative report describing the current status of the Hotel/Casino, material issues in connection with its business and operations, and Licensee's projections of Total Revenues, Licensing Fee Revenues and expenses for the ensuing calendar quarter.

In addition, at the Licensor's request, acting reasonably, Licensee shall make available to Licensor marketing information and analyses of the Hotel/Casino and Licensed Location that Licensee prepares or utilizes, such as, but not limited to, occupancy rates and demographic information regarding customers, and shall provide to Licensor reasonable access to database information regarding customers and potential customers developed by Licensee by means of its reservation system, surveys or otherwise.

All financial statements and reports provided for in this Section 12(A) to be submitted to Licensor shall contain a written and signed certification from the chief executive officer or the chief financial officer of Licensee, that, to the best knowledge and belief of such officer, the information contained in all such statements and reports is true, correct, and complete.

(B) LICENSEE'S BOOKS AND RECORDS AVAILABLE TO LICENSOR. Licensee shall retain and make available to Licensor, or to the designated representatives of Licensor, upon reasonable advance Notice to Licensee, all books and records, including, without limitation, all contracts, documents, invoices, construction records, financial statements and reports, tax returns, accounting or accountants' work papers, insurance reports, computer retained information, and other items of financial and business information of or relating to the Licensed Location, the Hotel/Casino and all operations and activities thereof, as Licensor shall reasonably request (collectively, "BOOKS AND RECORDS"). Licensee shall keep all such Books and Records in all material respects in accordance with the determination of the accountants, on an accrual basis, and in accordance with GAAP, consistently applied.

(C) LICENSOR'S RIGHT TO AUDIT. Upon reasonable advance notice to Licensee, Licensee shall permit Licensor, its accountants, attorneys and agents, to enter upon any part of the Licensed Location and the Hotel/Casino at all reasonable times during, and for a period of three (3) years following, the term of this Agreement, for the purpose of examining, inspecting, auditing and making extracts of all financial and other Books and Records of Licensee which Licensor, in its discretion, shall deem necessary or advisable. If an audit of

such Books and Records discloses that Licensee has been paid less than ninety-eight percent (98%) of all Continuing Fees and other fees and payments due under this Agreement during any Fiscal Year, Licensee shall immediately pay the deficiencies, together with interest thereon at the Interest Rate, and shall also pay to Licensor immediately upon demand therefor all of Licensor's reasonable costs of such audit. If the audit discloses that ninety-eight percent (98%) or more of all Continuing Fees and other fees and payments due have been made, Licensee shall pay any deficiency immediately, together with interest thereon at the Interest Rate, and Licensor shall bear the costs of the audit.

(D) RECORD RETENTION; DELIVERY TO LICENSOR. Licensee shall keep and preserve, at its expense, full and complete records of Total Revenues and all other Books and Records, including without limitation, tax returns, check registers, bank account records and all corporate records within such time frame as may be stipulated by applicable laws or prescribed by Licensor and shall also deliver at the Licensor's expense such additional financial, operating and other information and reports to Licensor or Licensor's designee as the parties may agree.

(E) OPERATING EQUIPMENT. Licensee shall employ in the operation of the business of the Hotel/Casino such cash registers, computers, and other technical equipment as Licensor and Licensee mutually agree.

SECTION 13. REQUIRED INSURANCE

(A) COVERAGE. At all times during the term of this Agreement, Licensee , at its sole cost and expense, shall procure and maintain in full force and effect each of the following insurance coverages with respect to the Project:

(i) DURING CONSTRUCTION. At all times during the period of construction, furnishing and equipping of the Hotel/Casino and the Project and at all times during any other period of construction (including renovations, alterations and improvements), until final completion thereof, Builder's Risk Insurance ("All Risk" or equivalent coverage) for the Project in an amount not less than the estimated cost of such construction (including "hard" and "soft" costs), written on a completed value basis or a reporting basis, for property damage, protecting Licensee and Licensor, as their interests may appear, with a deductible not to exceed $100,000 and to include rental payment coverage from the date of projected completion and extending for at least twelve (12) months thereafter.

(ii) PROPERTY DAMAGE INSURANCE. At all times during the term of this Agreement, "All Risk" (or its equivalent) property damage insurance for the Project protecting Licensee and Licensor, as their interests may appear, with replacement cost valuation and a stipulated value endorsement (to be provided not later than promptly following substantial completion of the Project) in an amount not less than the full replacement value thereof and including, among other things, (a) coverage for all physical loss or damage to the Project (including contents); (b) coverage for hurricane, flood and windstorm to the extent available at commercially reasonably rates, limits and deductibles; (c) no exclusions other than industry standard exclusions for property of similar size and location; and (d) provision for deductible not to exceed $100,000 (other than for hurricane, flood or windstorm, as provided above).

(iii) BUSINESS INTERRUPTION INSURANCE. Business Interruption Insurance for the Project on an "All Risk" basis. Such insurance shall include, among other things (a) coverage against all insurable risks of physical loss or damage, (b) coverage for hurricane, flood and windstorm to the extent available at commercially reasonable rates, limits and deductibles, (c) a deductible (for other than hurricane, flood or windstorm) of not more than $100,000 per occurrence, (d) no exclusions other than industry standard exclusions for property of similar size and location, and (e) coverage for the Continuing Fees hereunder in an amount equal to at least the Continuing Fees payable for one (1) Fiscal Year in connection with Project (as reasonably projected by Licensee for the first full Fiscal Year and thereafter based on the amounts actually paid during the most recently ended Fiscal Year).

(iv) LIABILITY INSURANCE. General public liability insurance protecting Licensee and Licensor against claims brought in connection with the Project for personal injury, death and damage to and theft of property of third persons, in an amount not less than $10,000,000

per occurrence, combined single limit, and designating Licensee as a named insured and Licensor as an additional insured. Such liability insurance shall include such coverage as Licensor shall reasonably require and as shall be commercially available, which shall include

coverage against liability arising out of (a) the sale of liquor, wine and beer on the Project premises, (b) the ownership or operation of motor vehicles, (c) assault or battery, (d) false arrest, detention or imprisonment or malicious prosecution, (e) libel, slander, defamation or violation of the right of privacy, (f) wrongful entry or eviction, (g) contractual liability, and (h) completed operations. Such insurance shall contain no exclusion other than industry standard exclusions for property of similar size and location and provide for a deductible of not more than $100,000 per occurrence.

(v) WORKERS' COMPENSATION INSURANCE. Statutory Workers' Compensation and Disability Benefits Insurance and any other insurance required by applicable Law(s), covering all Project employees and all persons employed by Licensee, Licensor, contractors. subcontractors, or any entity performing work on or for the Project (unless and to the extent provided by such parties), including Employer's Liability coverage, all in amounts not less than the statutory minimum, except that Employers Liability coverage shall be in an amount not less than $1,000,000.

(vi) FIDELITY. Fidelity and dishonesty insurance, and money and securities insurance in such amounts as Licensee shall deem advisable but not less than $100,000.

(vii) OTHER. Such additional insurance as may be required with respect to the Project or any part thereof, together with insurance against such other risks as its now, or hereafter may be, customary to insure against in the operation of similar property, considering the nature of the business and the geographic and climatic nature of the Project's location.

All such policies of insurance described above shall be with companies which have a Best rating of A or better and in the form of "occurrence insurance" to the extent available on a commercially reasonable basis.

(B) INSURANCE CARRIERS; EVIDENCE OF COVERAGE. All insurance shall be in form and amounts and shall be with such companies as shall be reasonably satisfactory to Licensor. Licensee shall promptly provide Licensor with certificates of insurance evidencing all insurance coverages required of Licensee pursuant to this Section 13, and Licensee shall immediately provide, upon renewal, expiration, change, or cancellation of any insurance coverage, a new certificate of insurance to Licensor. Upon request, Licensee shall furnish to Licensor a copy of each and every such policy of insurance issued to Licensee.

(C) DEFENSE OF CLAIMS. All liability insurance policies procured and maintained by Licensee pursuant to this Section 13 will require the insurance carrier to provide and pay for attorneys to defend any legal actions, lawsuits, or claims brought against Licensee, Licensor, or any of their respective officers, directors, agents, or employees.

(D) LICENSOR'S RIGHTS. Licensee shall have insurance policies procured and maintained by Licensee pursuant to this Section 13 name Licensor as an additional insured, to not preclude coverage if a claim is made by one insured against other insured, to contain endorsements by the insurance carriers waiving all rights of subrogation against Licensor, and to stipulate that Licensor will receive copies of all notices of cancellation, nonrenewal or coverage reduction or elimination at least thirty (30) days prior to the effective date of such cancellation, nonrenewal or coverage change.

SECTION 14. TERMINATION

(A) TERMINATION BY LICENSOR. Licensor may not terminate this Agreement prior to the expiration of its term except for "good cause", which shall mean the occurrence of any Event of Default described below. Upon the occurrence of any Event of Default, Licensor may, at its option, and without waiving its rights hereunder or any other rights available at law or in equity, including its rights to damages, terminate this Agreement and all of Licensee's rights hereunder effective immediately upon the date Licensor gives written notice of termination, upon such other date as may be set forth in such notice of termination, upon the occurrence of, or the lapse of the specified period following any one of the following Events of Default:

(1) If Licensee applies for or consents to the appointment of a receiver, judicial manager, trustee or liquidator of all or a substantial part of its assets, files a voluntary petition in bankruptcy, or admits in writing its inability to pay its debts as they come due, makes a general assignment for the benefit of creditors, files a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law, or files an answer admitting the material allegations of a petition filed against Licensee in any bankruptcy, reorganization or insolvency proceeding, or if any order, judgment or decree shall be entered by any court of

competent jurisdiction on the application of a creditor, adjudicating Licensee a bankrupt or insolvent or approving a petition seeking reorganization of Licensee or appointing a receiver, trustee or liquidator of Licensee or of all or a substantial part of the assets of Licensee, and any such order, judgment, or decree shall continue unstayed and in effect for any period of sixty (60) consecutive days;

(2) If Licensee fails to pay the Territory Fee when due as provided in Section 4(A) hereof;

(3) If Licensee fails to make any payment (other than the Territory Fee) due hereunder within sixty (60) days after such payment is past due, provided that if this subclause (A)(3) is triggered 3 or more times during the term of this Agreement, such sixty (60) day period shall be reduced to thirty (30) days;

(4) If Licensee fails to perform or commits a breach of any non-monetary covenant, obligation, term, condition, warranty or certification herein and fails to cure such noncompliance or deficiency within sixty (60) days after Licensor's written notice thereof, or in the event cure within such sixty (60) day period is not possible, no termination shall

be permitted by Licensor if Licensee commences cure within such sixty (60) day period and diligently pursues the same;

(5) If Licensee fails (a) to maintain all gaming licenses and permits necessary for the operation of the Hotel/Casino (other than those required of Licensor), or (b) fails to maintain any other Permits or to comply with any Laws applicable to the operation of the Hotel/Casino and/or the Licensed Location which would materially adversely affect the Licensed Rights or the ability of Licensee to comply with the provisions of this Agreement;

(6) If Licensee is convicted of or pleads guilty (or the equivalent) to a felony, or any other crime or offense (even if not a crime), that is reasonably likely, in Licensor's reasonable opinion, to materially and adversely affect, the Licensed Rights, or the goodwill associated therewith; or if any employee or officer of Licensee who is not thereafter discharged by Licensee, or any other Person owning an interest in Licensee, in each case, who is required to be licensed under applicable Mississippi gaming Law(s), is convicted of or pleads guilty (or the equivalent) to a felony, or any other crime or offence (even if not a crime), that is reasonably likely, in Licensor's reasonable opinion, to materially and adversely affect the Licensed Rights, or the goodwill associated therewith;

(7) If Licensee defaults on its obligations under the Management Agreement, the Lease Agreement or the Memorabilia Lease, and such default is not cured in accordance with the terms of such other agreement;

(8) If Licensee's right of possession of the Licensed Location shall be terminated at any time for any cause whatsoever, or if a Lease is terminated or expires or if the right of possession of the Licensed Location is terminated due to the Law or other action of a Governmental Authority, other than for a temporary loss of Licensee's possession as a result of Force Majeure;

(9) If Licensee fails to: (a) obtain approval of the site for the Licensed Location within the time period specified in Section 5(B), (b) obtain financing for the Project within the time period specified in Section 5(C), or (c) commence operation of the Hotel/Casino as required by Section 5(M) of this Agreement;

(10) If there is any violation of any transfer provision contained in Section 16 of this Agreement; or

(11) If Licensee, in any material respect, violates: (i) the noncompetition covenants contained in Section 17(A) of this Agreement; or (ii) the confidential information covenants contained in Section 20 of this Agreement, and, in each case, if such violation is capable of being cured, fails to cure such violation within sixty (60) days after Licensor's written notice thereof.

(B) TERMINATION BY LICENSEE. Licensee may, at its option, and without waiving its rights hereunder or any other rights available at law or in equity, including its rights to damages, terminate this Agreement upon written notice of termination to Licensor, upon the occurrence of, or the lapse of the specified period following any one of the following Events of Default:

(1) If Licensor applies for or consents to the appointment of a receiver, judicial manager, trustee or liquidator of all or a substantial part of its assets, files a voluntary petition in bankruptcy, or admits in writing its inability to pay its debts as they come due, makes a general assignment for the benefit of creditors, files a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law, or files an answer admitting the material allegations of a petition filed against Licensor in any bankruptcy, reorganization or insolvency proceeding, or if any order, judgment or decree shall be entered by any court of competent jurisdiction on the application of a creditor, adjudicating Licensor a bankrupt or insolvent or approving a petition seeking reorganization of Licensor or appointing a receiver, trustee or liquidator of Licensor or of all or a substantial part of the assets of Licensor, and any such order, judgment, or decree shall continue unstayed and in effect for any period of sixty (60) consecutive days;

(2) If Licensor fails to perform or commits a breach of any non-monetary covenant, obligation, term, condition, warranty or certification herein and fails to cure such noncompliance or deficiency within sixty (60) days after Licensee's written notice thereof, or in the event cure within such sixty (60) day period is not possible, no termination shall be permitted by Licensee if Licensor commences cure within such sixty (60) day period and diligently pursues the same;

(3) If Licensor is unable for whatever reason to license the registered trademarks included in the Licensed Marks to Licensee as provided herein;

(4) If Licensor fails (a) to maintain all of its gaming licenses and permits necessary for the operation of the Hotel/Casino, or (b) fails to maintain any other of its Permits or to comply with any Laws applicable to it which would materially adversely affect the Licensed Rights or the ability of Licensor to comply with the provisions of this Agreement;

(5) If Licensor is convicted of or pleads guilty (or the equivalent) to a felony, or any other crime or offense (even if not a crime), that is reasonably likely, in Licensee's reasonable opinion, to materially and adversely affect, the Licensed Rights, or the goodwill associated therewith; or if any employee or officer of Licensor who is not thereafter discharged by Licensor, or any other Person owning an interest in Licensor, in each case, who is required to be licensed under applicable Mississippi gaming Law(s), is convicted of or pleads guilty (or the equivalent) to a felony, or any other crime or offence (even if not a crime), that is reasonably likely, in Licensee's reasonable opinion, to materially and adversely affect the Licensed Rights, or the goodwill associated therewith;

(6) If Licensor (or Hard Rock STP, with respect to the Lease Agreement) defaults on its obligations under the Lease Agreement or the Memorabilia Lease, and such default is not cured in accordance with the terms of such other agreement; or

(7) If Licensor, in any material respect, violates: (i) the noncompetition covenants contained in Section 17(B) of this Agreement; or (ii) the confidential information covenants contained in Section 20 of this Agreement, and, in each case, if such violation is capable of being cured, fails to cure such violation within sixty (60) days after Licensee's written notice thereof.

SECTION 15. LICENSEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION

(A) TERMINATION OF USE OF LICENSED RIGHTS; OTHER OBLIGATIONS. Upon expiration or termination of this Agreement for any reason, Licensee's right to use the Licensed Rights will terminate immediately, and this Agreement shall cease and neither party shall have any further claim against the other whatsoever in respect of any matter or thing under this Agreement, except that all obligations of the parties under this Agreement which accrue or are due with respect to periods prior to, or as of, such termination or expiration, and all obligations which expressly survive the expiration or termination of this Agreement, including the provisions of Sections 19 and 20 of this Agreement, shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. In addition, Licensee will: (i) promptly upon demand therefor by Licensor and, in any event, not later than the scheduled due date thereof after any such event, pay any and all other Fees and amounts due and owing to Licensor or any Affiliate of Licensor under this Agreement; (ii) comply with all of Licensor's reasonable instructions, at Licensor's expense, with respect to the transmittal or storage of all written guidelines, advertising materials and all other printed materials pertaining to the operation of the Hotel/Casino received at any time from Licensor; and (iii) comply with other applicable provisions of this Agreement.

(B) ALTERATION OF THE LICENSED LOCATION. Upon expiration or termination of this Agreement for any reason, or if the Licensed Location ever ceases to be used for the operation as a Hard Rock Hotel, Licensee shall, within thirty (30) days thereof at its expense, comply with all of Licensor's instructions to alter, modify and change both the exterior and interior appearance of the Hotel/Casino and the Licensed Location to remove all elements comprising the Licensed Rights from the Hotel/Casino and the Project. At a minimum, such alterations, modifications and changes to the Hotel/Casino will include: (i) removing all exterior and interior Hard Rock Hotel signage; (ii) repainting and, where applicable, recovering both the exterior and interior of the Hotel/Casino to remove distinctive colors and designs from the walls; (iii) removing all distinctive decor items, music-related memorabilia and icons and distinctive furnishings, (iv) changing the staff uniforms; and (v) immediately discontinuing the use or display of the Licensed Marks, including all usage of the Licensed Marks in connection with the advertisement and promotion of the Hotel/Casino and the Project.

(C) TRANSFER OF TELEPHONE DIRECTORY LISTINGS. Upon expiration or termination of this Agreement for any reason, Licensor will have the absolute right to notify the telephone company and

all listing agencies of the termination or expiration of Licensee's right to use all telephone numbers and all classified and other directory listings for the Hotel/Casino and to authorize the telephone company and all listing agencies to transfer to Licensor or its designee all telephone numbers and directory listings of the Hotel/Casino to the extent such phone numbers incorporate the Licensed Rights. Licensee acknowledges that Licensor has the absolute right and interest in and to all telephone numbers and directory listings associated with the Licensed Rights. The telephone company and all listing agencies may accept this Agreement as conclusive evidence of the exclusive rights of Licensor to such telephone numbers and directory listings to the extent provided herein, and this Agreement will constitute the authority from Licensee for the telephone company and each such listing agency to transfer all such telephone numbers and directory listings to Licensor. This Agreement will constitute a release of the telephone company and each such listing agency by Licensee from any and all claims, actions, and damages of Licensee for any actions taken pursuant to this subsection.

(D) RIGHTS ASSIGNABLE. All rights of Licensor contained within Section 15(C) hereof shall be freely assignable by Licensor to any designee of Licensor.

SECTION 16. TRANSFER

(A) ASSIGNMENT BY LICENSOR. This Agreement is fully assignable by Licensor, and shall inure to the benefit of any assignee or other legal successor to the interests of Licensor herein.

(B) SALE OR ASSIGNMENT BY LICENSEE. The rights of Licensee pursuant to this Agreement are personal to Licensee. Licensor has granted a license to Licensee in reliance upon Licensee's and its principals' individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, Licensee shall not, directly or indirectly, sell, assign or otherwise transfer its ownership interest in the Hotel/Casino or the Project, or its rights under this Agreement, in whole or in part (except for the lease of commercial space at the Project customarily subject to lease or concession arrangements), in each instance, without Licensor's prior written approval, which may be exercised in its sole discretion, except: (i) as to any collateral assignment or transfer in connection with the financing of the Project, subject to Licensor's reasonable approval as provided for in Section 5(C) hereof, and (ii) as provided in Section 16(C) hereof.

(C) CONSENT PROCEDURES. If Licensee shall have received a bona fide written offer to sell or assign its interest in the Hotel/Casino and the Project, together with its rights under this Agreement, in whole and not in part (hereinafter referred to as "LICENSEE'S PROJECT INTEREST"), and Licensee, pursuant to the terms of such offer, desires to accept such offer, Licensee shall give written notice thereof to Licensor, stating the name and full identity of the prospective purchaser of Licensee's Project Interest, including the names and addresses of the owners of the equity interests of such prospective purchaser, the purchase price for Licensee's Project Interest, and all of the material terms and conditions of such proposed assignment or sale, together with all other information with respect thereto requested by Licensor and reasonably available to Licensee. Within thirty (30) days after Licensor's receipt of such written notice from Licensee, Licensor shall elect, by written notice to Licensee, one of the following alternatives:

(i) To acquire Licensee's Project Interest, or to have its designee or designees (which, in Licensor's sole discretion, may be an unrelated third party), acquire Licensee's Project Interest at the same price and upon the same terms and conditions as those set forth in the written notice from Licensee to Licensor, provided that Licensor may

substitute cash for the fair market value of any non-cash consideration offered. In the event that Licensor has elected to so acquire or have its designee(s) so acquire Licensee's Project Interest in accordance with the provisions of the preceding sentence, Licensee and Licensor, or its designee(s), as the case may be, shall promptly thereafter enter into an agreement for sale of Licensee's Project Interest at the price and on the same terms aforesaid and shall consummate such transaction subject to and in accordance with the terms and conditions thereof. The closing for such transaction shall take place on the later to occur of (A) ninety (90) days after the date of Licensor's written notice electing to exercise its rights under this Section 16(C)(i), or (B) the fifth (5th) Business Day following Licensor's receipt of all consents, orders and approvals of any Governmental Authority applicable to such transaction; or

(ii) To consent or withhold consent to the sale or assignment of Licensee's Project Interest to such prospective purchaser, subject to the provisions of Section 16(D) below. Licensor's consent to a sale or assignment of Licensee's Project Interest may be given or withheld in its sole discretion, provided that if all of the following conditions are satisfied, Licensor's consent shall not be unreasonably withheld:

(a) At the time of Licensee's notice pursuant to Section 16(C)(i) and at all times through the date of such sale or assignment, Licensee has paid all Continuing Fees and other payments due to Licensor hereunder;

(b) At the time of Licensee's notice pursuant to Section 16(C)(i) and at all times through the date of such sale or assignment, there is no: (i) Event of Default by Licensee under this Agreement, (ii) existing defaults or events which would become an Event of Default by Licensee under this Agreement with the giving of notice and passage of time, or (iii) defaults or events which would become an Event of Default by Licensee immediately after the consummation of such sale or assignment;

(c) The prospective purchaser possesses management ability and experience and a well-established reputation for quality management in the hotel/gaming industry or has provided by contract for the management of the Project by a Person who possesses such ability, experience and reputation, in accordance with the standards set forth in Section 5(P) hereof;

(d) The prospective purchaser has adequate financial resources to discharge all of the obligations on its part to be performed under this Agreement as and when the same fall due (taking into account the income generated, and reasonably anticipated to be generated, by the Project);

(e) The identity of the prospective purchaser (and its constituent partners, major shareholders, senior executive officers and other controlling Persons, if appropriate) has been disclosed to Licensor, all such Persons enjoy a reputation for integrity, honesty and veracity, and no such Person has been refused a gaming license or had a gaming licensed revoked in any jurisdiction of the United States; and

(f) Neither the prospective purchaser nor any of its Affiliates is a HRC Competitor.

If Licensor shall fail, neglect or refuse to elect one of the alternatives set forth in Section 16(C)(i) or (ii) within the thirty (30) day period provided for above, the same shall be conclusively deemed to constitute an election and consent to the proposed sale or assignment of Licensee's Project Interest under Section 16(C)(ii) above and the provisions thereof shall prevail as if Licensor had in writing consented pursuant thereto.

(D) EFFECT OF SALE OR LEASE.

(i) It is the intent of the parties hereto that the Hotel/Casino and the Project shall at all times during the term of this Agreement be operated in accordance with the Hotel/Casino System and the terms of this Agreement. Accordingly, in the event that Licensor consents (or is deemed to have consented) to a sale or lease and assignment of this Agreement pursuant to Section 16(C) above, the prospective purchaser shall deliver to Licensor as a condition to such sale or assignment an executed written instrument, reasonably satisfactory in form and substance to Licensor and its counsel, expressly assuming and agreeing to perform all of the terms and provisions of this Agreement.

(ii) Licensor's consent (or deemed consent) to any sale or assignment of this Agreement shall not constitute a waiver of any claims Licensor or any Affiliate of Licensor may have against Licensee, nor shall it be deemed a waiver of Licensor's right to demand exact compliance with any of the terms or conditions of this Agreement by Licensee.

(E) TRANSFER OF CONTROLLING INTEREST IN LICENSEE. Any transaction that results in either (i) Full House no longer holding a Controlling Interest in Licensee, or (ii) the sale, assignment, transfer (by operation of law or otherwise) or other disposition, directly or indirectly, of a Controlling Interest in Licensee, shall be deemed a sale or assignment of Licensee's Project Interest within the foregoing provisions of Section 16(B) and (C), and shall be subject to the same rights of Licensor as set forth in said Section 16(C) with respect to such sale or assignment. Licensee from time to time, upon Licensor's written request, shall furnish Licensor with a list of the names and addresses of the owners of the equity interests in Licensee; and in the event of a contemplated sale or other disposition of a Controlling Interest in Licensee, Licensee shall forthwith notify Licensor in writing of such sale or other disposition and of the names and addresses of the transferee or transferees of such Controlling Interest.

(F) TRANSFER FEES. As a condition to any consent by Licensor to the sale or assignment of Licensee's Project Interest, Licensee shall and does hereby agree to pay the sum of $50,000 to Licensor at the time of such sale or assignment of Licensee's Project Interest as a transfer fee for the granting and processing of Licensor's consent to such transfer.

(G) BREACH. In the event of any failure by Licensee to satisfy any terms and conditions of this Section 16, consent to any sale, assignment or other transfer by Licensee of its interest in the Hotel/Casino or the Project, and/or its rights under this Agreement may be withheld by Licensor and any such sale, assignment, and/or transfer for which Licensor has not given its consent shall constitute an Event of Default hereunder.

SECTION 17. NON-COMPETITION

(A) BY LICENSEE.

(i) During the term of this Agreement, Licensee and its Affiliates shall not, directly or indirectly, own, operate, or have any other interest in: (A) a restaurant, hotel, hotel/casino or casino within the Competitive Territory which is owned, operated or licensed by a HRC Competitor, (B) a Planet Hollywood restaurant, hotel, hotel/casino or casino within the United States, (C) a Music-Themed restaurant, hotel, hotel/casino or casino within the United States, or (D) any Hard Rock Cafe, Hard Rock Hotel and Casino or Hard Rock casino, except for the Project. For purposes hereof, "Music-Themed" shall mean a facility (including a hotel) that includes in its name, is licensed or endorsed by, or has a substantial portion of its design based on, or is otherwise identified with, music, any genre of music (E.G., blues, jazz or rock `n roll, any musician, musical personality or musical group).

Notwithstanding the foregoing, Licensee may, at its option, develop, own and operate a Music-themed hotel, hotel/casino or a casino with a "Rat Pack" theme (I.E., a concept incorporating as its primary theme the personalities of Frank Sinatra, Dean Martin and Sammy Davis, Jr.) within the United States (a "COMPETING FH PROJECT"), provided that Licensee offers Licensor a reasonable opportunity to purchase up to fifty percent (50%) of the equity interests in the Person owning such Competing FH Project upon terms and conditions no less favorable to those provided to any other equity investor in the Person owning such Competing FH Project.

(ii) Licensee shall not operate or permit any other Person to operate at the Licensed Location: (a) a restaurant owned, operated or licensed by a HRC Competitor, or (b) a gift shop or other clothing or merchandise store which sells clothing depicting the geographic location of the Project or merchandise bearing the trademarks of a HRC Competitor. Licensee agrees that it shall include in its leases for the Project a clause prohibiting or preventing the use of operation thereof in a manner which would violate the provisions of this section and that Licensor shall be deemed to be a third party beneficiary of such lease clause.

(iii) If Licensee desires to sell or otherwise transfer any portion of the real property of the Licensed Location, then prior to such sale or transfer Licensee shall cause a restrictive covenant to be filed against such parcel prohibiting the use of such property for (A) a Planet

Hollywood, Motown Cafe, House of Blues, Rainforest Cafe, Country Star, or Harley Davidson Cafe restaurant, hotel, hotel/casino or casino, or (B) a Music-Themed restaurant, hotel, hotel/casino or casino.

(B) BY LICENSOR.

(i) During the term of this Agreement, Licensor shall not license, develop, own or operate, directly or indirectly, through its Affiliates or otherwise: (a) any Hard Rock Hotel with a casino or a Hard Rock casino within the Competitive Territory or otherwise permit the Hard Rock name to be used by casino/gaming properties within the Competitive Territory, provided that the foregoing shall not restrict Licensor and its Affiliates and licensees from advertising or distributing coupons or other promotional materials at a casino/gaming property within the Competitive Territory, (b) any Hard Rock Hotel (without a casino) within the Territory, within Desoto County or Tunica County, Mississippi, or in connection with or within 1,000 feet of a casino/gaming property within the Competitive Territory, (c) any Hard Rock Cafe in connection with or within 1,000 feet of a casino/gaming property within the Competitive Territory, or (d) any Hard Rock Live! facility within the Territory or for a period of five (5) years after the date of this Agreement within the city limits of New Orleans, Louisiana, except, in each case, for the Project; provided, however, that the development, ownership and/or operation of a Hard Rock Hotel or Hard Rock Cafe on a site within 1,000 feet of a casino/gaming property shall not constitute a violation of the noncompetition restrictions applicable to Licensor set forth herein so long as Licensor or one of its Affiliates has purchased or leased such site or executed a license for the development and operation of a Hard Rock Hotel or Hard Rock Cafe on such site prior to the public announcement that a casino/gaming property will be developed within 1,000 feet of such site.

Notwithstanding the provisions of Section 17(B)(i)(a) above, Licensor may, at its option, develop, own and operate or otherwise have an interest in a Hard Rock Hotel/Casino or a Hard Rock casino within the Competitive Territory (a "COMPETING HR PROJECT"), provided that Licensor either (i) obtains the written consent of Licensee, or (ii) offers Licensee a reasonable opportunity to purchase up to fifty percent (50%) of the equity interests in the Person owning such Competing HR Project and otherwise participate in such project on comparable terms and conditions as the Project, with Licensor receiving fees comparable to those in the Project, and provided further that if the Competing HR Project involves gaming aboard a cruise liner sailing out of New Orleans, Louisiana (the "New Orleans Project"), Licensor shall only be required to offer Licensee a reasonable opportunity to purchase up to twenty percent (20%) of the equity interests of the Person owning the New Orleans Project, upon terms and conditions no less favorable than those provided to any other equity investor in the New Orleans Project.

(iii) Licensor has advised Licensee that Peter Morton has the right to build Hard Rock Hotel and/or Casinos in the State of Louisiana and other locations west of the Mississippi River. Licensee acknowledges and agrees that the exercise of such rights shall not constitute a violation of the non-competition restrictions applicable to Licensor set forth herein.

(C) NECESSITY OF NONCOMPETITION RESTRICTION; INJUNCTIVE RELIEF. Each party agrees the provisions of this Section 17 are necessary to protect the legitimate business interests of the other party, its Affiliates and other licensees of Licensor and its Affiliates (collectively, the "PROTECTED PERSONS"), including, without limitation, and as applicable, preventing the unauthorized dissemination of marketing, promotional and Confidential Information to competitors thereof and preventing damage to and/or loss of goodwill associated with the Licensed Rights and other intellectual property rights of Licensor. Each party specifically acknowledges that damages alone cannot adequately compensate for a violation by such party of the requirements of this Section 17, and that injunctive relief is essential for the protection of the Protected Persons. Each party agrees that if the other party alleges any violation of any covenant contained within this Section 17, the non-breaching party will have the right (notwithstanding Section 18 hereof) to petition a court of competent jurisdiction for injunctive relief, in addition to all other remedies that may be available. The party seeking such injunctive relief will not be required to post a bond or other security for any injunctive proceedings.

SECTION 18. DISPUTE RESOLUTION

(A) ACCOUNTING/ FEE DISPUTES.

(i) Any dispute regarding any accounting issues hereunder, including, without limitation, the calculation of: (a) Licensing Fee Revenues and the Continuing Fees paid or payable by Licensee hereunder, (b) Total Revenues, (c) the Required EBITDA, the Target EBITDA, or the Section 4(D) Payment, or (d) the purchase price set forth in Section 21(B) hereof, shall be resolved in the following manner: Licensor and Licensee shall use their reasonable efforts with the assistance of their respective independent public accountants to resolve such dispute. If such persons are unable to resolve the dispute within thirty (30) calendar days after receipt by either party of a notice identifying the nature of such dispute (the "DISPUTE NOTICE"), then the issues raised by the Dispute Notice shall be resolved by any nationally recognized firm of certified public accountants mutually acceptable to Licensor and Licensee (the "ACCOUNTING REFEREE"). Such person shall act as an expert and not as an arbitrator. If within forty-five (45) days after receipt by either

party of the Dispute Notice, the parties are unable to agree on an Accounting Referee, then each party shall pick an internationally recognized firm of certified public accountants and such firms shall select the Accounting Referee. The parties shall use reasonable efforts to cause the Accounting Referee to promptly resolve such issues. Such determination shall be made within thirty (30) calendar days after the date on which the Accounting Referee receives notice of the dispute, or as soon thereafter as possible. Such determination shall be final and binding upon the parties and shall not be subject to appeal. The fees, costs and expenses of the Accounting Referee in conducting such review (if any) shall be shared fifty percent (50%) by Licensor and fifty percent (50%) by Licensee.

(ii) If the final resolution of any Dispute as provided above results in an additional payment by one party hereto to the other party hereto , then the party owing such additional payment shall pay such amount to the other party hereto, together with Interest thereon from the relevant due date, within fifteen (15) days of the date on which the final determination is agreed or determined.

(iii) The right of Licensor to dispute Licensee's calculation of the amount of: (a) Licensing Fee Revenues and the Continuing Fees paid or payable by Licensee hereunder, (b) the Required EBITDA, the Target EBITDA, and the Section 4(D) Payment paid or payable by Licensor hereunder, or (c) any other payment due hereunder, shall, in each case, terminate three and one-half (3.5) years after the date each such payment was due.

(B) OTHER DISPUTES.

(i) All other disputes, disagreements, controversies or claims (a "DISPUTE") between Licensor and Licensee arising out of or relating to this Agreement, except for matters involving the Hard Rock Elements or matters that are stated to be in a party's "sole discretion" or as otherwise expressly provided herein to the contrary, shall be resolved by arbitration administered by the American Arbitration Association ("AAA") as provided in this Section 18(A)(2) and the Commercial Arbitration Rules of the AAA (the "AAA RULES") in effect as of the commencement of the applicable arbitration proceeding, except to the extent the then current AAA Rules are inconsistent with the provisions of this Section 18(B), in which event the terms hereof shall control. The arbitration shall be governed by the United States Arbitration Act and this Section 18(B), and judgment upon the award entered by the arbitrators may be entered in any court having jurisdiction.

(ii) If either party hereto asserts that a Dispute has arisen, such asserting party shall give prompt written notice (or notice as otherwise provided herein) thereof to the other party and to the AAA. Any arbitration pursuant to this Section 18(B) shall be conducted in Atlanta, Georgia or such other place as the parties agree.

(iii) The arbitration shall be conducted by three (3) arbitrators, which arbitrators shall be selected in accordance with the AAA Rules, and at least one (1) of whom (but no more than two (2) of whom) shall have had experience in the management and/or operation of hotel/casinos, or as a consultant in connection with the management and/or operation of hotel/casinos. Notwithstanding the above, if the Dispute at issue is for a liquidated amount not in excess of $500,000, adjusted for inflation, then the arbitration shall be conducted by one (1) arbitrator in accordance with the AAA Rules for Expedited Procedures, and which arbitrator shall be selected in accordance with AAA Rules for Expedited Procedures, and which arbitrator shall have experience in the management and/or operation of hotel/casinos.

In connection with any arbitration proceeding pursuant to this Section 18(B), (a) no arbitrator shall have been employed or engaged by a party hereto within the previous five (5) year period, (b) each arbitrator shall be neutral and independent of the parties to this Agreement, (c) no arbitrator shall be affiliated with any party's auditors, (d) no arbitrator shall be employed by any hotel or casino operator or an Affiliate of any hotel or casino operator, and (e) no arbitrator shall have a conflict of interest with (including, without limitation, any bias towards or against) a party hereto. As used in this Agreement, the term "arbitrator" or "arbitrators" shall mean the one (1) member arbitration panel or the three (3) member arbitration panel, as applicable, described herein.

(iv) The award of the arbitrators shall be accompanied by a statement of the reasons upon which the award is based. The arbitrators shall not have the power to modify this Agreement. The award may not include, and the parties hereto specifically waive, any right to an award of (a) special, incidental or consequential damages arising out of claims based upon any breach occurring prior to the Opening Date, (b) punitive damages, or (c) attorneys' fees and costs. Accordingly, each party hereto shall bear its own attorneys' fees and costs incurred in connection with any arbitration proceeding. Unless otherwise specifically provided in this Agreement, the fees and costs of the

arbitrators shall be borne equally by the parties hereto.

(v) The arbitrators may consolidate proceedings with respect to any Dispute under this Agreement with proceedings with respect to any related controversy, provided that any parties to such controversy who are not parties to this Agreement consent to such consolidation.

(vi) The parties hereto will cooperate in the exchange of documents relevant to any Dispute. Deposition or interrogatory discovery may be conducted only by agreement of such parties or if ordered by the arbitrators. In considering a request for such deposition or interrogatory discovery, the arbitrators shall take into account that the parties hereto are seeking to avoid protracted discovery in connection with any arbitration proceeding hereunder.

(vii) The obligation herein to arbitrate shall not be binding upon either party with respect to (a) claims relating to either party's rights to ownership of such party's trademarks, trade names, service marks, logos, commercial symbols, slogans, trade dress, or other intellectual property rights, or other matters materially affecting such intellectual property rights, which claims may be adjudicated in a court of competent jurisdiction, or (b) requests for temporary restraining orders, preliminary (and final) injunctions, or other procedures in a court of competent jurisdiction to obtain interim relief when deemed necessary to prevent a default that would result in irreparable injury pending resolution by arbitration of the actual dispute between the parties.

SECTION 19. INDEMNIFICATION

(A) INDEMNIFICATION BY LICENSOR. Licensor shall Indemnify Licensee from, against and in respect of any and all actions, suits, claims, proceedings, investigations, audits, demands, assessments, fines, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees) ("CLAIMS") incurred by Licensee by reason of: (i) any breach by Licensor of any covenant or agreement made by it in this Agreement, (ii) any trademark infringement claim as a result of its use of the Licensed Marks, or (iii) any act or omission of Licensor or its Affiliates or any of their respective employees which constitutes gross negligence or willful misconduct.

(B) INDEMNIFICATION BY LICENSEE. Licensee shall Indemnify Licensor and its Affiliates and all of their respective directors, officers, employees, agents and representatives from and against all Claims incurred by any of them by reason of: (i) any breach by Licensee of any covenant or agreement made by it in this Agreement, (ii) any act or omission of Licensee or any officer, employee or agent of Licensee, whether or not incurred or committed in the operation of the Hotel/Casino or the Project, (iii) any failure by Licensee to provide all of the services contracted for in connection with the operations of the Hotel/Casino and the Project, to honor and fulfill all

obligations of Licensee under any contract, commitment or obligation of Licensee, or (iv) the operation of the Hotel/Casino and the Project, including any death or personal injury or property damage occurring at the Hotel/Casino or the Project, unless such death, injury or damage was caused by the gross negligence or willful misconduct of Licensor or its Affiliates or any of their respective employees.

(C) METHOD OF ASSERTING CLAIMS. Whenever any Claim shall arise for indemnification under this Section 19, the indemnified party will give prompt written notice to the indemnifying party of such Claim, stating the nature, basis and (to the extent known) amount thereof, and shall cooperate fully in the defense, settlement or compromise of such Claim; provided that failure to give prompt notice shall not jeopardize the right of the indemnified party to indemnification unless such failure shall have materially prejudiced the ability of the indemnified party to defend such Claim. The indemnifying party shall have the sole right to select counsel for the defense of such Claim, subject to the approval of the indemnified party (which approval shall not be unreasonably withheld) and to control the defense, settlement or compromise of such Claim. The indemnified party shall have the right to participate in (but not control) the defense of any such Claim, with its counsel and at its own expense. The indemnified party shall not settle or compromise any Claim by a third party for which it is entitled to indemnification hereunder without the prior written consent of the indemnifying party. The indemnifying party shall obtain the prior written approval of the indemnified party (which approval may not be unreasonably withheld) before ceasing to defend against such third party claim or entering into any settlement or compromise of such third party claim involving injunctive or similar equitable relief being asserted against any indemnified party and no indemnifying party will, without prior written consent of each indemnified party, settle or compromise or consent to the entry of any judgment in any pending or threatened Claim, action or cause of action, suit or proceeding in respect of which indemnification may be sought thereunder (whether or not any such indemnified party is a party to such Claim, action or cause of action, suit or proceeding), unless such settlement, compromise or consent includes an unconditional release of all such indemnified parties from all liability arising out of such Claim, action, suit or proceeding.

(D) SURVIVAL. The provisions of this Section 19 shall survive the termination of this Agreement for any reason.

SECTION 20. CONFIDENTIAL INFORMATION

Except as provided in this Agreement, each party shall disclose Confidential Information to the other party solely on the condition that the recipient and its Affiliates agree, and the recipient, individually and on behalf of its Affiliates hereby agrees, that at all times during and after the term of this Agreement, the recipient and its Affiliates (i) shall not use the Confidential Information in any other business or capacity, (ii) shall maintain the absolute confidentiality of the Confidential Information, (iii) shall not distribute to third parties copies of any portion of the Confidential Information which is disclosed in written or tangible form, and (iv) shall adopt and implement reasonable procedures to prevent the unauthorized use or disclosure of the Confidential Information, including, without limitation, restrictions on disclosure thereof by the recipient's employees and

Affiliates who may have access to the Confidential Information. In the event that either party is required through legal process to disclose any Confidential Information, such party may do so, provided that the disclosing party gives the other party written notice of the Confidential Information to be disclosed as far in advance of its disclosure as is reasonably practicable.

Each party acknowledges that the restrictions contained in this Section are reasonable and necessary to protect the legitimate interests of the disclosing party, do not cause the recipient of the Confidential Information undue hardship, and that any violation of the provisions of this Section will result in irreparable injury to the disclosing party and its Affiliates and that, therefore, the disclosing party shall be entitled to preliminary and permanent injunction relief in any court of competent jurisdiction, which rights shall be cumulative and in addition to any other rights or remedies to which the disclosing party may be entitled.

SECTION 21. OPTION TO ACQUIRE HOTEL/CASINO

(A) OPTION TO ACQUIRE HOTEL/CASINO. At any time during the third Operating Year (the "OPTION PERIOD"), Licensor will have the option, in its sole discretion, to purchase Licensee's Project Interest, which shall include: (i) the Hotel/Casino, including all related improvements, (ii) all real property constituting the Licensed Location , and (iii) all other assets of Licensee related to the Hotel/Casino. Licensor shall exercise such right by written notice to Licensee at any time during the Option Period. Licensor and Licensee shall each, at their own expense, use their best efforts to secure all necessary third party consents, including, without limitation, all Permits necessary to effect any such transfer; provided, however, that Licensor may, at its option, extend closing for a period necessary to secure all such consents and Permits.

(B) PURCHASE PRICE. The purchase price for Licensee's Project Interest will be an amount equal to (i) seven, multiplied by (ii) the sum of (a) Licensee's EBITDA (after deducting any rent or similar expense relating to the lease of any portion of the real property (other than tidelands) of the Licensed Location by Licensee as a tenant) for the second Operating Year, (b) the Continuing Fees paid by Licensee to Licensor for the second Operating Year, and (c) the Management Fees paid pursuant to the Management Agreement for the second Operating Year, in each case, based on the financial reports prepared and delivered to Licensor pursuant to Section 12 of this Agreement; provided that the purchase price shall in no event be less than $330 million. Within ninety (90) days after the end of the second Operating Year, Licensee shall deliver to Licensor its calculation of Licensee's EBITDA for the second Operating Year and the purchase price as provided herein. Any disputes between Licensor and Licensee regarding the calculation of the purchase price for Licensee's rights in the Project shall be resolved as provided in Section 18(A) hereof.

(C) CLOSING. The closing under this Section 21 shall take place on the later to occur of (i) ninety (90) days after the date of Licensor's written notice exercising its option pursuant to Section 21(A) hereof, or (ii) the fifth (5th) Business Day following Licensor's receipt of all consents, orders and approvals of any Governmental Authority applicable to such transaction. At the closing, (a) Licensee shall provide to Licensor (or its designee) good, marketable and indefeasible title to all of the assets comprising its interest in the Project, free and clear of any mortgages, claims, liens or encumbrances, and local custom shall be followed as to the formalities of any transfer,

documentation, closing costs and closing logistics, and (b) Licensor (or its designee) shall pay the purchase price to Licensee.

SECTION 22. GENERAL PROVISIONS

(A) ENTIRE AGREEMENT. This Agreement, the Management Agreement, the Operating Agreement, the Investment Agreement, the other documents referred to

herein, and the attachments hereto, if any, constitute the entire, full and complete agreement between Licensor and Licensee concerning the subject matter hereof, and supersede all prior agreements, no other representations having induced Licensee to execute this Agreement. No representations, inducements, promises, or agreements, oral or otherwise, not embodied in this Agreement (as defined in the preceding sentence) or attached hereto (unless of subsequent date) were made by either party, and none shall be of any force or effect with reference to this Agreement or otherwise. Except as otherwise provided in this Agreement, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

(B) NOTICES. Except as otherwise provided in this Agreement, all notices, demands, requests, consents, approvals and other communications (collectively "NOTICES"), required or permitted to be given hereunder, or which are to be given with respect to this Agreement, shall be in writing and personally delivered, or sent by facsimile (with a confirming copy mailed by international air mail), or by a recognized overnight courier service, or by registered international air mail, postage prepaid, return receipt requested, addressed to the party to be so notified as follows:

If to Licensee, to: Full House Mississippi, LLC
c/o Full House Resorts, Inc.
2300 W Sahara Avenue
Suite 450, Box 23
Las Vegas, Nevada 89102
Attention: Mr. Gregg R. Giuffria
and Mary V. Brennan
Telephone No.: (702) 221-7800
Facsimile No.: (702) 221-8101

If to Licensor, to: Hard Rock Cafe International (USA), Inc.
5401 Kirkman Road, Suite 200
Orlando, Florida 32819
Attention: Vice President, Business Affairs
Telephone No.: (407) 351-6000
Facsimile No.: (407) 363-7128

with copy to: The Rank Group Plc
6 Connaught Place
London W2 2E2 England
Attention: Mr. Douglas Yates
Telephone: 011-44-171-706-1111
Telecopier: 011-44-171-262-0354

with copy to: Lord, Bissell & Brook
115 S. LaSalle Street
Chicago, Illinois 60603
Attention: Wesley S. Walton, Esq.
Telephone: 312-443-0700
Telecopier: 312-443-0336

Notices shall be deemed received on the date of delivery if personally delivered, two (2) business days after sending if sent by facsimile or overnight courier service, or seven (7) business days after sending if sent by registered international air mail.

(C) INDEPENDENT CONTRACTOR STATUS. This Agreement does not create a fiduciary relationship between the parties hereto, and Licensee is and shall, at all times, remain an independent contractor. Nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other party for any purpose. During the term of this Agreement, Licensee shall hold itself out to the public only as an independent contractor operating the business pursuant to a license from Licensor.

(D) SURVIVAL. Any covenant, representation, warranty, term or provision of this Agreement which, in order to be effective, must survive the termination of this Agreement, shall survive any such termination.

(E) SEVERABILITY. Except as expressly provided to the contrary elsewhere herein, each section, part, term and/or provision of this Agreement shall be considered severable and shall be construed as independent of any other section, part, term and/or provision of this Agreement. If, for any reason, all or any part of any section, part, term and/or provision herein is held to be invalid, unenforceable, or in conflict with any applicable law by a court or properly convened arbitrators having valid jurisdiction in an unappealed final decision to which Licensor is a party or by which Licensor may be bound, such shall not impair the operation of, or have any other effect upon, any other section, part, term and/or provision of this Agreement as may remain otherwise valid and enforceable, and the latter shall continue to be given full force and effect and bind the parties hereto, and said invalid sections, part, terms and/or provisions shall be deemed limited by construction in scope and effect to

the minimum extent possible to render the same valid and enforceable.

(F) WAIVERS. No failure by any party hereto 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 signed by the party to be charged therewith. No waiver of any breach of any covenant, agreement, term or provision of this Agreement 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.

(G) NO WARRANTIES OR GUARANTEES. Licensor makes no warranties or guarantees upon which Licensee may rely, and assumes no liability or obligation to Licensee, by providing any waiver, approval, consent or suggestion to Licensee in connection with this Agreement, or by reason of any delay, or denial of any request therefor. Licensee, in executing this Agreement, has not relied upon any representation or warranty of Licensor that the business operations to be conducted at the Hotel/Casino will be successful, or that any specific level of profit will be achieved.

(H) CONSENTS AND APPROVALS.

(i) All consents and approvals which may be given under this Agreement shall be in writing. Unless a different standard is specified in a particular term or provision of this Agreement, any provision of this Agreement which specifies that a consent or approval by Licensor shall not be "unreasonably withheld or delayed", must be "reasonably" given, or words of similar effect, shall entitle Licensor, in granting or withholding any such consent or approval, to consider the economic considerations of Licensor, the application of Licensor policies and procedures, public relations and publicity concerns of Licensor and Licensee, and Laws applicable to Licensor and Licensee.

(ii) If, pursuant to this Agreement, any consent or approval by either party which may not be unreasonably withheld is alleged to have been unreasonably withheld, conditioned or delayed, then any dispute as to whether such consent or approval has been unreasonably withheld, conditioned or delayed shall be settled by arbitration in accordance with Section 18 hereof. In the event there shall be a final determination that such consent or approval was unreasonably withheld, conditioned or delayed so that such consent or approval should have been granted, the consent or approval shall be deemed granted and the party requesting such consent or approval shall not be entitled to damages or any other relief resulting therefrom.

(I) INFORMATIONAL MATERIALS. In furtherance of the respective rights of the parties contained within this Agreement, including, without limitation, any right of approval or consent, or, in the case of Licensee, to exploit the Licensed Rights granted hereunder to Licensee, each party shall be entitled to receive from the other all materials and information in the possession or control of the other party reasonably requested to enable the requesting party to exercise the rights granted to such requesting party hereunder.

(J) EXPENSES. Except to the extent otherwise provided herein, each party hereto will bear its own costs, expenses and fees, including, without limitation, the fees and expenses of their respective legal counsel, in connection with the negotiation, preparation and execution of this Agreement, and in connection with all due diligence reviews and investigations conducted by such party prior to the execution of this Agreement.

(K) FORCE MAJEURE. If by reason of war, riots, civil commotion, labor disputes, strikes, lockouts, inability to obtain labor or materials, fire, hurricane, windstorm, flooding, or other acts or elements, accidents, government restrictions or appropriation or other causes, whether like or unlike the foregoing, beyond the control of a party hereto, such party is unable to perform in whole or in part its obligations under this Agreement, then in such event such inability to perform, so caused, shall not make such party liable to the other. Upon the occurrence of such an event, Licensor shall seek to determine the impact, if any, that such occurrence shall have upon the rights and obligations of the parties under this Agreement. Any disagreement regarding such rights and obligations shall be referred to the Chief Executive Officer of Licensee and the President and Chief Executive Officer of Licensor for final resolution in writing signed by each of them. In the event that such persons are unable to so resolve the disagreement, then they shall seek alternative means to resolve the dispute, provided that if the parties cannot otherwise resolve that dispute within a reasonable period under the circumstances, then the parties shall not be precluded from pursuing the procedures set forth in Section 18 of this Agreement.

(L) ABSENCE OF THIRD PARTY BENEFICIARY RIGHTS. Except as otherwise specified in this Agreement, no provision of this Agreement is intended or shall be construed to provide or create any third party beneficiary right or any other right of any kind in any client, customer, affiliate, insurer, lender, shareholder, partner, officer, director, employee or agent of any party hereto, or in any other Person, and all terms and provisions hereof shall be personal solely among the parties to this Agreement and their proper successors and assigns.

(M) INFLATION ADJUSTMENT. Whenever any provision of this Agreement or the Exhibits hereto requires that an amount be adjusted for inflation, such adjustment shall be based upon the "Inflation Index" (as defined below). The amount of the adjustment shall be determined by multiplying the amount which is the subject of the escalation by a fraction the denominator of which is the "Inflation Index" for the month from which such adjustment shall be made (the "BASE MONTH"), and the numerator of which is the "Inflation Index" for the month immediately prior to the month in which the adjustment for inflation shall be made (the "ADJUSTMENT MONTH"), provided that if the percentage change from the Base Month to the Adjustment Month is negative, it shall be deemed to be zero for purposes of making calculations hereunder.

For purposes of this paragraph, the Inflation Index shall mean the U.S. City Average Price Index for All Urban Consumers for All Items (Base Year 1982 - -1984) as published by the United States Department of Labor, Bureau of Labor Statistics; provided that if such index is discontinued or is unavailable, then the parties will substitute therefor a comparable index for use in calculating changes in the cost of living or purchasing power of consumers published by any other governmental agency, major bank, financial institution or university or by another recognized financial publication, with such adjustments as shall be reasonably necessary to produce substantially the same results as would have been obtained under the unavailable index.

(N) ASSIGNMENT. Subject to the provisions of Section 16 hereof, this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, legal representatives, successors and permitted assigns of the parties hereto.

(O) HEADINGS. The section and other headings contained herein are for convenience of reference only, and are not intended to define, limit or describe the scope or intent of any provision of this Agreement.

(P) COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(Q) PUBLIC ANNOUNCEMENTS. No notices to third parties or other publicity, including press releases, concerning the existence of this Agreement or any of the transactions contemplated hereby shall be made by either party hereto or their respective Affiliates unless agreed to by each of the parties hereto, except to the extent required by law. Notwithstanding the above, no notices or other public announcements regarding this Agreement shall be made by either party until after Licensee's acquisition of the site for the Hotel/Casino.

(R) NO SOLICITATION. Licensor and Licensee, on behalf of itself and its Affiliates, each agree not to, directly or indirectly, solicit the employment of any individual who has an active management position with the other party hereto or any of its Affiliates, without the written consent of the other party hereto, which consent may be granted or withheld in the other party's sole discretion.

(S) FRANCHISE LAWS NOT APPLICABLE. It is the intention of the parties that the negotiation, execution, delivery and performance of this Agreement and the other agreements, instruments and documents to be executed and delivered in connection herewith, and the consummation of the transactions contemplated hereby and thereby not trigger or be subject to the franchise laws and regulations of any jurisdiction.

(T) CUMULATIVE REMEDIES. All rights and remedies of the parties hereto are cumulative of each other and of every other right or remedy such parties may otherwise have at law or in equity, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.

(U) APPLICABLE LAW. This Agreement shall be governed and construed in accordance with the internal laws of Florida, without reference to the principles of comity or conflicts of law thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed, effective as of the date first set forth above.

LICENSOR:

HARD ROCK CAFE INTERNATIONAL (USA), INC.

By:_____
Name:_____
Its:_____

LICENSEE:

Full House Mississippi, LLC

By: AEP & FHR LLC, its sole member

By: Full House Resorts, Inc., a member

By:_____
Name:_____
Its:_____

By: Allen E. Paulson, a member

Allen E. Paulson

EXHIBIT A

LICENSED MARKS

Set forth below are the Licensed Marks within the defined term "Licensed Rights" that may be used at Hotel/Casino.

1. HARD ROCK HOTEL, Registration No. 1,909,483 for hotel services.

2. HARD ROCK HOTEL and Design, Registration No. 2,029,859 for hotel services, as attached hereto.

3. HARD ROCK LIVE

2. HARD ROCK LIVE and Design, as depicted on the following page.

The following word marks may also be used in association with the Licensed Marks described above:

Love All, Serve All

Save the Planet

Take Time to Be Kind

All is One

No Nuclear Weapons or Drugs

EXHIBIT 10.53

MANAGEMENT AND DEVELOPMENT AGREEMENT

by and between

FH/HR MANAGEMENT, LLC

and

FULL HOUSE MISSISSIPPI, LLC

Dated: as of November 18, 1998

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EXHIBITS

MANAGEMENT AND DEVELOPMENT AGREEMENT

This MANAGEMENT AND DEVELOPMENT AGREEMENT ("AGREEMENT") is made and entered into as of November 18, 1998 by and between FH/HR Management, LLC, a Mississippi limited liability company ("OPERATOR"), and Full House Mississippi, LLC, a Mississippi limited liability company ("OWNER").

R E C I T A L S:

A. Owner intends to plan, finance, construct, develop, operate and own the Project (as hereafter defined) consisting of, among other things, a first-class hotel along with a barge to be moored at the site for the conduct of gaming activities.

B. Full House (as hereafter defined), an Affiliate of Owner, and Hard Rock STP (as hereafter defined), an Affiliate of Hard Rock USA (as hereafter defined), have formed Operator for the purpose of acting as the developer for the Project and, after Project completion, as manager of the operations of the Project.

C. Owner and Operator have entered into this Agreement to set forth their understandings with respect to the development, management and operation of the Project.

NOW THEREFORE, in consideration of the foregoing, and the mutual covenants and agreements contained herein, Owner and Operator covenant and agree as follows:

ARTICLE I
DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS. For purposes of this Agreement, the following definitions shall apply:

"AAA" shall have the meaning set forth in Section 18.1(b) hereof.

"AAA RULES" shall have the meaning set forth in Section 18.1(b) hereof.

"ACCOUNTING REFEREE" shall have the meaning set forth in Section 18.1(a) hereof.

"AFFILIATE" means with respect to any Person, any other Person which directly or indirectly controls, or which is controlled by or is under common

control with such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"ANNUAL PLAN" shall have the meaning set forth in Section 8.1 hereof.

"BASE MANAGEMENT FEE" means the management fee calculated and payable to Operator pursuant to Section 9.2(a)(i) hereof.

"CASH CONTINGENCY RESERVE FUND" means the fund established pursuant to Section 7.6 hereof.

"CLAIMS" shall have the meaning set forth in Section 19.1 hereof.

"CONTROLLING INTEREST" shall mean BOTH (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of Owner, whether through the ownership of voting securities, by contract, or otherwise, and (ii) the direct or indirect ownership of twenty percent (20%) or more of the equity interests of Owner. For purposes of determining whether Full House has a Controlling Interest in Owner, clause (ii) above shall be deemed satisfied as long as Full House, Gregg R. Giuffria and Paul Steelman collectively own, directly or indirectly, twenty percent (20%) or more of the equity interests of Owner.

"DEFAULT" or "EVENT OF DEFAULT" shall have the meaning as set forth in Section 17.1.

"DEVELOPMENT FEE" means the Development Fee payable to Operator pursuant to Section 9.1(a) of this Agreement.

"DISPUTE" shall have the meaning set forth in Section 18.1(b) hereof.

"DISPUTE NOTICE" shall have the meaning set forth in Section 18.1(a) hereof.

"EBITDA" shall mean, during the relevant period, net income, before (i) interest charges (net of interest income), federal, state and local income taxes, and depreciation and amortization, calculated in accordance with GAAP, and (ii) any rent or similar expense relating to the lease of any portion of the real property (other than tidelands) at the Site by Licensee as a tenant.

"EBITDA MANAGEMENT FEE" means the management fee calculated and payable to Operator pursuant to Section 9.2(a)(ii) hereof.

"EXCLUDED COSTS" shall mean (i) the salary and other compensation of the Project Manager, (ii) the salary and other compensation of the General Manager of the Hotel/Casino prior to the Opening Date, (iii) the office expenses for the Project Manager and the General Manager prior to the Opening Date, and (iv) the fees and expenses of the Hard Rock design consultants to be paid to Hard Rock USA pursuant to Section 5(F) of the License Agreement, each of which shall be paid by Operator out of the Development Fee.

"FF&E" shall mean all furniture, fixtures and equipment (other than Operating Equipment and Operating Supplies) located at or used in connection with the Project, including without limitation: (i) all gaming equipment, including without limitation, all slot machines and video gaming devices; (ii) all furniture, furnishings, built-in furniture, carpeting, draperies, decorative

millwork, decorative lighting, doors, cabinets, hardware, partitions (but not permanent walls), televisions and other electronic equipment, interior plantings, interior water features, artifacts and artwork, and interior and exterior graphics; (iii) communications equipment; (iv) all fixtures and specialized hotel equipment used in the operation of kitchens, laundries, dry cleaning facilities, bars and restaurants; (v) telephone and call accounting systems; (vi) rooms management systems, point-of-sale accounting equipment, front and back office accounting, computer, duplicating systems and office equipment; (vii) cleaning and engineering equipment and tools; (viii) vehicles; (ix) recreational equipment; and (x) all other similar items which are used in the operation of the Project, excluding, however, any personal property which is owned by subtenants, licensees, concessionaires or contractors.

"FINANCING RATE" shall mean the annual interest rate attributable to the Primary Debt. For purposes of calculating the amount of the Required EBITDA, the Financing Rate shall not exceed twelve percent (12%) per annum.

"FISCAL YEAR" shall mean the twelve (12) month period commencing January 1 and ending December 31, except that the first Fiscal Year of the Project shall be that period commencing on the Opening Date and ending on the next December 31 of such calendar year, which is at least one (1) year thereafter.

"FORCE MAJEURE" shall have the meaning set forth in Section 21.13 hereof.

"FULL HOUSE" shall mean Full House Resorts, Inc., a Delaware corporation.

"GAAP" shall mean United States generally accepted accounting principles as in effect from time to time.

"GOVERNMENTAL AUTHORITY" means any foreign, federal, state or local governmental entity or authority, or any department, commission, board, bureau, agency, court or instrumentality thereof having control over the Site, the Hotel/Casino or the Project.

"HARD ROCK ELEMENTS" shall have the meaning set forth in the License Agreement.

"HARD ROCK STP" shall mean Hard Rock Cafe International (STP), Inc., a New York corporation.

"HARD ROCK USA" shall mean Hard Rock Cafe International (USA), Inc., a Florida corporation.

"HOTEL/CASINO" shall mean the hotel and casino and live music venue to be developed and operated at the Site and all related improvements, including FF&E, as approved in accordance with the provisions of this Agreement.

"HOTEL/CASINO RETAIL STORE" shall mean that area within the Project to be leased to Hard Rock STP pursuant to the Lease Agreement and where Hard Rock STP shall sell Branded Merchandise. Operator shall build the Hotel/Casino Retail Store in accordance with criteria specified by Hard Rock STP in the Lease Agreement.

"INTEREST RATE" shall mean the prime rate listed in the "Money Rates" section of the WALL STREET JOURNAL from time to time, plus four percent (4%) per annum, provided that in no event shall the Interest Rate exceed the maximum rate permitted by applicable Law.

"INVESTMENT AGREEMENT" shall mean that certain Investment Agreement, of even date herewith, by and among Owner, AEP & FHR LLC, Full House, Allen E. Paulson and Hard Rock USA.

"LAW(S)" means any and all laws, judgments, decrees, orders, rules, regulations or official legal interpretations of any Governmental Authority.

"LEASE AGREEMENT" means the Lease Agreement to be entered into between Owner and Hard Rock STP pursuant to which Owner will lease certain portions of the Site to Hard Rock STP for its exclusive operation of a Hard Rock Cafe and Hard Rock Hotel/Casino Retail Store at the Site.

"LICENSE AGREEMENT" means the License Agreement, of even date herewith, between Owner and Hard Rock USA with regard to the operation of the Project as a Hard Rock Hotel/Casino.

"MANAGEMENT FEES" mean the Base Management Fee and EBITDA Management Fee payable to Operator pursuant to this Agreement.

"MANAGEMENT STANDARD" shall mean the standard of a first-class resort hotel as defined by the current standard as of the date hereof of the Hard Rock Hotel located in Las Vegas, Nevada.

"MEMORABILIA LEASE" means the Memorabilia Lease to be entered into between Owner and HRC pursuant to which Hard Rock USA will lease rock and roll memorabilia to Owner for fitting out the Hotel/Casino with the Hard Rock theme.

"MISSISSIPPI ACT" shall mean the Mississippi Gaming Control Act and the Regulations of the Mississippi Gaming Commission and any other gaming laws, rules and regulations of the State of Mississippi and all local regulatory agencies and bodies in such state regulating gaming.

"NET WIN" shall mean the amount remaining after payment of, and accrual for, prizes to players, as defined by the Mississippi Gaming Commission on the date hereof.

"NOTICES" shall have the meaning set forth in Section 21.4 hereof.

"OPENING DATE" shall have the meaning set forth in Section 4.1 hereof.

"OPERATING ACCOUNTS" means the bank accounts established pursuant to Section 7.2 hereof.

"OPERATING AGREEMENT" shall mean that certain Operating Agreement, of even date herewith, by and among Full House, Hard Rock STP and Operator.

"OPERATING EQUIPMENT" shall mean all cooking utensils, chinaware, glassware, linens, silverware, uniforms, menus and other similar items.

"OPERATING EXPENSES" shall mean all costs and expenses of maintaining, conducting and supervising the operation of the Project reasonably and properly incurred by Operator and in accordance with this Agreement, either directly or at its request pursuant to this Agreement or as otherwise specifically provided herein, which are properly attributable to the period under consideration under GAAP, including without limitation: (i) the cost of all goods and services obtained by Operator in connection with its operation of the Project, including, without limitation, heat and utilities, office supplies and all services performed by third parties, (ii) salaries and wages of all Project personnel (including the General Manager after the Opening Date), including costs of payroll taxes and employee benefits, (iii) all taxes, assessments and other charges (other than income taxes) payable by or assessed against Operator with respect to the operation of the Project, including real estate taxes and assessments, ad valorem personal property taxes and water and sewer charges, (iv) the cost of repairs to and maintenance of the Project, (v) the amount of cash set aside out of Total Revenues during such period in the Reserve Fund pursuant to Section 10.1 hereof, (vi) the cost of capital improvements, including FF&E, which are not funded out of the Reserve Fund and payments under equipment leases, (vii) insurance premiums for the insurance policies required pursuant to Article XII hereof and all other insurance policies with respect to the Project, (viii) all expenses for advertising, promotion and marketing of the Project, including without limitation, costs relating to busing or other customer transportation and complimentary services or goods given to customers, (ix) legal, accounting and other professional fees related to the operation of the Project and its facilities, (x) uninsured judgments, fines and penalties rendered against any business conducted by Operator at the Project (and not the result of willful misconduct or gross negligence on the part of Operator), (xi) payments of fees in lieu of taxes, payments to or charges by, the City of Biloxi, the County of Harrison, the State of Mississippi or the United States including, without limitation, (a) gaming taxes payable to the State of Mississippi and (b) payments to the Mississippi Gaming Commission, (xii) all license fees and other amounts payable to Hard Rock USA pursuant to the License Agreement, (xiii) Management Fees payable to Operator, subject to the provisions of Article IX hereof, (xiv) Operator's expenses in performing its duties under this Agreement, including, without limitation, the travel expenses of Operator's management committee representatives and its employees incurred in connection with performance of this Agreement, (xv) debt service on Owner's financing for the Project, and (xvi) any other expenses designated as Operating Expenses upon the mutual agreement of the parties, but specifically excluding the following: (1) payments or distributions of any kind to Owner, (2) depreciation and amortization, (3) income, excise or other taxes payable to Federal, state and local governments (other than those specifically set forth above as an expense), (4) expenses of the Pre-Opening Services, and (5) the Excluded Costs.

"OPERATING SUPPLIES" shall mean all paper supplies, cleaning materials, fuel, food and beverages, light bulbs and other consumable and expendable items used at, or stored for usage at, the Project.

"OPERATING YEAR" shall mean the consecutive twelve (12) month periods commencing on the first day of the first calendar month after the Opening Date and ending on the last day of the twelfth full calendar month after the Opening Date, except that the first Operating Year shall be that period commencing with the Opening Date and ending on the last day of the twelfth full calendar month after the Opening Date.

"PERSON" shall mean (i) an individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, estate, trust, unincorporated, associated or other entity, (ii) any Federal, state, county or municipal government or any bureau, department, political subdivision or agency thereof and (iii) a fiduciary acting in such capacity on behalf of any of the foregoing.

"PETTY CASH FUND" means the fund established pursuant to Section 7.6 hereof.

"PREFERRED INVESTMENT" shall mean an amount equal to fifty percent (50%) of the difference between (i) the Total Project Costs, and (ii) the Primary Debt. For purposes of calculating the amount of the Required EBITDA, the amount of the Preferred Investment shall not exceed $35,000,000.

"PRE-OPENING SERVICES" shall have the meaning set forth in Section 3.1 hereof.

"PRE-OPENING SERVICES BUDGET" shall have the meaning set forth in Section 3.2(a) hereof.

"PRIMARY DEBT" shall mean, during any relevant period, the average daily outstanding principal amount of all secured indebtedness incurred by Owner to finance the Total Project Costs. For purposes of calculating the amount of Required EBITDA, the amount of the Primary Debt shall not exceed $200,000,000.

"PROJECT" shall mean (i) the Hotel/Casino and its related amenities, (ii) a barge to be moored at the Site with approximately 42,000 square feet of gaming space, (iii) a Hard Rock Live! music venue, (iv) all real property interests at the Site, and (v) such other developments as Owner and Hard Rock USA mutually agree to include in the Project, in each case, together with all buildings, structures, FF&E, and improvements related thereto.

"PROJECT EMPLOYEES" shall have the meaning set forth in Section 6.1 hereof.

"REQUIRED EBITDA" shall mean, during any relevant period, an amount equal to the sum of: (i) the Primary Debt, multiplied by the Financing Rate, and (ii) the Preferred Investment, multiplied by ten percent (10%) per annum. Examples of the calculation of Required EBITDA are set forth on Exhibit D to this Agreement.

"RESERVE FUND" shall have the meaning set forth in Section 10.1 hereof.

"SITE" means the real property upon which the Project is to be located.

"TOTAL PROJECT COSTS" shall mean the sum of: (i) the total aggregate capitalized costs incurred by Owner for the Project, as determined in accordance with GAAP, (ii) $6.2 million, if the "O'Keefe parcel" is included as part of the Site and is leased rather than purchased by Owner, and (iii) $5.25 million, if the "Suntan Motel parcel" is included as part of the Site and is leased rather than purchased by Owner. For purposes of calculating the amount of Required EBITDA, the amount of the Total Project Costs shall not exceed $270 million. If any parcel of the real property comprising the Site the cost of which was included as part of the Total Project Costs is sold or otherwise transferred by Owner, then the $270 million limit on the amount of the Total Project Costs set forth above shall be reduced by the acquisition cost of the parcel which is sold or otherwise transferred at the time of such sale or transfer.

"TOTAL REVENUES" shall mean, during the relevant period, total revenue as determined under GAAP, and in any event shall include, without limitation, all income of every kind and all proceeds of sales of every kind (whether in cash or on credit) resulting from the operation of the Project and any of the facilities therein and goods and services provided thereby, including, without limitation, (a) the Net Win from all gaming activities conducted at the Site or within the Project, (b) all income and proceeds from the rental of rooms, food and beverage sales, sales of other goods and services, (c) vending machine income, telephone revenues, parking revenues, revenues from any recreational facilities, and entertainment charges, (d) all income and proceeds received from tenants, transient guests, customers, lessees, licensees and concessionaires, including rental payments from the Hard Rock Cafe and the Hotel/Casino Retail Store pursuant to the Lease Agreement (but not including the gross receipts of such lessees, licenses or concessionaires) and other Persons occupying space at the Project and/or rendering services to Project guests (but exclusive of all consideration received at the Project for hotel accommodations, goods and services to be provided elsewhere, although arranged by, for or on behalf of Operator), (e) the fair market values of any barter and other non-cash property and services received by Licensee as an alternative to cash payments pursuant to recurring practices that reduce or offset or substitute for revenues, (f) the value (as reflected in the audited financial statements of Owner) of any Hotel rooms, facilities or services offered to guests, customers or clients without charge or for a reduced charge, whether as part of a "frequent traveler" program offered by Owner or Operator or for any other reason, (g) revenues arising from corporate sponsorships (where permitted herein), (h) awards (other than condemnation awards for the value of the Project), any other form of incentive payments or awards from any source whatsoever which are attributable to the operation of the Project, (i) the proceeds from any temporary taking (after deduction from said proceeds of all necessary expenses incurred in the restoration of the improvements as may have been necessitated by such taking), and (j) the proceeds (after deduction from said proceeds of all necessary expenses incurred in the adjustment or collection thereof) of business interruption insurance actually received by Operator or Owner with respect to the operation of the Project.

Notwithstanding the above, the following shall, however, be excluded from Total Revenues: (i) all revenues, receipts and income of every kind received by Licensor or any Affiliate of Licensor in respect of, or attributable to, the Hard Rock Cafe and the Hotel/Casino Retail Store at the Site; (ii) Federal, state and municipal excise, sales, resort, use, and other taxes collected from patrons or guests as a part of or based upon the sales price of any goods or services, including, without limitation, gross receipts, room, bed, admission, cabaret, or similar taxes; (iii) any gratuities collected and paid

over to employees; (iv) the proceeds of any financing or refinancing of the Project or capital contributions or advances to Licensee; (v) interest on funds in the Reserve Fund; (vi) proceeds from the sale of any FF&E; (vii) proceeds from the sale of the Hotel/Casino or other facilities included in the Project; and (viii) proceeds of hazard insurance, other than business interruption insurance.

1.2 SCOPE OF TERMS. The use of the words defined herein shall include the plural or singular forms of such terms, and the male, female, or neutral gender thereof, as appropriate.

1.3 REFERENCE TERMS. The use of the words "herein", "thereof", "hereinafter", "hereinabove", and other words of similar import shall be deemed to refer to this Agreement as a whole, and not to a specific section, subsection, or paragraph thereof.

1.4 OTHER AGREEMENTS. Any term that is defined herein by reference to the License Agreement shall mean the definition of such term in effect on the date hereof under the License Agreement.

ARTICLE II
DESIGN AND DEVELOPMENT

2.1 GENERAL. Operator shall be the developer of the Project, and shall have the right and the obligation to manage and implement the design, development, construction, furnishing and equipping of each element of the Project, in accordance with the provisions of this Article II.

2.2 PRELIMINARY BUDGET AND PLANS. The parties hereby approve: (i) the preliminary budget, attached as Exhibit A hereto, (ii) the project concept plan for the Project, which generally depicts the plans, designs and specifications for the Hotel/Casino, attached as Exhibit B hereto (the "PROJECT CONCEPT PLAN"), and (iii) the preliminary site plan for the Project, attached as Exhibit C hereto (the "SITE PLAN").

2.3 FINAL BUDGET, SCHEDULE AND PLANS. (a) Operator shall manage the preparation in a timely manner of the following items: (i) a final budget for the Project, subject to an aggregate maximum amount of $270,000,000 (the "BUDGET"), (ii) a final design, construction and pre-opening schedule, which includes, to the extent practicable, early and late start and stop times for each major design, development and construction activity, "critical path" activities and their duration, the sequencing of major procurement, approval, delivery and work activities, late order dates for long lead time materials and equipment, and critical decision dates (the "SCHEDULE"), and (iii) the final

plans and specifications for the Hotel/Casino and the other elements of the Project, including, without limitation, architectural, engineering, construction and interior design plans and specifications, and a finish schedule (collectively, the "PLANS AND SPECIFICATIONS"). The Plans and Specifications shall be consistent in all material respects with the Project Concept Plan and the Site Plan, except as otherwise approved by Owner.

(b) Operator shall submit the Budget, Schedule and Plans and Specifications to Owner for Owner's approval prior to the commencement of construction for the Project.

2.4 PROFESSIONALS, CONSULTANTS AND CONTRACTORS. Operator shall propose to Owner a list of the following professionals and consultants: (a) the architect, mechanical engineer, electrical engineer, structural engineer, interior designer and other principal consultants, having or expected to have a contract (including related contracts with such Persons and their Affiliates) involving an amount in excess of $5,000,000, and (b) the general contractor and construction manager (if any). Owner shall have the right, within a reasonable period of time (not to exceed 15 days) after receipt of such list (or updated version thereof), and upon written notice to Operator, to disapprove of any of such Persons; PROVIDED, HOWEVER, that any grounds for disapproval shall be reasonable.

2.5 CONSTRUCTION CONTRACTS. Unless otherwise mutually agreed by Operator and Owner, the Project shall be constructed pursuant to a construction contract providing for a lump sum or guaranteed maximum price payable to the general contractor thereunder, based upon 100% completed, fully coordinated construction documents.

2.6 CONSTRUCTION MANAGEMENT. Operator shall manage the development and construction of the Project, and shall use its reasonable efforts to enable such development and construction to be accomplished in accordance with this Agreement and the Budget and Schedule, and substantially in accordance with the Plans and Specifications. Operator shall perform all duties customarily performed by a developer of projects of like size and scope, including, without limitation, the following:

(a) arrange of the selection and hiring, subject to the provisions of

Section 2.4 above, of the architects, engineers, designers, contractors and other Persons to be employed in the design, development and construction of the Project, based on at least three (3) competitive bids, where commercially practicable;

(b) assemble and track invoices and direct the payment or rejection thereof;

(c) arrange for the timely issuance of all necessary governmental permits, licenses, certificates and approvals and the compliance with all governmental requirements (including without limitation, zoning, land use, water, sewer, environmental and other requirements) relating to the development and construction of the Project;

(d) coordinate, review, administer and manage the work and activities of the architect, general contractor and all other Persons employed in the design, development and construction of the Project;

(e) maintain books of account and records (financial and otherwise) with respect to the design, development and construction of the Project;

(f) manage and approve disbursement of funds to pay for the design, development, construction, furnishing and equipping of the Project in accordance with this Agreement (it being understood that such funds shall be disbursed subject to and in accordance with substantially similar protections and conditions of any construction lender in connection with the Project);

(g) arrange for and monitor competitive bids and the purchase and installation of all FF&E in accordance with this Agreement and the Plans and Specifications;

(h) inspect each element of the Project as the same is substantially completed and create or cause to be created a punch list of items requiring additional or corrective work, and exercise Owner's rights and authority to seek compliance by the contractors and by other parties rendering services or furnishing materials in connection with the construction and fit-out of the Project, with such party's obligations to perform all work necessary to cure all defects or deficiencies;

(i) obtain in the name and for the account of Owner all such insurance as Operator may determine shall be necessary or appropriate; and

(j) upon the completion of the development and construction of the Project, provide Owner with such financial information with respect to the development and construction of the Project as the Owner may reasonably request.

2.7 CHANGES. (a) After the approval of the Budget, Schedule and Plans and Specifications by Owner pursuant to Section 2.3(b) hereof, any change, modification, addition, alteration or deletion to the Budget, the Schedule or the Plans and Specifications, or request or requirement by any contractor to modify the scope of work to be performed by such contractor (each, a "CHANGE") shall be subject to Owner's approval.

(b) Owner shall notify Operator, in writing, of its approval or disapproval of each Change (describing in the case of disapproval the basis therefor), within ten (10) Business Days after its receipt thereof. Owner's failure to so notify Operator of its disapproval by the end of such time period shall be deemed to constitute Owner's approval of such Change.

(c) Notwithstanding anything to the contrary contained herein, (i) Owner's approval shall not be required for any Change which is necessitated by any Legal Requirement applicable thereto, and (ii) Operator shall have the right to authorize and approve, on Owner's behalf, any Nonmaterial Change. As used herein, the term "NONMATERIAL CHANGE" shall mean any Change that would not be

reasonably expected to result in an increase in the total amount of the Budget or require a change in any material respect to the Schedule or the Plans and Specifications.

2.8 REIMBURSEMENT OF COSTS. Owner shall be responsible for, and shall reimburse Operator for, all costs and expenses in connection with the design, development and construction of the Project, except for the Excluded Costs.

2.9 AUTHORITY OF OPERATOR. Subject to the provisions of this Agreement, and the Budget for the Project, Operator shall have the right and all necessary authority, in the name and on behalf of Owner, to enter into any and all contracts with Persons selected by it, and to otherwise take such necessary or appropriate actions in connection with (a) the design and development of the Project, all in accordance with the Budget and in all material respects with the Schedule and the Plans and Specifications, and (b) this Agreement, and the performance and construction of the work encompassed within the aforementioned

documents.

2.10 DILIGENT EFFORTS. Subject to any specific terms and conditions of this Agreement to the contrary, Operator and Owner agree that they will proceed in a diligent and expeditious manner with planning, designing, commissioning and constructing the Project in accordance with the terms of this Agreement, and their respective approval rights in connection with such planning, designing, commissioning and construction, including with respect to budgets and expenditures relating thereto, shall not be unreasonably withheld, conditioned or delayed.

2.11 WAIVER; LIMITATION OF LIABILITY. (a) Notwithstanding anything in this Article II to the contrary, Operator (and its Affiliates) shall not, in the performance of its obligations under this Article II, be liable to Owner or to any other Person for any act or omission, negligent, tortious, or otherwise, (i) of any agent or employee of Owner, or (ii) of Operator or any of its Affiliates, unless such act or omission on the part of Operator or its Affiliates constitutes gross negligence or willful misconduct, and then only to the extent that the damages resulting therefrom are not covered by the insurance required to be carried by Owner pursuant to the terms of this Article II whether or not such insurance is actually in place. Operator shall be considered responsible only for the acts or omissions of such of its employees as are not Project Employees.

(b) Operator shall defend, indemnify and hold harmless Owner, its members and their respective Affiliates and the officers, directors, shareholders, employees and agents of any of the foregoing harmless from all liability, loss, damage, claim, demand, penalty, fine, cost or expense, including reasonable attorney's fees and court costs, incurred by any such Person by reason of any actual or alleged act or omission by Operator which constitutes gross negligence or willful misconduct, and then only to the extent that the damages resulting therefrom are not covered by insurance carried by the Owner. Owner shall have no obligation to reimburse Operator for expenses incurred as a result of Operator's obligation to indemnify the Owner or any other Person pursuant to this Section 2.11(b).

2.12 HARD ROCK ELEMENTS. Owner and Operator acknowledge and agree that Hard Rock USA has been given approval rights over all Hard Rock Elements of the Project as provided in the License Agreement. Accordingly, Operator shall be responsible for managing its development activities under this Agreement, including the design, construction, completion, permitting, furnishing and equipping of the Project, in accordance with the terms of the License Agreement and Hard Rock USA's approval rights over Hard Rock Elements as provided therein. Furthermore, Owner agrees that all approvals required by it under this Agreement shall be subject to and consistent with Hard Rock USA's approval rights under the License Agreement.

2.13 REQUIREMENTS OF LICENSE AGREEMENT. All services performed by Operator pursuant to this Agreement may have limitations imposed by Owner as and to the extent set forth in the License Agreement. Owner and Operator acknowledge and agree to abide by and act in accordance with such obligations in connection with their performance under this Agreement.

ARTICLE III
PRE-OPENING SERVICES

3.1 PRE-OPENING SERVICES. Prior to the projected Opening Date for the Project, Operator, as representative and for the account of Owner, shall undertake the following activities ("PRE-OPENING SERVICES") in connection with the preparation of the Project to conduct operations:

(a) Recruit, train, direct and employ, for and on behalf of Owner, a General Manager and initial staff for the Project.

(b) Negotiate leases for available retail space, as well as licenses and concession agreements, subject to the provisions of Section 5.1(a)(v) hereof.

(c) Assist Owner in its application for, in the name and for the account of Owner, as may be required by the issuing authority, licenses and permits required in connection with the operation of the Project and its related facilities including, but not limited to gaming, liquor and restaurant licenses.

(d) Advise Owner in the purchase, in the name and for the account of Owner, of all Operating Supplies.

(e) Arrange for suitable inaugural ceremonies for the Hotel/Casino.

In performing Pre-Opening Services pursuant to this Article III, Operator shall be subject to, and shall act in accordance with, the conditions and limitations of Article V hereof, the other applicable provisions of this Agreement, and the applicable provisions of the License Agreement.

3.2 BUDGET AND SCHEDULE FOR PRE-OPENING SERVICES.

(a) The schedules and budgets established pursuant to Article II hereof will include a category for Pre-Opening Services for the Project (a "PRE-OPENING SERVICES BUDGET"). Operator will manage and implement the performance of the Pre-Opening Services in accordance with the Pre-Opening Services Budget and Timetable and the applicable provisions of Article II hereof.

(b) If Operator anticipates a delay such that the Project will not be formally opened to the public on or before the date set forth in the Schedule, Operator shall consult with Owner with respect thereto and shall develop an estimate of such additional amounts as shall reasonably be required to meet the pre-opening expenses occasioned by the anticipated delay, which shall include, without limitation, wages and other expenses relating to Project personnel already employed in the name and for the account of Owner.

3.3 COST OF PRE-OPENING SERVICES. The cost of Pre-Opening Services shall include all reasonable expenses incurred by Operator (including costs incurred prior to the date hereof) in performing the Pre-Opening Services, including without limitation, (i) all out-of-pocket expenditures and reasonable expenses of business entertainment; (ii) salary and other personnel costs (including payroll taxes and costs of employee benefits) for the Project personnel employed in relation to the Project, in the name and for the account of Owner, for services performed prior to the Opening Date (which shall not include salaries, benefits and related costs for home office personnel of Operator and its Affiliates engaged in performing Pre-Opening Services); (iii) all expenses incurred in conducting partial operations of such Project prior to its Opening Date; (iv) the cost of inaugural ceremonies; and (v) the cost of obtaining all necessary gaming and other licenses and permits, including the fees of lawyers and other consultants incident thereto (other than the costs of obtaining all necessary gaming licenses and permits for Full House and Hard Rock personnel, which costs shall be borne by such parties). Such costs shall be chargeable to Owner and shall be paid directly by Owner or reimbursed to Operator by Owner to the extent and in the manner as other costs in relation to the development of the Project are reimbursed or paid as provided herein.

3.4 ACCOUNTING FOR PRE-OPENING SERVICES. Operator shall use reasonable efforts to perform the Pre-Opening Services and all budgeting, scheduling, accounting and other functions and services required to be performed in connection therewith.

ARTICLE IV
OPENING DATE; TERM

4.1 OPENING DATE. The "OPENING DATE" for the Project is the date of the opening of the Project to the public. It shall occur on a date to be determined by Operator when (i) the Project has been substantially completed and the FF&E and Operating Equipment relating thereto have been substantially installed, all in accordance with Article II hereof, (ii) all licenses and permits required for the operation of the Project, including without limitation, all gaming, liquor and restaurant licenses, have been obtained, and (iii) the Project has commenced gaming activities on a fully

operational basis. Operator and Owner may jointly decide, prior to substantial completion of the Project, to conduct partial operations thereof prior to the Opening Date.

4.2 TERM.

(a) INITIAL TERM. This Agreement shall be effective and binding from the date hereof and shall continue for an initial term of three (3) Operating Years after the Opening Date, unless sooner terminated as provided herein.

(b) RENEWAL TERMS.

(i) If the Project's EBITDA (calculated after payment of the Continuing Fees under the License Agreement and the Management Fees) is greater than $48 million during the twelve (12) month period ending as of the end of the ninth (9th) calendar month of the third Operating Year, then Operator shall have the option to renew the term of this Agreement for a period of one (1) year, upon the same terms and conditions as are contained herein, except that the Management Fees payable hereunder shall be amended to the then-prevailing market rate for comparable management services within the hotel/gaming industry for comparable projects, as mutually agreed by the parties hereto, and provided that Operator is not in default under the terms of this Agreement. If Operator's option to renew the term of this Agreement becomes exercisable as provided above, Operator shall provide Owner with notice of same and the parties will use their best efforts for a period of fifteen (15) days after such notice to agree upon the management fees to be payable to Operator for such renewal term. If the parties cannot agree on the amount of such fees within such fifteen (15) day period, such dispute shall be submitted to arbitration. Operator shall exercise

its option by written notice to Owner by the later of: (x) ten (10) days after the determination of the amount of the management fees for the renewal term as provided above, or (y) thirty (30) days prior to the expiration of the term of this Agreement.

(ii) After the initial renewal term, Operator shall have the option to renew the term hereof for two (2) additional one-year periods, upon the same terms and conditions as the first renewal term, provided that the Project's EBITDA (calculated after payment of the Continuing Fees under the License Agreement and the Management Fees) is greater than $48 million during the twelve (12) month period ending as of the end of the ninth (9th) calendar month of the then-current renewal term, and provided further that Operator is not in default under the terms of this Agreement. Operator shall exercise such option by written notice to Owner by no later than thirty (30) days prior to the expiration of the term of this Agreement.

(iii) Notwithstanding the above, the renewal options set forth above shall not apply at any time after Hard Rock USA or its designee acquires the Project pursuant to Section 16 or Section 21, respectively, of the License Agreement.

(c) Notwithstanding the above, this Agreement shall immediately terminate in the event the License Agreement is terminated by Hard Rock USA pursuant to Section 14(A)(9) of the License

Agreement by reason of the failure of Owner to obtain approval for the Site of the Hotel/Casino or financing for the Project within the time periods provided for therein.

ARTICLE V
OPERATION OF THE PROJECT

5.1 EXCLUSIVE OPERATOR.

(a) Owner hereby engages Operator to manage and operate, in the name and for the account of Owner, the Project on an exclusive basis in accordance with this Agreement. Operator shall, as exclusive agent of Owner, which agency is coupled with an interest and may not be terminated by Owner until the expiration or termination of the term of this Agreement, except as otherwise provided herein, have sole authority in respect of and be responsible for the management and operation of the Project, subject to the terms of this Agreement. Such authority of Operator shall include, without limitation, but subject to the terms of this Agreement, the following:

(i) To collect and deposit all gross receipts received in connection with operation of the Project in the Operating Accounts established in accordance with Section 7.2 hereof.

(ii) To undertake, directly or through third party providers, for the general administration, management and operation of the Project.

(iii) To terminate contracts and recover possession of property and to otherwise enforce all the rights of any party with respect to any contract or dispute related to the Project, and to institute and prosecute legal actions against third parties and to determine when to settle, compromise and/or release any such actions or suits.

(iv) To maintain the Project, and make additions to and improvements of the Project, subject to the limitations set forth in Article XI hereof and the other provisions of this Agreement and the Annual Plan.

(v) To lease, in the name and for the account of Owner, commercial space at the Project and licensing and granting of concessions, provided, however, that any such lease or concession agreement having a term (assuming any extension or renewal options are exercised) or more than four (4) years, shall require Owner's approval (including, without limitation, any renewals or material amendments or modifications of such lease or concession agreement).

(vi) To perform all other matters and things which Owner and Operator may at any time agree are necessary or desirable to effectuate the efficient and effective operation of the Project in accordance herewith.

(b) In exercising these powers, Operator may enter into, in the name and for the account of Owner, such leases, licenses and concession agreements (subject to Section 5.1(a)(v) hereof) and other contracts, agreements and undertakings consistent with this Agreement as shall from time to time be

appropriate, and Owner will, if necessary, execute any or all of the same at Operator's request; provided, however, that Owner shall have the right to approve contracts for the acquisition of goods and for the provision of services that are not cancelable on six (6) months or less notice and either are for a term of two (2) years or longer or would obligate Owner to make payments in excess of $500,000 over the term of the contract.

(c) The General Manager of the Project and the General Manager(s) of the Hard Rock Cafe and Hard Rock Retail Store at the Project shall meet regularly to discuss and coordinate activities effecting the entire Project.

5.2 OPERATING STANDARDS.

(a) Operator shall operate and manage the Hotel/Casino and the Project in accordance with the Management Standard, subject, however, to the initial quality and design aspects of the Project's facilities, the provisions and limitations of the Annual Plan and the availability of necessary working capital.

(b) In its operation and management of the Hotel/Casino and the Project pursuant to this Agreement (but subject to the availability of working capital, the provisions of the Annual Plan and the limitations of this Agreement), Operator agrees as follows:

(i) Subject to the provisions of Article VI, to select, train and supervise such personnel as are necessary for the proper operation, maintenance and security of the Project.

(ii) To collect, account for, and remit promptly to the proper Government Authorities, all applicable excise, sales and use taxes, or similar government charges, collected directly from patrons or guests or as part of the sales price of any goods, services or displays, such as gross receipts, admissions, cabarets or similar taxes.

(iii) To use all reasonable efforts in its management of the Project to comply with all applicable Law(s).

(iv) To pay or cause to be paid in a timely manner, form funds available in the Operating Accounts, all Operating Expenses to the extent payable in the ordinary course of business.

(v) To promptly notify Owner, in writing, of any personal injury, property damage or other claim (including a claim of unlawful or discriminatory acts in connection with the operation of the Project) occurring on, or claimed by any party on or with respect to, the Project, and to promptly forward to Owner any summons, subpoena or other like legal

document served upon Operator relating to actual or alleged potential liability of Owner or Operator (whether or not in connection with the Project).

(vi) To arrange appropriate security for the operation of the Project. Any security officer whom Operator retains or contracts for shall be bonded and insured in an amount reasonably satisfactory to Owner (it being agreed that such amount shall be commensurate with such officer's enforcement duties and obligations).

5.3 NO LIABILITY. Operator assumes no liability whatsoever for any acts or omissions of Owner or any agent of Owner. Except as otherwise provided for herein, Operator assumes no liability for any violations existing as of the date hereof with respect to applicable Laws, including without limitation, Laws relating to health, taxes or the environment or hereafter with respect to any environmental laws or regulations and Owner agrees to indemnify and hold Operator harmless from and against any and all claims, fines, costs, fees and expenses arising in respect thereof. Operator shall promptly notify Owner in writing of any such violation discovered by Operator but the failure to so notify shall not be a waiver of Operator's rights hereunder. Owner shall have the right to control the defense, settlement or compromise of any such claims and Operator agrees to cooperate with Owner, at Owner's expense, in connection therewith. Within five (5) days after receipt of notice of such occurrence from Operator, Owner shall undertake or cause others to undertake all actions required to correct or comply with any applicable codes, statutes, ordinances, law or regulations.

5.4 MARKETING AND ADVERTISING. Operator shall advertise and promote the operations of the Project. All such sales and marketing programs shall be conducted in compliance with Mississippi law and the rules and regulations promulgated thereunder. Operator may participate in sales and promotional campaigns and activities involving complimentary food, beverage, shows, chips and tokens. Operator shall have the right, to an extent commensurate with the prospective benefit accruing therefrom to the operations of the Project, to use and to be reimbursed for the reasonable cost of marketing and advertising

services of its employees not located at the Project.

5.5 INTERNAL CONTROL SYSTEMS. Operator shall develop and install controls (the "INTERNAL CONTROL SYSTEM") for the monitoring of all funds generated in connection with the operations of the Project as required by law, in order to minimize the opportunity for loss of proceeds from such operations and to comply with applicable law. Owner, as Owner elects, shall have the right, at anytime and from time to time, to review the operation and results of all Internal Control Systems. As part of the Internal Control Systems, Operator shall install a closed circuit television system to monitor cash handling activities of the Project, and Owner shall have full access to that system and its records.

5.6 PURCHASES FROM RELATED PARTIES. For purposes of this provision, the term "RELATED PERSONS" means Owner's Affiliates or any other Person that, directly or indirectly, owns an equity interest in Owner. Owner agrees to advise Operator of the identity and relationship to Owner of any Related Persons desiring to provide goods or services in connection with the Project. Operator may

purchase goods and services from any Related Persons, provided that such transaction is on no less favorable terms than would be available from an unrelated third party.

ARTICLE VI
EMPLOYEES

6.1 EMPLOYEES. Operator shall have the exclusive right in its sole discretion and shall, as agent on behalf of Owner and in Owner's name, hire, promote, discharge, supervise, train and determine the terms of employment for (i) the General Manager of the Project, and (ii) all other employees of the Project. All Project employees shall be employees of Owner ("PROJECT EMPLOYEES") and Operator shall not be liable for such employees salary or other compensation or any other obligations in connection with their employment.

6.2 EMPLOYEE POLICIES. As soon as reasonably practical, Operator shall prepare a draft of personnel policies and procedures (the "EMPLOYMENT POLICIES"), including a job classification system with salary levels and scales. Operator shall submit the Employee Policies to Owner for its prior approval, which shall not be unreasonably withheld. All such Employee Policies shall comply with applicable Law(s).

6.3 MANAGEMENT EMPLOYEES. It is anticipated that Operator shall initially hire persons holding the following job titles (or similar titles) in connection with the operation of the Project: General Manager, Chief Accounting Officer, Director of Gaming Operations, Director of Hotel Operations, and Director of Sales/Marketing. Nothing contained herein is intended to limit Operator's right to expand, consolidate or eliminate any of these positions as reasonably necessary to operate the Project. Operator also shall be authorized to hire such employees directly on behalf of Owner and to be reimbursed, as an Operating Expense, for all costs and expenses reasonably incurred by it incident to such hiring.

6.4 OFF-SITE EMPLOYEES. In performing its obligations hereunder, Operator shall have the right to use employees of Operator and its Affiliates ("OFF-SITE EMPLOYEES") and to allocate and charge as Operating Expenses the actual costs and expenses reasonably incurred with respect to such Off-Site Employees (including reasonable gross salaries, bonuses, benefits, additional pay or severance pay plus all related federal and state payroll taxes, insurance and worker's compensation) to the extent such employee's services are necessary in the performance of Operator's obligations hereunder.

6.5 NO OFFICER/DIRECTOR SALARIES. Operating Expenses shall not include the compensation of any director, officer or employee of Operator, Full House or Hard Rock USA, except as provided in Section 6.4 and for expense reimbursements as permitted by this Agreement.

6.6 EMPLOYEE BACKGROUND CHECKS. Operator, in its discretion, may conduct a background investigation, in compliance with applicable Law, with respect to each applicant selected

for employment. All costs associated with such background investigations shall constitute an Operating Expense.

6.7 DELEGATION OF DUTIES. Operator may, with the prior consent of Owner, subcontract the duties to be performed by Operator pursuant to this Agreement, to such third parties as Operator may from time to time determine. No subcontract of Operator's duties shall relieve Operator of Operator's obligations under this Agreement.

ARTICLE VII

7.1 WORKING CAPITAL. (a) Approximately ninety (90) days before the Opening Date, Owner will provide Operator with initial working capital in the amount provided for in the Budget by payment thereof into the Operating Account. Thereafter, Owner shall provide to Operator from time to time throughout the term of this Agreement, if and as reasonably requested by Operator, sufficient working capital for the uninterrupted operation of the Project consistent with the applicable Annual Plan, including, without limitation, payment of the Management Fees, payments to the Reserve Fund and payment or other provision for such other reserves or set-asides as Operator may deem appropriate to provide for amounts coming due in the foreseeable future consistent with the applicable Annual Plan.

(b) Any dispute as to the amount of working capital required for the operation of the Project consistent with the Annual Plan, including, without limitation, working capital, reserves and set-asides retained by Operator as provided in Section 7.1 hereof, shall be resolved by arbitration under Article XVIII hereof, and the arbitrator shall take into account in each instance all reasonable, foreseeable financial needs of the Project consistent with the applicable Annual Plan. The determination of the arbitrator shall be final and conclusive on Operator and Owner. If any such dispute shall not be resolved within thirty (30) days following the submission of such dispute to the arbitrator by Owner or Operator, then Owner upon expiration of such thirty (30) days shall provide to Operator (or, if the dispute relates to Operator's retention of working capital, Operator will retain) such funds as Operator reasonably deems necessary for the uninterrupted operation of the Project for a period of thirty (30) days. If such dispute is not resolved with such further period of thirty (30) days, Owner shall provide the funds required for another thirty (30) days of operation, and the foregoing procedure shall continue to be followed until the resolution of such dispute.

7.2 OPERATING ACCOUNTS. All funds made available to Operator by Owner for, or generated by, the operation of the Project shall be deposited in the Project's operating accounts (the "OPERATING ACCOUNTS") in a bank or banks jointly selected by Owner and Operator. On opening such accounts, Owner shall grant to Operator all necessary authorizations in order that the withdrawal of funds and handling of the accounts shall be effected exclusively by the individual persons designated at all time for such purposes by Operator (after consultation with Owner), whose signatures shall be formally and expressly recognized to this end by the bank in question. Such funds shall not be co-mingled with Operator's or Owner's other funds. Out of the Operating Accounts, Operator shall pay

all Operating Expenses as well as all amounts payable to Operator by Owner under this Agreement, including without limitation, Operator's fees and permitted disbursements, all subject to, and in accordance with Article IX and any other applicable provision of this Agreement.

7.3 CONTROL OF ACCOUNTS. The Operating Accounts shall at all times be under the control of Operator as agent for Owner as herein provided, without prejudice to Operator's obligation of accounting to Owner as and when provided for herein. Checks or other documents of withdrawal shall be signed only by individual representatives of Operator, duly recognized for such purpose by the bank in question. Operator shall supply Owner with bonds or other insurance reasonably satisfactory to Owner, unless said bonds or other insurance shall have been placed by Owner and delivered directly to the bonding or insurance company to Owner. The funds in the aforesaid accounts are Owner's funds, provided that Owner covenants to make such funds available solely for the specific purposes contemplated herein, all of which shall be without prejudice to Operator's obligation of accounting to Owner when and as provided for herein. Upon the expiration or termination of this Agreement and the payment to Operator of all amounts due Operator hereunder upon such expiration or termination, all remaining amounts in the foregoing accounts shall be transferred forthwith to Owner, or made freely available to it.

7.4 DEPOSITS TO OPERATING ACCOUNTS. All Total Revenues and other proceeds arising from the operation of the Project shall be deposited at least once daily (or at such other frequency as Owner and Operator shall mutually establish in writing) by Operator into the Operating Accounts established pursuant to Section 7.2 and, for this purpose, Operator may obtain a bonded transportation service to effect the safe transportation of the receipts to said bank. The cost of such transportation service shall be an Operating Expense.

7.5 NO CASH DISBURSEMENTS. Operator shall not make any disbursements of currency or coin from the Operating Accounts except for the payment of cash prizes and expenditures from the Cash Contingency Reserve Fund and Petty Cash Fund described below and except as otherwise set forth in this Agreement. Except as otherwise set forth herein, all other payments or disbursements by Operator shall be made by check drawn or wire transfer against an Operating Account signed or authorized in the manner provided in Section 7.3.

7.6 RESERVE FUNDS AND PETTY CASH FUND. Operator shall establish, using

funds deposited into the Operating Accounts, and shall maintain for the benefit of the Project operations, a Cash Contingency Reserve Fund, a Cash Prize Reserve Fund and a Petty Cash Fund, each in an amount determined by Operator and reasonable to accommodate the purpose of such accounts. The Cash Contingency Reserve Fund shall be used to make transfers as necessary to the Operating Accounts and the Cash Prize Reserve Fund. The Cash Prize Reserve Fund shall be established to pay prizes to players. The Petty Cash Fund shall be used for miscellaneous small expenditures relating to the operations of the Project and shall be maintained at the Project under the control of the General Manager.

7.7 OWNER TO BEAR ALL OPERATING EXPENSES.

(a) In performing its duties hereunder, Operator shall act solely for the account of and as agent for Owner. All costs and expenses incurred by Operator in performing its duties pursuant to this Agreement shall be borne exclusively by Owner, except for the Excluded Costs. To the extent that funds necessary therefor are not generated by the operation of the Project, they shall be promptly supplied by Owner to Operator in the manner provided in Section 7.1 hereof.

(b) Operator shall in no event be required to advance any of its own funds for the operation of the Project, nor to incur any liability in connection therewith, unless Owner shall have furnished Operator with the funds necessary for the discharge thereof. Subject to the provisions of this Agreement and any then applicable Annual Plan, Operator shall have the right, in its sole discretion, but not the obligation, to advance funds in the payment of any Operating Expenses of the Project, capital expenditures or any other expenditures which Owner is required to make pursuant to this Agreement. If Operator pays any amount out of its own funds as a result of actions taken under the foregoing sentence, Owner shall repay Operator on demand all amounts so expended, with interest thereon at the Interest Rate.

ARTICLE VIII
ANNUAL PLANS AND FINANCIAL REPORTS

8.1 ANNUAL PLAN. (a) At least thirty (30) days prior to the Opening Date of the Project and prior to the beginning of each Fiscal Year, Operator shall submit to Owner, for its approval, an annual plan for the Project (the "ANNUAL PLAN") for the following Fiscal Year. The Annual Plan for each Fiscal Year shall consist of: (i) a summary of projected Total Revenues for the Project; (ii) an annual operations budget, including projected expenses for the following: casino operations, rooms, food and beverage, general and administrative and other departmental expenses, repairs, renovation and maintenance, utility services, taxes, insurance, and any other Operating Expenses; (iii) projected expenditures for FF&E and capital improvements for the Fiscal Year and a rolling three-year capital plan for expenditures for FF&E; (iv) a payroll, staffing and benefits plan; (v) an advertising, promotion and marketing plan; and (vi) the projected or estimated cash flow for the Project for such Fiscal Year.

(b) Owner will notify Operator in writing of its approval or disapproval of the Annual Plan within thirty (30) days after its receipt thereof. If Owner fails to notify Operator of its disapproval of the Annual Plan within such period, such failure shall be deemed to constitute Owner's conclusive approval of the Annual Plan. Any disputes regarding approval of the Annual Plan shall be resolved by arbitration in accordance with Article XVIII hereof. If Operator and Owner have not agreed on an Annual Plan prior to the start of a Fiscal Year, then, until such time as Operator and Owner do agree, Operator shall manage and operate the Project based on the Annual Plan for the Fiscal Year just ending adjusted, by Operator in its reasonable judgment, for inflation and to reflect any items that are not controllable.

(c) The Annual Plan is intended to establish a framework for the operation of the Project for the upcoming Fiscal Year, and Operator in the exercise of its reasonable business judgment, will endeavor to implement, and to operate the Project, consistent with, the Annual Plan. It is expressly understood that Operator may depart from the Annual Plan if, in Operator's reasonable judgment, adherence to the Annual Plan is impracticable, or such departure is necessary or desirable for the efficient operation of the Project.

8.2 FINANCIAL STATEMENTS. Operator shall prepare and provide to Owner on a monthly, quarterly and annual basis, financial statements, including balance sheets, income and expense statements setting forth in reasonable detail Total Revenues and Operating Expenses, statements of changes in cash position and any other schedules as may be reasonably requested from time to time by Owner. Monthly financial statements shall be provided to Owner within thirty (30) days following the end of each month. After the first full year of operations, the financial statements shall be prepared to reflect comparative results. The parties hereto shall select a nationally-recognized independent certified public accounting firm to perform an annual audit of the books and records of the operations of the Project. The cost of such audits shall be an

Operating Expense. Owner also shall have the right, at its sole cost and expense, to perform special or independent audits of all financial records of Operator as Owner elects. Audits of the financial statements of Owner may be provided to all applicable federal and state reporting agencies, as required by law, and may be used by Owner for reporting purposes under federal and state securities law, if required.

8.3 BOOKS OF ACCOUNT. (a) Operator shall, in the name and for the account of Owner, keep full and adequate books of account and other records reflecting the results of operation of the Project on an accrual basis, all in accordance with GAAP. The books of account shall reflect detailed day-to-day operations of the Project and shall utilize accounting systems and procedures which, at a minimum: (i) include a system of internal accounting controls; (ii) permit preparation of financial statements in accordance with GAAP; (iii) are susceptible to audit; (iv) permit the calculation and payment of Base Management Fees, EBITDA Management Fees and expense reimbursements in accordance with the terms of this Agreement and all other sums due Operator.

(b) Such books of account shall be maintained at a location at the Project and at such other locations as may be determined by Operator. Duly authorized agents of Owner shall have access to the daily operations of the Project and shall have the right to inspect, examine, and copy all such books and supporting business records as Owner reasonably requests. Upon the termination of this Agreement, all of such books and records forthwith shall be turned over to Owner so as to ensure the orderly continuance of the operation of the Project, but such books and records shall thereafter be available to Operator for a period of not less than six (6) years, at all reasonable times for inspection, audit, examination and transcription of particulars relating to the periods in which Operator assisted Owner in the operation and management of the Project.

ARTICLE IX
MANAGEMENT AND DEVELOPMENT FEES AND PAYMENTS TO OPERATOR AND OWNER

9.1 DEVELOPMENT FEES.

(a) In consideration for the services rendered by Operator in connection with the development of the Project as provided in Article II hereof, Owner shall pay to Operator a development fee (the "DEVELOPMENT Fee") equal to the amount of (i) 1.6% of the Total Project Costs, LESS (ii) the amount of the Territory Fee actually paid by Owner to Hard Rock USA pursuant to the License Agreement.

(b) Promptly after Owner obtains the financing for the Project, Owner shall pay to Operator the amount of $500,000, representing an initial advance of the Development Fee. Prior to the initial advance, Owner may fund Operator's out-of-pocket expenses with respect to the Project as requested by Operator from time to time; provided that during the period prior to Owner's payment of the initial advance of the Development Fee, Operator shall not be required to pay any of the Excluded Costs unless and to the extent Owner has agreed to fund such costs. On the first day of each calendar quarter thereafter until the Opening Date, Owner shall pay to Operator the amount of $350,000 as a further advance of the Development Fee. The amount of the initial advance and all subsequent advances of the Development Fee may be increased or decreased by written agreement of Owner and Operator. If this Agreement is terminated pursuant to Section 4.2(c) or is terminated by Owner prior to the substantial completion of the Project pursuant to Section 17.1(B), Operator shall repay to Owner the aggregate amount of the advances made to Operator through such date less all of its out-of-pocket expenses and thereafter Operator shall have no further liability to Owner with respect to such advances.

(c) Within thirty (30) days after the completion of the construction of the Project and a determination of the amount of the Total Project Costs, either (i) Owner shall pay to Operator the amount by which the Development Fee exceeds the advances made pursuant to subsection (b) above, or (ii) Operator shall pay to Owner the amount by which the advances made pursuant to subsection (b) above exceed the Development Fee.

9.2 MANAGEMENT FEES.

(a) In consideration for the management services rendered by Operator pursuant to this Agreement, Owner shall pay to Operator the following fees (the "MANAGEMENT FEES"):

(i) four percent (4%) of Total Revenues (the "BASE MANAGEMENT FEE"); and

(ii) eight percent (8%) of the Project's EBITDA (calculated after payment of the Base Management Fee and the Continuing Fees under the License Agreement, but before payment of the amount determined under this Section 9.2(a)(ii)) (the "EBITDA MANAGEMENT FEE").

(b) Subject to deferral as provided in Section 9.3 below, on or before the fifteenth (15th) day of each month during the term hereof, Operator shall be paid out of the Operating Accounts the amount of the Management Fees earned through the end of the previous month, and shall be reimbursed for all out-of-pocket expenses, all as determined pursuant from the books and account referred to in Section 8.3 hereof. To the extent there are insufficient funds in the Operating Accounts for such payments, Owner shall pay such amounts to Operator forthwith on demand.

9.3 DEFERRAL OF MANAGEMENT FEES.

(a) If, as of the end of each calendar month, (i) the aggregate amount of the Project's EBITDA (after Continuing Fees under the License Agreement, Management Fees and previously-deferred Management fees are deducted) for the portion of the current Operating Year which has been completed as of such date, is less than (ii) an amount equal to (x) the Required EBITDA, multiplied by (y) a fraction, the numerator of which is the number of elapsed months in the current Operating Year, and the denominator of which is twelve (12), then the Management Fees payable hereunder as of the end of such month (including all previously deferred Management Fees) shall be deferred to the extent necessary, in the following order of priority, to allow the Project to achieve the Required EBITDA: (A) the EBITDA Management Fee; (B) the Base Management Fee; and (C) any previously-deferred Management Fees.

(b) All deferred Management Fees shall be paid in the next calendar month to the extent permitted pursuant to Section 9.3(a) above, provided that such obligation shall not survive the termination of this Agreement.

(c) Management Fees shall also be deferred to the extent such payments are required to be subordinated by the holder of the Primary Debt.

9.4 ANNUAL RECONCILIATION. Within ninety (90) days after the end of each Operating Year, Operator shall furnish to Owner a written statement setting forth the amount of the Base Management Fee and EBITDA Management Fee paid for such Operating Year and the Management Fees payable and not subject to deferral for such Operating Year. Within ten (10) days after delivery of such written statement, either (i) Owner shall pay to Operator the amount by which the Management Fees payable (and not deferred) for such Operating Year exceeds the Management Fees actually paid for such Operating Year, or (ii) Operator shall pay to Owner the amount by which the Management Fees actually paid for such Operating Year exceeds the Management Fees payable (and not deferred) for such Operating Year.

9.5 OFF-SITE EMPLOYEES AND OUT-OF-POCKET EXPENSES. Operator shall be reimbursed for all of the reasonable and actual costs incurred by Operator with respect to services performed by Off-Site Employees as set forth in Section 6.4, and for all reasonable travel and out-of-pocket expenses of Operator's directors, officers, employees or agents reasonably incurred in the performance of this Agreement, including without limitation, travel expenses of the representatives of the Management Committee of Operator to attend monthly management meetings. Such

reimbursement shall be in addition to all other fees, expenses or costs which are reimbursable or payable pursuant to this Agreement. Unless otherwise specified herein or therein, all such expenses shall be capitalized or charged as Operating Expenses of the Project consistent with GAAP. Such fees, expenses or costs shall be calculated and paid to Operator on a monthly basis.

9.6 DISTRIBUTION OF FUNDS. On or before the tenth (10th) day of each month, Operator shall, after payment of the Management Fees and all other amounts payable by Operator hereunder with respect to the previous month, and after payment to the Reserve Fund and retention of working capital reasonably determined by Operator, in accordance with the Annual Plan, to be necessary to assure the uninterrupted and efficient operation of the Project for the foreseeable future, remit to Owner all remaining funds in the Operating Accounts.

ARTICLE X
RESERVE FOR REPLACEMENTS, SUBSTITUTIONS AND ADDITIONS TO FURNITURE AND EQUIPMENT

10.1 RESERVE FUND. Operator will establish a reserve fund of two percent (2%) of Total Revenues in the first Fiscal Year and each subsequent Fiscal Year (the "RESERVE FUND"). Such Reserve Fund shall be used to refurbish and renovate the Hotel/Casino from time to time in order to maintain at least the Management Standard. Operator shall use the Reserve Fund for (i) replacements and renewals of FF&E; (ii) renovations of public areas and guest rooms; and (iii) repairs to and maintenance of the Hotel/Casino's physical facilities, such as exterior and interior repainting, resurfacing building walls, floors, roofs, and parking lots, and replacing folding walls. Subject to the foregoing provisions, Operator shall spend the Reserve Funds for these

purposes and shall not accumulate monies in the Reserve Fund when replacements, renovations or repairs are reasonably needed in order to maintain the Hotel/Casino at its highest level of operation and standard.

10.2 FF&E EXPENDITURES. Any expenditure for replacement, substitution or additions to FF&E of the Hotel/Casino during each Fiscal Year may be made by Operator without Owner's prior consent (subject to the Annual Plan and any rights of Hard Rock USA regarding Hard Rock Elements, to the extent applicable) up to the amount of the Reserve Fund (including the unused accumulations thereof from earlier Fiscal Years) and any such expenditures shall be paid therefrom. All amounts remaining in the Reserve Fund at the close of each Fiscal Year shall be carried forward and retained until fully used as herein provided. All proceeds from the sale of FF&E no longer needed for the operation thereof shall be deposited to the Reserve Fund, provided that the deposit of any such proceeds shall not reduce the annual contribution to the Reserve Fund required hereunder.

10.3 INVESTMENT OF RESERVE FUND. The Reserve Fund will be held by Operator in a bank account or accounts, interest-bearing if available in the locality, in the name of Owner.

ARTICLE XI
REPAIRS AND MAINTENANCE AND CAPITAL IMPROVEMENTS

11.1 REPAIRS AND MAINTENANCE. Subject to Owner's providing any necessary working capital therefor, as required under Section 7.1 hereof, Operator shall from time to time make such expenditures for repairs and maintenance as shall be necessary to maintain the Management Standard and to otherwise maintain the Project in good operating condition (excluding structural repairs and changes and extraordinary repairs to or replacement of any building, structure, fixtures or equipment, other than FF&E). If any such repairs or maintenance shall be made necessary by any condition against the occurrence of which Owner has received the guaranty or warranty of any supplier of labor or materials for the construction and renovation of the Project, then Operator may invoke said guarantees or warranties in Owner's name and Owner will cooperate fully with Operator in the enforcement thereof.

11.2 CAPITAL IMPROVEMENTS; ALTERATIONS. Owner may from time to time at Owner's sole expense make such alterations, additions or improvements, including capital improvements (which term does not include FF&E), in or to the Project as Operator shall recommend and Owner shall approve or Owner shall recommend and Operator shall approve, all of which shall be subject to Hard Rock USA's rights regarding Hard Rock Elements, to the extent applicable, and shall be made with as little hindrance to the operation of the Project as practicable; provided, that no such approval shall be required if the cost of such alterations, additions or improvements are paid out of the Reserve Fund or were previously approved in the Annual Plan for each Fiscal Year. Any approval of Operator required by this Section 11.2 shall be based on the quality and character of such improvements as related to the ability of the Project to be operated efficiently and at a level of quality consistent with the requirements therefor set forth in this Agreement. No expenditures for capital improvements, alterations, additions or improvements shall be made without Owner's approval (other than such expenditures either paid out of the Reserve Fund or previously approved in the Annual Plan for each Fiscal Year), and the failure of Owner to grant such approval shall not be subject to arbitration hereunder.

11.3 STRUCTURAL REPAIRS, CHANGE AND REPLACEMENTS. If structural repairs or changes to the Project or extraordinary repairs to or any replacement of any building, structure, fixtures or equipment, other than FF&E, shall be required at any time during the term of this Agreement to maintain the Project in good operating condition, or by reason of any Law(s), or otherwise, then in such event all such repairs, replacements or changes shall be made by Owner and at Owner's sole expense, and shall be made with as little hindrance to the operation of the Project as practicable. Notwithstanding the foregoing, Owner shall have the right to contest the need for any such repairs or changes required by any Law(s) and may postpone compliance therewith, if so permitted by law, provided that as a result of such non-compliance or contest the use of the Project or any material portion or facility thereof is not materially impaired.

ARTICLE XII
INSURANCE

12.1 REQUIRED INSURANCE. At all times during the term of this Agreement, Owner (or Operator at its election on behalf of Owner) shall procure and maintain, on behalf of Owner and Operator, the following insurance with respect to the Project:

(a) DURING CONSTRUCTION. At all times during the period of construction, furnishing and equipping of the Hotel/Casino and the Project and at all times during any other period of construction (including renovations, alterations and improvements), until final completion thereof, Builder's Risk Insurance ("All Risk" or equivalent

coverage) for the Project in an amount not less than the estimated cost of such construction (including "hard" and "soft" costs), written on a completed value basis or a reporting basis, for property damage, protecting Owner and Operator as their interests may appear, with a deductible not to exceed $100,000 and to include rental payment coverage from the date of projected completion and extending for at least twelve (12) months thereafter.

(b) PROPERTY DAMAGE INSURANCE. At all times during the term of this Agreement, "All Risk" (or its equivalent) property damage insurance for the Project protecting Owner and Operator as their interests may appear, with replacement cost valuation and a stipulated value endorsement (to be provided not later than promptly following substantial completion of the Project) in an amount not less than the full replacement value thereof and including, among other things, (a) coverage for all physical loss or damage to the Project (including contents); (b) coverage for hurricane, flood and windstorm to the extent available at commercially reasonably rates, limits and deductibles; (c) no exclusions other than industry standard exclusions for property of similar size and location; and (d) provision for deductible not to exceed $100,000 (other than for hurricane, flood or windstorm, as provided above).

(c) BUSINESS INTERRUPTION INSURANCE. Business Interruption Insurance for the Project on an "All Risk" basis. Such insurance shall include, among other things (i) coverage against all insurable risks of physical loss or damage, (ii) coverage for hurricane, flood and windstorm to the extent available at commercially reasonable rates, limits and deductibles, (iii) a deductible (for other than hurricane, flood or windstorm) of not more than $100,000 per occurrence, (iv) no exclusions other than industry standard exclusions for property of similar size and location, and (v) coverage for the Base Management Fee hereunder in an amount equal to at least the Base Management Fee payable for one (1) Fiscal Year in connection with Project (as reasonably projected by Owner for the first full Fiscal Year and thereafter based on the amounts actually paid during the most recently ended Fiscal Year).

(d) LIABILITY INSURANCE. General public liability insurance protecting Owner and Operator against claims brought in connection with the Project for personal injury, death and damage to and theft of property of third persons, in an amount not less than $10,000,000 per

occurrence, combined single limit, and designating Owner as a named insured and Operator as an additional insured. Such liability insurance shall include such coverage as Operator shall reasonably require and as shall be commercially available, which shall include coverage against liability arising out of (i) the sale of liquor, wine and beer on the Project premises, (ii) the ownership or operation of motor vehicles, (iii) assault or battery, (iv) false arrest, detention or imprisonment or malicious prosecution, (v) libel, slander, defamation or violation of the right of privacy, (vi) wrongful entry or eviction, (vii) contractual liability, and (viii) completed operations. Such insurance shall contain no exclusion other than industry standard exclusions for property of similar size and location and provide for a deductible of not more than $100,000 per occurrence.

(e) WORKERS' COMPENSATION INSURANCE. Statutory Workers' Compensation and Disability Benefits Insurance and any other insurance required by applicable Law(s), covering all Project employees and all persons employed by Owner, Operator, contractors. subcontractors, or any entity performing work on or for the Project (unless and to the extent provided by such parties), including Employer's Liability coverage, all in amounts not less than the statutory minimum, except that Employers Liability coverage shall be in an amount not less than $1,000,000.

(f) FIDELITY. Fidelity and dishonesty insurance, and money and securities insurance in such amounts as Operator shall deem advisable but not less than $100,000, which policy shall specify that any loss involving funds of Owner shall be payable to both Operator and Owner.

(g) OTHER. Such additional insurance as may be required with respect to the Project or any part thereof, together with insurance against such other risks as its now, or hereafter may be, customary to insure against in the operation of similar property, considering the nature of the business and the geographic and climatic nature of the Project's location.

All such policies of insurance described above shall be with companies which have a Best rating of A or better and in the form of "occurrence insurance" to the extent available on a commercially reasonable basis.

12.2 FORM AND AMOUNTS. All insurance shall be in such form and amounts and with such companies as shall be reasonably satisfactory to Operator and Owner. Such property damage policies shall provide that the loss, if any, payable thereunder shall be adjusted with and payable to Owner. All liability insurance shall be in the name of Owner, and Operator and Operator's Affiliates (as appropriate) shall be named as additional insured. All policies of insurance shall contain riders and endorsements protecting the interests of Operator and its Affiliates, as Operator shall reasonably request.

12.3 CERTIFICATES OF INSURANCE. Certificates of all policies shall be delivered to Operator as soon as practicable after the execution of this Agreement, and not less than thirty (30) days prior to the expiration date of all policies of insurance that must be maintained subsequent to such expiration dates under the terms of this Agreement. Should Owner fail to supply Operator with such certificates within the foregoing time limits, provided that Operator has given written notice to Owner and Owner has failed to provide such certificates within ten (10) days after such notice, Operator may, in Owner's name and on Owner's behalf, provide any such insurance as to which such certificates are not supplied and Operator shall be reimbursed forthwith by Owner for all sums so expended, and may withdraw same from the Project's Operating Accounts at any time. Operator in such case shall notify Owner in writing ten (10) days prior to providing such insurance.

12.4 WAIVER OF SUBROGATION. Owner shall have all policies of insurance provide that the insurance company will have no right to subrogation against Owner, Operator or any of its Affiliates or the agents or employees thereof. Owner assumes all risks in connection with the adequacy of any insurance, and waives any claim against Operator or its Affiliates for any liability cost or expense arising out of any uninsured claim, in part or in full, of any nature whatsoever. The foregoing is not intended to limit Owner's right to indemnification under Article XIX hereof.

12.5 NO REPRESENTATION AS TO ADEQUACY OF COVERAGE. The requirements set forth herein with respect to the nature and amount of insurance coverage to be maintained or caused to be maintained by Owner hereunder shall not constitute a representation or warranty by Owner or Operator that such insurance is in any respect adequate.

ARTICLE XIII
ASSIGNMENT

13.1 ASSIGNMENT BY OPERATOR. Without Owner's prior written consent, Operator shall not, directly or indirectly, assign its interest as Operator under this Agreement, and any purported assignment by Operator, without Owner's prior written consent, shall be null and void and without legal effect. A consent of Owner to any one assignment shall not be deemed a consent to or waiver of Owner's right to condition any future assignment upon Owner's consent to the same.

ARTICLE XIV
CASUALTY AND CONDEMNATION

14.1 CASUALTY. If any portion of the Project shall be damaged or destroyed at any time or times during the term of this Agreement by fire, casualty or any other cause, Owner will, at its own cost or expense and with due diligence, repair, rebuild or replace the same so that after such repairing, rebuilding or replacing such portion of the Project shall be substantially the same as prior to such damage or destruction. Subject to Force Majeure, if Owner fails to undertake such work within thirty (30) days after the fire or other casualty, or shall fail to complete the same diligently, Operator may, at its option either (a) terminate this Agreement by written notice to Owner, effective as of the date sent, or (b) undertake to complete such work in the name of and for the account of

Owner, in which event Operator shall be entitled to be repaid therefor and the proceeds of insurance shall be made available to Operator for this purpose. Operator shall further have the right to require that any proceeds from insurance be applied to such repairing, rebuilding or replacing. Notwithstanding the foregoing, if the Project is damaged or destroyed to such an extent that the cost of repairs or restoration exceeds fifty percent (50%) of the original cost of the Project, then Operator may terminate this Agreement by written notice to Owner, or Owner, may, if it determines not to repair, rebuild or replace the Project, as aforesaid, terminate this Agreement by written notice to Operator. If, within three (3) years after any such termination, Owner commences the repair, rebuilding or replacement of the Project, Operator may within the later of sixty (60) days following the commencement of such repairing, rebuilding or replacement or of written notice from Owner of its intent to repair, rebuild or replace the Project, reinstate this Agreement for the remaining term as of the date of its termination as provided above by written notice to Owner. Owner shall give Operator at least fifteen (15) days prior written notice of commencement of any such repairing, rebuilding or replacement.

14.2 TOTAL CONDEMNATION. If the whole of the Project shall be taken or condemned in any eminent domain, condemnation, compulsory acquisition or like proceeding or agreement in lieu thereof by any competent authority or if such a portion of the Project shall be so taken or condemned as to make it imprudent or unreasonable, in the reasonable opinion of Owner and Operator, to use the remaining portion of the Project at the level of quality required hereby, then this Agreement shall terminate as of the date of such taking or condemnation but any award payable to Owner for such taking or condemnation shall be fairly and equitably apportioned between Owner and Operator with priority to recoupment by Owner of its investment in the Project and the amount to be received by Operator being calculated on the basis of the loss suffered by it as a result of termination of this Agreement. It is understood that until Owner recuperates the balance of its investment, the entire award will belong to Owner.

14.3 PARTIAL CONDEMNATION. If only a part of the Project shall be taken or condemned as aforesaid and the taking or condemnation of such part does not make it unreasonable or imprudent, in the reasonable opinion of Owner and Operator, to operate the remainder of the Project at the level of quality required hereby, this Agreement shall not terminate, and so much of any award to Owner shall be made available as shall be reasonably necessary for making alterations or modifications to the Project or any part thereof subject to such taking, so as to make it a satisfactory architectural unit of a similar type and class as prior to the taking or condemnation. The balance of the award to Owner after deduction of the sum necessary for such alterations or modifications, shall be fairly and equitably apportioned between Owner and Operator so as to compensate Owner and Operator for any loss of income resulting from the taking or condemnation. It is understood that until Owner recuperates the balance of its investment applicable to the portion subject to the taking or condemnation, the entire award will belong to Owner.

ARTICLE XV
ADDITIONAL COVENANTS OF OWNER AND OPERATOR

Owner and Operator further covenant and agree as follows:

15.1 OWNER TO PAY TAXES. Owner shall pay, or at Owner's request, Operator shall pay, to the extent sufficient funds are available in the Operating Accounts, not less than ten (10) days prior to the dates the same becomes due and payable, with the right to pay the same in installments to the extent permitted by law, all real estate taxes, all personal property taxes and all betterment assessments levied against the Project or any of is components. Notwithstanding the foregoing, Owner may, at its sole expense, contest the validity or the amount of any such tax or assessment, provided that such contest has no material adverse effect on Operator's rights under this Agreement.

15.2 GAMING AND OTHER LICENSES. Owner and Operator shall reasonably cooperate with each other in obtaining and maintaining all necessary gaming and other licenses and permits in connection with the Project and shall take such other actions as are reasonably necessary to permit the conduct of gaming at the Project to the fullest extent authorized by law.

15.3 CHANGE IN FINANCIAL CONDITION. Owner shall promptly notify Operator of the occurrence of any event or condition which, if not remedied, could result in a material adverse change in the financial condition of Owner.

15.4 LITIGATION. Owner shall provide Operator with notice of any pending, threatened or contemplated action, suit or proceeding before or by any court or any Governmental Authority which may result in any material adverse change in the condition (financial or otherwise), business or prospects of the transactions proposed herein or might materially adversely affect any of the property or assets to be constructed or managed by Operator in connection with this Agreement.

15.5 PROPRIETARY INFORMATION OF OPERATOR. Owner agrees that Operator has, subject to the terms of the License Agreement, the sole and exclusive right, title and ownership to (i) certain proprietary information, techniques and methods of administration, management and operation of gaming enterprises; (ii) certain proprietary information, techniques and methods of training employees; and (iii) certain proprietary business plans, projections and marketing, advertising and promotion plans, strategies, and systems, all of which will or have been developed and/or acquired through the expenditure of time, money and effort and which Operator and its Affiliates maintain as confidential and as a trade secret(s) (collectively, the "PROPRIETARY INFORMATION"). Owner shall maintain the confidentiality of such Proprietary Information and, upon termination of this Agreement, shall return the same to Operator (including, without limitation, documents, notes, memoranda, lists, computer programs and any summaries of such Proprietary Information) to the extent the same then remains in Owner's possession, custody or control.

ARTICLE XVI

OTHER CONDITIONS

16.1. ACQUISITION OF HOTEL/CASINO SITE. Either party may terminate this Agreement in the event that Owner has not acquired the Site for the Hotel/Casino within three (3) years of the date of this Agreement. Within thirty (30) days after its acquisition of the Site, Owner shall provide Operator with evidence reasonably satisfactory to Operator that Owner holds good, marketable and insurable title (or a valid leasehold) to the real property comprising the site for the Hotel/Casino.

16.2 FINANCING. Either party may terminate this Agreement in the event Owner has not secured within three (3) years after the date of this Agreement the necessary financing and/or equity contributions to complete the Project.

16.3 GAMING LICENSES. Either party may terminate this Agreement in the event that the other party or, in the case of Operator, both of its initial members (I.E., Full House and Hard Rock STP) has either (a) been notified by the Mississippi Gaming Commission that it has been found unsuitable for a gaming license in Mississippi and such party withdraws its application therefor, or (b) been formally notified by the Mississippi Gaming Commission that it has been found unsuitable for a gaming license in Mississippi.

ARTICLE XVII
DEFAULT AND REMEDIES

17.1 EVENTS OF DEFAULT. For purposes of this Agreement, the occurrence of any one or more of the following shall constitute a "DEFAULT" or an "EVENT OF DEFAULT" under this Agreement:

(a) MONETARY BREACH. The failure by either party to pay the other party any sum which may become due hereunder, which failure continues for a period of fifteen (15) days after written notice thereof is given by the non-defaulting party that the same is past due.

(b) NON-MONETARY BREACH. The default by either party in any material respect in the observance or performance of any term, covenant or condition of this Agreement to be observed or performed by such party under this Agreement, and such party's failure to remedy such default within thirty (30) days after receipt of notice by the non-defaulting party of such default, specifying in reasonable detail the nature and character of the claimed default, or if such default is of such a nature that it cannot reasonably be remedied within thirty (30) days, such party's failure (A) within thirty (30) days after receipt of such default notice, to advise the non-defaulting party of its intention to institute all steps necessary to remedy such default and, (B) thereafter to diligently prosecute to completion all steps necessary to remedy same.

(c) INSOLVENCY. If either party shall apply for or consent to the appointment of a receiver, trustee or liquidator of such party or of all or substantial part of its assets, files a voluntary petition in bankruptcy or admits in writing of its inability to pay its debts as they come due, make a general assignment for the benefit of creditors, file a petition or an answer seeking reorganization or agreement with creditors or take advantage of any insolvency law, or file and answer admitting the material allegations of a petition filed against it in any bankruptcy, reorganization or insolvency proceeding, or if an order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating such party a bankrupt or insolvent or approving a petition seeking reorganization of such party or appointing a receiver, trustee or liquidator of such party or of all or a substantial part of its assets, and such order, judgment or decree shall continued unstayed and in effect for a period of ninety (90) consecutive days.

(d) INJUNCTION. An order or decree shall be entered in any court of competent jurisdiction enjoining or restraining the consummation of the transactions contemplated by this Agreement, which order or decree is not vacated within sixty (60) days after such order is entered.

(e) GAMING REGULATIONS. Owner shall violate any term or provision of the Mississippi Act, or the Mississippi Act is amended, repealed or is no longer in existence, the effect of which impairs the continued operation of the Project; provided, however, that such violation shall not be an Event of Default by Owner if such violation is a direct result of a violation of the Mississippi Act by Operator.

(f) OTHER AGREEMENTS. The default by Owner of any of its obligations under the License Agreement, the Lease Agreement or the Memorabilia Lease, which default is not cured in accordance with the terms of such other agreement.

17.2 REMEDIES.

(a) TERMINATION. If an Event of Default shall have occurred, the non-defaulting party may, at its option, give to the defaulting party thirty (30) days written notice of its intention to terminate this Agreement, and upon the expiration of such period, this Agreement shall terminate. Such termination shall be without prejudice to any right to any and all remedies (including specific performance and other equitable relief or any and all right to damages) which the non-defaulting party may have against the defaulting party under applicable law or equity subject to the terms of this Agreement.

(b) SPECIFIC PERFORMANCE. In the event of any breach of the covenants of Owner or Operator contained in this Agreement, the other party shall be entitled to relief by injunction or a suit for specific performance and, if appropriate and otherwise permitted pursuant to this Agreement, to all other available legal rights or remedies.

(c) SURVIVAL. All remedies shall survive termination of this Agreement.

ARTICLE XIII
ARBITRATION

18.1 ARBITRATION.

(a) ACCOUNTING/ FEE DISPUTES. Any dispute regarding any accounting issues hereunder, including, without limitation, the calculation of, the Management Fees, shall be resolved in the following manner: Owner and Operator shall use their reasonable efforts with the assistance of their respective independent public accountants to resolve such dispute. If such persons are unable to resolve the dispute within thirty (30) calendar days after receipt by either party of a notice identifying the nature of such dispute (the "DISPUTE NOTICE"), then the issues raised by the Dispute Notice shall be resolved by any nationally recognized firm of certified public accountants mutually acceptable to Owner and Operator (the "ACCOUNTING REFEREE"). Such person shall act as an expert and not as an arbitrator. If within forty-five (45) days after receipt by either party of the Dispute Notice, the parties are unable to agree on an Accounting Referee, then each party shall pick an internationally recognized firm of certified public accountants and such firms shall select the Accounting Referee. The parties shall use reasonable efforts to cause the Accounting Referee to promptly resolve such issues. Such determination shall be made within thirty (30) calendar days after the date on which the Accounting Referee receives notice of the dispute, or as soon thereafter as possible. Such determination shall be final and binding upon the parties and shall not be subject to appeal. The fees, costs and expenses of the Accounting Referee in conducting such review (if any) shall be shared fifty percent (50%) by Owner and fifty percent (50%) by Operator.

(b) OTHER DISPUTES

(i) All disputes, disagreements, controversies or claims (a "DISPUTE") between Owner and Operator arising out of or relating to this Agreement, except for matters involving Hard Rock Elements or matters that are stated to be in a party's "sole discretion" or as otherwise expressly provided herein to the contrary, shall be resolved by arbitration administered by the American Arbitration Association ("AAA") as provided in this Section 18.1(b) and the Commercial Arbitration Rules of the AAA (the "AAA RULES") in effect as of the commencement of the applicable arbitration proceeding, except to the extent the then current AAA Rules are inconsistent with the provisions of this Section 18.1(b), in which event the terms hereof shall control. The arbitration shall be governed by the United States Arbitration Act and this Section 18.1(b), and judgment upon the award entered by the arbitrators may be entered in any court having jurisdiction.

(ii) If either party hereto asserts that a Dispute has arisen, such asserting party shall give prompt written notice (or notice as otherwise provided herein) thereof to the other party and to the AAA. Any arbitration pursuant to this Section 18.1(b) shall be conducted in Atlanta, Georgia, or such other place as the parties agree.

(iii) The arbitration shall be conducted by three (3) arbitrators, which arbitrators shall be selected in accordance with the AAA Rules, and at least one (1) of whom (but no more than two (2) of whom) shall have had experience in the management and/or operation of hotel/casinos, or as a consultant in connection with the management and/or operation of hotel/casinos. Notwithstanding the above, if the Dispute at issue is for a liquidated amount not in excess of $500,000, adjusted for inflation, then the arbitration shall be conducted by one (1) arbitrator in accordance with the AAA Rules for Expedited Procedures, and which arbitrator shall be selected in accordance with AAA Rules for Expedited Procedures, and which arbitrator shall have experience in the management and/or operation of hotel/casinos.

In connection with any arbitration proceeding pursuant to this Section 18.1(b), (i) no arbitrator shall have been employed or engaged by a party hereto within the previous five (5) year period, (ii) each arbitrator shall be neutral and independent of the parties to this Agreement, (iii) no arbitrator shall be affiliated with any party's auditors, (iv) no arbitrator shall be employed by any hotel or casino operator or an Affiliate of any hotel or casino operator, and (v) no arbitrator shall have a conflict of interest with (including, without limitation, any bias towards or against) a party hereto. As used in this Agreement, the term "arbitrator" or "arbitrators" shall mean the one (1) member arbitration panel or the three (3) member arbitration panel, as applicable, described herein.

(iv) The award of the arbitrators shall be accompanied by a statement of the reasons upon which the award is based. The arbitrators shall not have the power to modify this Agreement. The award may not include, and the parties hereto specifically waive, any award of (a) special, incidental or consequential damages arising out of claims based upon any breach occurring prior to the Opening Date, (b) punitive damages or (c) attorneys' fees and costs. Accordingly, each party hereto shall bear its own attorneys' fees and costs incurred in connection with any arbitration proceeding. Unless otherwise specifically provided in this Agreement, the fees and costs of the arbitrators shall be borne equally by the parties hereto.

(v) The arbitrators may consolidate proceedings with respect to any Dispute under this Agreement with proceedings with respect to any related controversy, provided that any parties to such controversy who are not parties to this Agreement consent to such consolidation.

(vi) The parties hereto will cooperate in the exchange of documents relevant to any Dispute. Deposition or interrogatory discovery may be conducted only by agreement of such parties or if ordered by the arbitrators. In considering a request for such deposition or interrogatory discovery, the arbitrators shall take into account that the parties hereto are seeking to avoid protracted discovery in connection with any arbitration proceeding hereunder.

(vii) The obligation herein to arbitrate shall not be binding upon either party with respect to (a) claims relating to either party's rights to ownership of such party's trademarks, trade names, service marks, logos, commercial symbols, slogans, trade dress, or other intellectual property rights, or other matters materially affecting such intellectual property rights, which claims may be adjudicated in a court of competent jurisdiction, or (b) requests for temporary restraining orders, preliminary (and final) injunctions, or other procedures in a court of competent jurisdiction to obtain interim relief when deemed necessary by such court to prevent a default that would result in irreparable injury pending resolution by arbitration of the actual dispute between the parties.

ARTICLE XIX
INDEMNIFICATION

19.1 OPERATOR. Operator will defend, indemnify, and hold harmless Owner and its members, directors, officers, employees, and agents from and against any and all claims, demands, losses, penalties, fines, costs, expenses and liabilities, including, without limitation, reasonable attorneys' fees and costs and expenses incident thereto (collectively, "CLAIMS"), by reason of any action taken or omitted to be taken by Operator, its members, directors, officers, employees, and agents in bad faith or from Operator's fraud, willful misconduct, or willful breach of an express provision of this Agreement, specifically excluding defaults arising out of the willful misconduct of Owner, its members, directors, officers, employees, or agents, or actions taken or omitted to be taken in bad faith by Owner, its members, directors, officers, employees, or agents, with respect to which defaults Operator shall have no liability. All costs and expenses incurred by Operator under this Section 19.1 shall be at its own expense and shall not be treated as an Operating Expense or reimbursed by Owner.

19.2 OWNER. Owner will defend, indemnify, and hold harmless Operator, and its members, directors, officers, employees and agents harmless from and against any and all Claims arising in connection with the ownership and operation of the Project or related in any manner thereto, or arising by reason of any action taken or omitted to be taken pursuant to this Agreement, by Owner or Operator, its members, directors, officers, employees, or its agents employed pursuant to the terms of this Agreement, except with respect to those matters which Operator is responsible for as provided in Section 19.1 above, with respect to which matters Owner shall have no liability. All costs and expenses incurred by Owner under this Section 19.2 shall be Operating Expenses.

19.3 METHOD OF ASSERTING CLAIMS. Whenever any claim shall arise for indemnification under this Article XIX, the indemnified party will give prompt written notice to the indemnifying party of such claim, stating the nature, basis and (to the extent known) amount thereof, and shall cooperate fully in the defense, settlement or compromise of such claim; provided that failure to give prompt notice shall not jeopardize the right of the indemnified party to

indemnification unless such failure shall have materially prejudiced the ability of the indemnified party to defend such claim. The indemnifying party shall have the sole right to select counsel for the defense of such claim, subject to the approval of the indemnified party (which approval shall not be unreasonably withheld) and to control the defense, settlement or compromise of such claim. The indemnified party shall

have the right to participate in (but not control) the defense of any such claim, with its counsel and at its own expense. The indemnified party shall not settle or compromise any claim by a third party for which it is entitled to indemnification hereunder without the prior written consent of the indemnifying party. The indemnifying party shall obtain the prior written approval of the indemnified party (which approval may not be unreasonably withheld) before ceasing to defend against such third party claim or entering into any settlement or compromise of such third party claim involving injunctive or similar equitable relief being asserted against any indemnified party and no indemnifying party will, without prior written consent of each indemnified party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or cause of action, suit or proceeding in respect of which indemnification may be sought thereunder (whether or not any such indemnified party is a party to such claim, action or cause of action, suit or proceeding), unless such settlement, compromise or consent includes an unconditional release of all such indemnified parties from all liability arising out of such claim, action, suit or proceeding.

19.4 SURVIVAL. The provisions of this Article XIX shall survive the termination or the expiration of this Agreement.

ARTICLE XX
BINDING EFFECT ON SUBSEQUENT OWNERS

20.1 ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of Owner, its successors and permitted assigns, including without limitation, all subsequent owners of any interest in the Project and shall be binding upon and inure to the benefit of Operator, its successors and permitted assigns.

20.2 AGENCY COUPLED WITH AN INTEREST. Owner acknowledges that the Site and the Project will be substantially increased in value and made more useful and valuable to Owner and all future holders of any interest in the Site and the Project by the existence of and performance by Operator of this Agreement. Owner acknowledges that the provisions of this Agreement are specifically intended to (i) create an agency coupled with an interest on the part of Operator, and (ii) to be binding upon Owner and its successors and assigns.

20.3 MEMORANDUM OF MANAGEMENT AGREEMENT. Promptly after its acquisition of the Site, Owner agrees to execute and deliver all such documents, agreements and other instruments and take all such actions as Operator may request to make effective the foregoing provisions of this Article XX, including, without limitation, a memorandum which shall be filed and recorded in the appropriate land records. Each party acknowledges that in addition to all other rights each party may have, at law and in equity, to enforce its rights under this Agreement and/or recover damages for the breach thereof, each party shall have the right to seek and obtain specific performance of this Agreement and to seek and obtain injunctions and other equitable relief as may be necessary to protect, preserve and enforce its rights under this Agreement.

ARTICLE XXI
GENERAL PROVISIONS

21.1 ENTIRE AGREEMENT. This Agreement, the License Agreement, the Operating Agreement, the Investment Agreement, and the other agreements and documents referred to herein, and the attachments hereto, if any, constitute the entire understanding of the parties with respect to the subject matter hereof. Any previous agreements or understandings between the parties regarding the subject matter hereof are merged into and superseded by this Agreement.

21.2 WAIVER. No failure by Owner or Operator to insist upon strict performance of any covenant, agreement, term or condition of this Agreement, or to exercise any right or remedy consequent upon a breach thereof, shall constitute a waiver of any such breach or any subsequent breach of such covenant, agreement, term or condition of this Agreement, and no breach thereof shall be waived altered or modified except by written instrument signed by the party or parties waiving same. 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 existing or subsequent breach thereof.

21.3 AMENDMENTS. This Agreement may be amended, supplemented or interpreted at any time only by written instrument duly executed by each of the parties hereto.

21.4 NOTICES. Except as otherwise provided in this Agreement, all notices, demands, requests, consents, approvals and other communications (collectively "NOTICES"), required or permitted to be given hereunder, or which are to be given with respect to this Agreement, shall be in writing and personally delivered, or sent by facsimile (with a confirming copy mailed by international air mail), or by a recognized overnight courier service, or by registered international air mail, postage prepaid, return receipt requested, addressed to the party to be so notified as follows:

If to Owner: Full House Mississippi, LLC
c/o Full House Resorts, Inc.
2300 W Sahara Avenue
Suite 450, Box 23
Las Vegas, Nevada 89102
Attention: Mr. Gregg R. Giuffria
and Mary V. Brennan
Telephone No.: (702) 221-7800
Facsimile No.: (702) 221-8101

If to Operator: FH/HR Management, LLC

c/o Full House Resorts, Inc.
2300 W Sahara Avenue
Suite 450, Box 23
Las Vegas, Nevada 89102
Attention: Mr. Gregg R. Giuffria
and Mary V. Brennan
Telephone No.: (702) 221-7800
Facsimile No.: (702) 221-8101

and

c/o Hard Rock Cafe International (STP), Inc.
5401 Kirkman Road, Suite 200
Orlando, Florida 32819
Attention: Vice President, Business Affairs
Telephone No.: (407) 351-6000
Facsimile No.: (407) 363-7128

With copies to: The Rank Group Plc
6 Connaught Place
London W2 2E2 England
Attention: Mr. Douglas Yates
Telephone: 011-44-171-706-1111
Telecopier: 011-44-171-262-0354

Lord, Bissell & Brook
115 S. LaSalle Street
Chicago, Illinois 60603
Attention: Wesley S. Walton, Esq.
Telephone: 312-443-0700
Telecopier: 312-443-0336

Notices shall be deemed received on the date of delivery if personally delivered, two (2) business days after sending if sent by facsimile or overnight courier service, or seven (7) business days after sending if sent by registered international air mail.

21.5 SEVERABILITY. The provisions of this Agreement are severable. If any provision in this Agreement is found invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Agreement and the validity, legality and enforceability of the remaining provisions shall not in anyway be affected or impaired thereby. Any unenforceable provisions may be reformed in accordance with the dispute resolution provisions set forth in this Agreement.

21.6 CONSTRUCTION. This Agreement is a commercial agreement between sophisticated parties which has been entered into by the parties in reliance upon the economic and legal bargains contained herein. This Agreement shall be interpreted and construed in a fair and impartial manner without regard to which party prepared the instruments, the relative bargaining powers of the parties or the domicile of any party.

21.7 HEADINGS. The various headings used in this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of this Agreement or any provision hereof.

21.8 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one agreement.

21.9 TIME IS OF THE ESSENCE. Time is of the essence of this Agreement and each and every provision hereof.

21.10 NO PARTNERSHIP. This Agreement does not create a fiduciary relationship between Owner and Operator, and Operator is and shall at all times remain an independent contractor. Nothing in this Agreement is intended to constitute either party as a partner or joint venturer of the other party for any purpose.

21.11 EXHIBITS. All Exhibits identified in this Agreement are incorporated herein by reference.

21.12 INSTRUMENTS OF FURTHER ASSURANCE. Each of the parties hereto agrees, upon the request of any of the other parties hereto, from time to time to execute and deliver to such other party or parties all such instruments and documents of further assurance or otherwise as shall be reasonable under the circumstances, and to do any and all such acts and things as may reasonably be required to carry out the obligations of such requested party hereunder.

21.13 FORCE MAJEURE. If by reason of war, riots, civil commotion, labor disputes, strikes, lockouts, inability to obtain labor or materials, fire, hurricane, windstorm, flooding, or other acts or elements, accidents, government restrictions or appropriation or other causes, whether like or unlike the foregoing, beyond the control of a party hereto, such party is unable to perform in whole or in part its obligations under this Agreement, then in such event such inability to perform, so caused, shall not make such party liable to the other.

21.14 NO THIRD PARTY BENEFICIARIES. Nothing in this Agreement is intended nor shall it be construed to give any person, firm, corporation or other entity, other than the parties hereto and their respective successors and permitted assigns, any right, remedy or claim under or in respect of this Agreement or any provisions hereof.

21.15 GOVERNING LAW. This Agreement shall be governed, construed and enforced in accordance with the internal laws of the State of Mississippi, excluding any choice of law rules which may direct the application of the laws of another jurisdiction.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed, effective as of the date first set forth above.

OWNER:

Full House Mississippi, LLC

By: AEP & FHR LLC, its sole member

By: Full House Resorts, Inc., a member

By:_____
Name:_____
Its:_____

By: Allen E. Paulson, a member

Allen E. Paulson

OPERATOR:

FH/HR Management, LLC

By: Full House Resorts, Inc., its member

By:_____
Name:_____
Its:_____

By: Hard Rock Cafe International (STP), Inc.,
its member

By:_____

Name:___________________________
Its:______________________________

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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 Mississippi, LLC	Mississippi
Full House Subsidiary, Inc.	Delaware
Full House Subsidiary of Nevada, Inc.	Nevada
Full House Joint Venture Subsidiary, Inc.	Delaware
AEP/FHR, LLC*	Nevada
FH/HR Management, LLC*	Mississippi
Gaming Entertainment, LLC*	Delaware
Gaming Entertainment (Delaware), LLC*	Delaware
Gaming Entertainment (Michigan), LLC*	Delaware
Gaming Entertainment (California), LLC*	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, 33-80858, and 333-29299 of Full House Resorts, Inc. on Form S-8 of our report dated February 19, 1999, appearing in this Annual Report on Form 10-KSB of Full House Resorts, Inc. for the year ended December 31, 1998.

DELOITTE & TOUCHE LLP

Reno, Nevada
March 26, 1999

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